



DELIVERING ON OUR PLANS FOR GROWTH

Annual Report and Accounts 2020

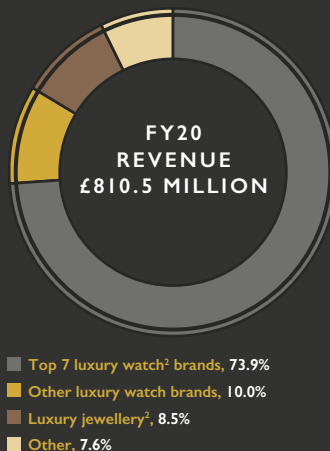


PURPOSE

To provide the highest level of customer service by well-trained, expert colleagues in modern, luxurious and welcoming store environments and state-of-the-art online sites, and by partnering with the most prestigious luxury watch brands and jewellery brands, all supported by leading-edge technology and bold, impactful marketing.

AT A GLANCE

The Watches of Switzerland Group has built on a rich history of long-standing brand partnerships – such as Rolex, Patek Philippe, Audemars Piguet, Cartier, OMEGA, TAG Heuer and Breitling – to become a globally recognised specialist of Swiss luxury watches with a complementary luxury jewellery offering. Since launching its transformation programme during 2014, the Group has enjoyed a multi-year period of strong, sustained, profitable growth to build a leading position in the UK while establishing a significant presence in the highly fragmented US market, where it aims to become a leader.



HIGHLIGHTS

REVENUE:

£810.5m

CHANGE VS LY:

+4.8%

RETURN ON CAPITAL EMPLOYED¹:

15.8%

CHANGE VS LY:

+110bps

ADJUSTED EBIT¹:

£55.9m

CHANGE VS LY:

+7.8%

OPERATING PROFIT:

£48.3m

CHANGE VS LY:

+6.2%

WELL-INVESTED STORE NETWORK

135

TOTAL STORES
(EXCLUDING NON-CORE)
AS AT 26 APRIL 2020



72.2%

REVENUE FROM
UNITED KINGDOM



27.8%

REVENUE FROM
UNITED STATES

ROLEX

PATEK PHILIPPE
GENEVE

Audemars Piguet
Le Brassus

Cartier

OMEGA

BREITLING
1884

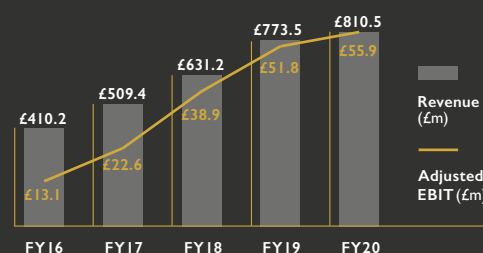
TAGHeuer

PROVEN TRACK RECORD AND MARKET LEADING PROPOSITION

- 1 Proven track record of delivering a strong, consistent financial performance with robust like for like sales, sustained profitable growth, elevated returns on capital and strong cash generation
- 2 Long-standing, collaborative partnerships with the most prestigious and recognised Swiss luxury watch brands. The top seven brands account for c. 74% of FY20 Group revenue
- 3 Multi-channel specialist of Swiss luxury watches with a leading UK position and significant and growing position in the US in a category with high barriers to entry which is underpinned by robust demand, proven value creation and supply-driven dynamics
- 4 Scale and national coverage in the UK and a significant presence in the US, with a well-invested store network which provide an exceptional customer experience through welcoming and expert service and luxurious, open, contemporary, spacious and browsable environments
- 5 Operational excellence with bold, impactful, digitally-driven marketing and best in class merchandising capabilities, powered by leading-edge, sophisticated and fully integrated IT systems
- 6 Well positioned to continue to build its leading position in the robust UK market and to become a leader in the US, a highly fragmented and under-invested market for luxury watches

STRONG LONG TERM PROFITABLE GROWTH

5-Year Revenue, Adjusted EBIT Evolution (£million)



¹ This is an Alternative Performance Measure. Refer to the glossary on page 180 for definition and reconciliation of statutory measures where relevant.

² Refer to the glossary on page 180 for definition.



A YEAR OF STRONG PROGRESS

Strong progress has been made this year in both the UK and US markets as we continue to deliver on our growth plans.

Despite the impact of the COVID-19 pandemic, the Group delivered record sales and profit during the year, reflecting our strong partnerships with the most prestigious brands, favourable market conditions and accelerating momentum in the US.

The health and wellbeing of our colleagues and customers remains our priority throughout this challenging time and beyond. We are proud of the response from our teams, who have demonstrated unwavering resilience, teamwork and dedication.

Despite the current challenges presented from the COVID-19 pandemic, demand for luxury watches has remained strong as evidenced by our online sales growth during lockdown and robust performance from our stores upon re-opening.

We are confident that the strong fundamentals underpinning the luxury watch category remain intact, and believe we are well positioned to deliver on our plans to leverage our leading position in the UK and become a leader in the US luxury watch market.

Top image: Bovet Virtuoso VII 43mm 18ct red gold case featuring the versatile Amadeo reversible system allowing the timepiece to transform into a pocket watch or desk clock.

STRATEGIC REPORT

At a glance	
Chairman's statement	
Market review	
Group transformation	
Our brand partnerships	
Chief Executive Officer's review	
Financial review	
Business model	
Our portfolio	
Our stores	
Key performance indicators	
Non-financial information statement	
Section 172 statement	
People, culture and community	
Risk management	
Principal risks and uncertainties	
Going concern and viability statement	

GOVERNANCE REPORT

IFC	Corporate governance introduction	
03	Corporate governance statement	
04	Board of Directors	
08	Directors' report	
10	Nomination Committee report	
15	Audit Committee report	
26	Remuneration Committee report	
36	Directors' remuneration report	
38		
40		
42		
46		
48		
54		
64		
66		
74		

FINANCIAL STATEMENTS

76	Independent Auditor's report	114
78	Consolidated income statement	120
84	Consolidated statement of comprehensive income	121
86	Consolidated balance sheet	122
90	Consolidated statement of changes in equity	123
91	Consolidated statement of cash flows	124
96	Notes to the consolidated financial statements	126
98	Company balance sheet	174
	Company statement of changes in equity	175
	Notes to the Company financial statements	176
	Glossary	180
	Shareholder information	182



Image right
Grand Seiko WOSG Exclusive Toge
Special Edition 39mm
Stainless-steel case retained
by a brown alligator strap and
featuring calibre 9S66, a
72-hour power reserve
automatic GMT movement

CONTINUING TO DELIVER ON OUR PLANS

would like to begin by extending my wholehearted thanks to all of our colleagues for their unwavering commitment to the business. This has been an eventful year: the Company transitioned from private to public ownership, a highly successful IPO was launched, the appropriate governance structures were put in place, further growth and investment was made in driving the business forward and, in the last six weeks of the year our colleagues were faced with, and adroitly dealt with, the unprecedented challenges of the COVID-19 pandemic.

Prior to the COVID-19 related store lockdown, we had continued to build on the success of the previous five years, with Group revenue up nearly 16% for the 46 weeks to 15 March 2020. The closure of all our stores in the UK and the US created an entirely new framework within which to operate. We planned, adapted and responded to the pandemic in order to maintain customer service and protect customers and colleagues. We fully addressed the health and safety of customers and colleagues by closing stores prior to the government enforced closure.

Our colleagues adapted to these circumstances with energy, agility and enthusiasm, finding innovative and bold solutions to address the new challenges we faced. Frequent communication and extensive online training during the lockdown ensured that our colleagues were able to hit the ground running when our stores began to open during May in the US and June in the UK. Early indications show that this has borne fruit. This blend of dedication, resilience, creativity and teamwork underscores the strength of our people and values, and makes the Watches of Switzerland Group a truly unique business.

I would also like to thank all of our stakeholders for their continued support, having passed the first anniversary of our life as a publicly listed company. In particular, I would like to extend a special thanks to the watch brands; we have forged true, longstanding partnerships that continue to stand the test of time – through both good times and more challenging periods. More than ever before, I believe the Watches of Switzerland Group is uniquely positioned for future

success. We are the leading multi-channel specialist in the UK in luxury watches, a category which is underpinned by strong long term fundamentals with proven value creation. Through our strong brand partnerships and state-of-the-art stores, we provide our customers with a distinct product offering and an exceptional luxury experience. We have invested in best in class systems and advanced merchandising tools, all of which have enabled us to ensure our stores are relevant and inviting. We have embraced the use of CRM tools and leading-edge digital marketing techniques to continue to enhance our relationships with our customers and drive engagement and awareness. These attributes, which have contributed to our growth to date, will continue to be key competitive advantages particularly as we navigate the rapidly changing environment following the COVID-19 pandemic.

“With a good project pipeline, we are well positioned to deliver against our strategic targets going forward.”

DENNIS MILLARD
CHAIRMAN



We advanced further against our strategic priorities during FY20 and despite the devastating short term effect of all of our stores being closed for the last six weeks of the period, we delivered both revenue and underlying profit growth. In the UK, we continued to increase our leading position and grew our luxury watch market share. We invested in our store offering, through new openings as well as refurbishments, relocations and extensions, and we also enriched the store portfolio in the UK with the acquisition of four Fraser Hart stores. Our ecommerce business has gone from strength to strength, particularly following the COVID-19 lockdown period, when momentum accelerated sharply, a testament to the underlying desirability of our product offering as well as further enhancements made to the online platform.

Our momentum in the US accelerated during the year and we made an important step forwards in achieving our goal of becoming a leader in this market. Our strategy of applying best practice from the UK and leveraging our brand partner relationships is delivering results. We made further progress in modernising the Mayors portfolio with further refurbishments and relocations, and further extended our mono-brand boutique network. In FY21 we will be rolling out further mono-brand stores in the US. We are excited about the significant growth opportunity in the US.

We are very pleased with our performance in Q1 FY21, with sales during July of +7.4% on last year, reflecting strong UK domestic demand and continued robust momentum in our ecommerce business.

Looking ahead, I am confident that we have the resources, the people and the foundations and under the leadership of Brian Duffy and his team we will continue to execute our strategy and deliver results, particularly in the current climate. As market leaders in a category with unique long term growth dynamics and high barriers to entry, we are well positioned to continue to build on our strong foundations so that we continue to succeed and create value for our shareholders.

DENNIS MILLARD
CHAIRMAN
12 August 2020

GLOBAL EXPORTS OF SWISS LUXURY WATCHES INCREASED FURTHER IN 2019, AS CONSUMER DEMAND REMAINS ROBUST



Above: Patek Philippe Complication 40mm 18ct white gold case on a black alligator strap powered by automatic calibre 324 S QA annual calendar movement with a 45-hour power reserve.



Above right: Audemars Piguet Royal Oak 41mm 18ct pink gold case with a blue "Grande Tapisserie" dial housing a 2385 manufacture automatic chronograph movement with a 40-hour power reserve.

7.3%

CALENDAR YEAR 2019 GROWTH
IN SWISS LUXURY WATCH EXPORTS
WITH PRICES¹ >CHF 3,000 (C. £2,400)

£17.2bn

CALENDAR YEAR 2019 VALUE OF
GLOBAL SWISS WATCH EXPORTS

LUXURY WATCHES

Global Swiss watch exports (wristwatches) reached a value of CHF 20.5 billion (£17.2 billion) during 2019, up 2.6% relative to 2018. Applying a retail mark up and adding sales generated in Switzerland results in global retail sales of Swiss watches of approximately CHF 50.7 billion (£42.6 billion) (Source: Morgan Stanley Research). During the first half of 2020, Swiss watch exports have declined, reflecting the COVID-19 pandemic related closure of both production facilities in Switzerland and retail distribution globally.

The luxury end of the market, on which the Group is focused, has outperformed in recent years. In particular, exports of luxury watches with a price of over CHF 3,000 (c. £2,400) rose 7.3% during 2019 and now represent 69.1% of total global Swiss Watch exports (vs. 65.2% two years ago)¹.

The luxury market for Swiss watches is resilient and driven by long term price increases and volume growth. The industry is characterised by a structural imbalance between supply and demand, reflecting the faster rate of increase in demand relative to production. In addition, the Swiss luxury watch market is comprised of a concentrated number of key brands which actively manage and control the distribution of their products, primarily through third party retailers, in order to preserve exclusivity and enhance brand positioning.

The luxury Swiss watch industry is highly concentrated amongst the top brands, led by Rolex, which is the leading brand globally and in both the US and the UK. The Group's sales mix is aligned with the market with the top seven brands representing 73.9% of Group revenue. These top seven brands are the same across both the UK and the US markets:

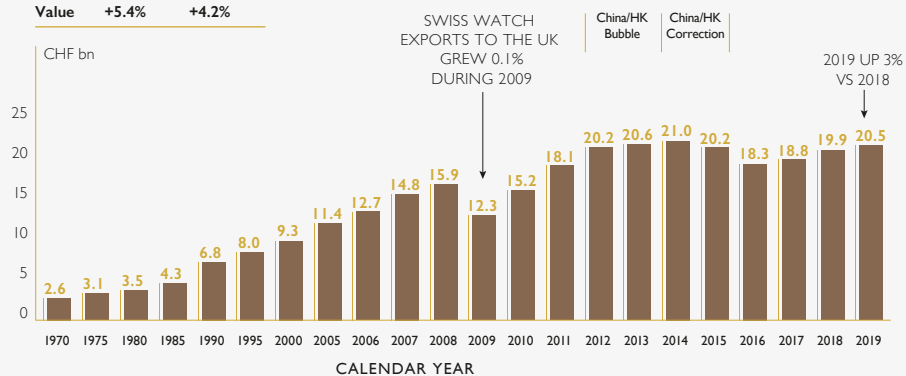
- Rolex
- Patek Philippe
- Audemars Piguet
- Cartier
- OMEGA
- Breitling
- TAG Heuer

Geographically, Asia is the largest market for Swiss watch exports, accounting for 53.2% of the total, followed by Europe at 30.0% and America at 14.7%. The UK and the US, the Group's two markets, represent the fifth and second largest markets for Swiss watch exports, respectively.

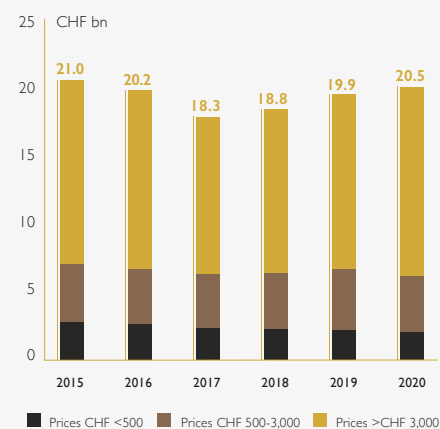
¹ The basis of pricing relating to Swiss Watch data is a mixture of intercompany, wholesale and distributor pricing

RESILIENT LONG TERM GROWTH IN SWISS WATCH EXPORTS

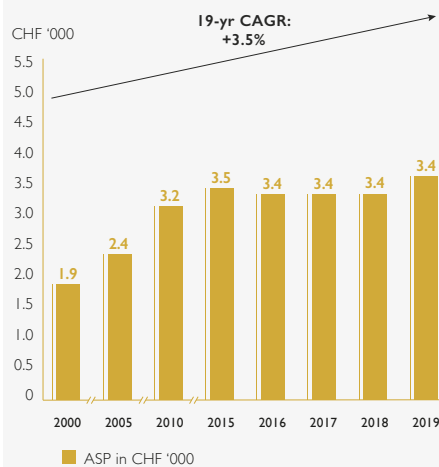
CAGR	1970-2019	1996-2018
Value	+5.4%	+4.2%



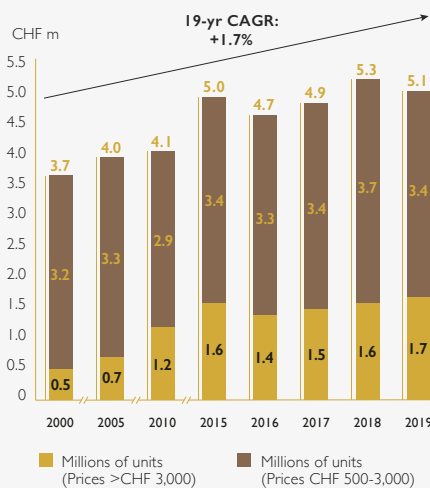
GLOBAL SWISS WRISTWATCH EXPORTS BY PRICE SEGMENT (CHF BN)



LONG TERM INCREASE IN PRICES... GLOBAL SWISS WATCH EXPORTS ASP²



... AND SALES VOLUMES³ GLOBAL SWISS WATCH EXPORTS



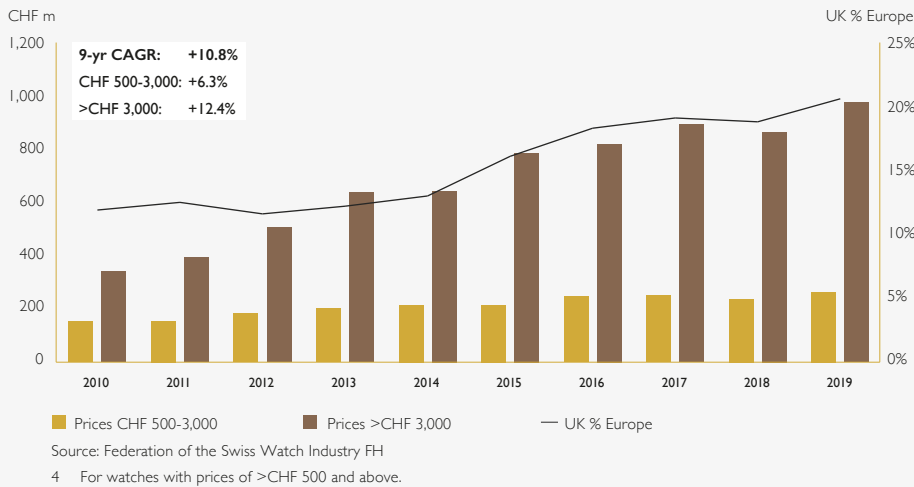
Above: H.Moser x MB&F's First Ever Timepiece Collaboration
For the first time in history, independent watchmakers H.Moser and MB&F collaborated to create two models, which will be available in multiple versions to establish a 15-timepiece, limited-series collection inspired by the companies' shared focus on innovation, design and passion.

Source for all charts: Federation of the Swiss Watch Industry FH

2 ASP = Average Selling Price

3 Prices >CHF 500

VALUE OF SWISS WATCH EXPORTS⁴ TO THE UK



Above: OMEGA Seamaster Diver Co-Axial Master Chronometer James Bond 007 2020 Edition 42mm Grade 2 titanium case presented on a titanium mesh bracelet and powered by the calibre 8806 Master Chronometer movement with a 55- hour power reserve.

UK

The UK is the fifth largest market globally. The value of Swiss wristwatch exports with prices above CHF 500 reached CHF 1.2 billion (£1.0 billion) during 2019, up 12.6% vs the prior year and by a CAGR of 10.8% since 2010. The UK has been the most dynamic market in Europe, increasing its share of the region from 11.9% to 20.6% between 2010 and 2019.

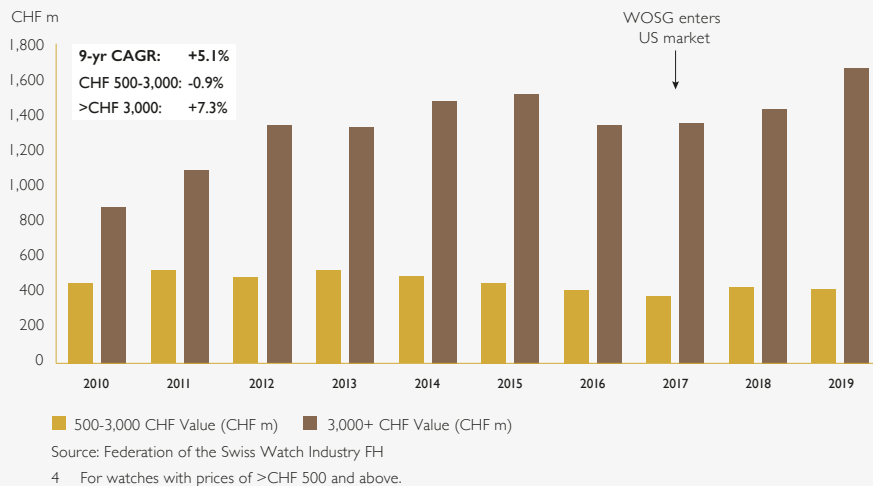
In line with the global trend, exports of watches with prices above CHF 500 outperformed in the UK, increasing 15.9% during 2019 to reach a total value of CHF 1.0 billion, or retail sales of approximately £1.6 billion. The Group cemented its leadership position in the UK during the year and further increased its market share.

US

The US is the second largest market for exports of Swiss watches with prices above CHF 500, with a value of CHF 2.4 billion (£1.9 billion) during 2019, up 11.6% relative to the prior year. Since 2010, the US market has recorded a CAGR of 5.1%, with watches above CHF 3,000 achieving a CAGR of 7.3%. The size of the US market in 2019 is broadly in line with 2014, having dipped in 2016 and 2017 before beginning to grow thereafter.

According to NPD Group market research data, retail sales of luxury watches reached approximately £2.7 billion during 2019. The Group has established a significant presence in the US, making a major step towards its goal of becoming leaders in this market. (source: NPD).

VALUE OF SWISS WATCH EXPORTS⁴ TO THE US





Above: Breitling Chronomat 42mm Stainless-steel case featuring the iconic bezel with four rider tabs and signature Rouleaux bracelet housing the COSC certified 01 automatic chronograph movement with a 70-hour power reserve.



Above right: TAG Heuer Monaco Gulf 39mm Stainless steel case on a perforated racing style leather strap with the signature Gulf livery dial and powered by an automatic calibre 11 chronograph movement with a 40-hour power reserve.



Above: Santos De Cartier Yellow Gold & Steel 40mm Stainless-steel case with 18ct yellow gold bezel on the iconic Santos bracelet, powered by 1847MC automatic movement with a 72-hour power reserve.

ONLINE

According to GFK data, the total market for online sales of luxury watches reached £54.4 million during 2019 (2018: £49.2 million), excluding brands' own online sales and fashion retailers' sales, an increase of 10.0% relative to 2018. Online penetration of luxury watches in the UK increased to 13.0% (2018: 12.0%). The Group continued to enhance its ecommerce platform during the year including expanding the portfolio of brands sold online, some of which were previously only transacted in stores, during the COVID-19 related lockdown period.

During the first six months of 2020, the online market for luxury watches increased 41.1% relative to the same period during the prior year, accelerating relative to growth of 15.8% seen during the first six months of 2019. During this period, the online penetration of luxury watch sales reached 34.7% (2019: 13.9%) and the Group's market share increased to 48.0% (first six months 2019: 41.2%).

RISKS TO THE MARKET

Luxury brands continue to actively work to reduce grey market activity, where watches are bought and sold by unauthorised dealers. The grey market damages consumer trust in the market and increases the risk of counterfeit goods. In contrast, the pre-owned market, is growing and provides liquidity to the luxury watch market and preserves value.

LUXURY JEWELLERY

According to the World Gold Council, the US and the UK jewellery markets are among the largest on a per capita basis. Gold demand in the US has grown by a CAGR of 2.9% since 2012 whilst the market in the UK has grown by a CAGR of 1.2%. This has been driven by an increase in self purchase made by women as well as an increase in average order value.

Sales of branded luxury jewellery, the segment on which the Group focuses, has been increasing within the overall market and is estimated to account for approximately 30.0% (source: McKinsey).

OUTLOOK

The Group believes that the luxury watch market is underpinned by strong long term fundamentals and that it is well positioned for continued growth, despite the current challenges presented by global economic uncertainty and the COVID-19 pandemic. A large proportion of the luxury watch market is supply constrained, with customer demand remaining significantly higher than availability for many of the Group's brand partners. Despite the high levels of economic and socio-political uncertainty, the Group does not consider these factors to place a specific risk to its core operations. The majority of sales are made to domestic customers, who maintain a high level of demand for luxury watches.

The Group continues to monitor the evolution of Brexit and to assess its potential exposure to the likely outcomes. Whilst the Group remains mindful of the likelihood of increased economic uncertainty and potential slowdown from Brexit, it does not foresee Brexit itself as a specific risk.

GROUP TRANSFORMATION

HOW WE HAVE TRANSFORMED

The Group has developed into an industry leader through an investment-driven transformation programme over the last six years. This has focused on the areas of: Management and Systems, Channel Diversification and Store Elevation, Brand Partnerships, Marketing and US Expansion.

During FY14, the Group embarked on a programme of investment in stores to elevate and modernise them whilst making them more friendly and welcoming.

Given the Group's strong positioning in the market, management also recognised this as an opportunity to modernise the category.

During FY15, the Group established the "Golden Triangle" Watches of Switzerland stores in central London serving as flagships to best represent the brands showcased and offer the ultimate customer experience. The Travel Retail channel was also enhanced during FY15 with the expansion of the Group's presence in Heathrow Airport.

A separate mono-brand division was created during FY17, with boutiques able to showcase the brands in a tailored, brand-centric environment.

Further investment to upgrade existing systems including SAP and Retail POS systems, as well as a CRM investment upgrade, were made to provide a data-driven approach to merchandising, marketing and retail operations. A leading-edge ecommerce platform has also been launched to complement the multi-channel business model.

DEVELOPED INTO AN INDUSTRY LEADER THROUGH INVESTMENT-DRIVEN TRANSFORMATION PROGRAMME

	FY 2015	FY 2016	FY 2017
MANAGEMENT AND SYSTEMS	New leadership, management and control		
		Stock and merchandising initiatives (e.g. intake management)	
		IT (Incl. SAP and Retail POS System) and CRM investment upgrade	
CHANNEL DIVERSIFICATION AND STORE ELEVATION		London WoS Golden Triangle	
		Store elevation programme	
		Heathrow expansion	
		Luxury watches – online expansion	
		Creation of mono-brand division	
BRAND PARTNERSHIPS		Strong brand partnerships further developed	
MARKETING		Digital / Co-op / Social / Events / CRM	
US EXPANSION			

Initial customer response has been highly encouraging. The Group sees a significant growth opportunity in the US, which remains a highly under-invested and fragmented market.



Wynn Resort, Las Vegas store refurbishment, opening of 2 mono-brand boutiques

Relaunch – Mayors brand / jewellery

Opening of New York stores

Mayors store elevation programme

OUR BRAND PARTNERSHIPS

STRONG, LONG STANDING AND COLLABORATIVE

We have developed strong, longstanding and collaborative partnerships with the most prestigious Swiss luxury watch brands over the years. We constantly strive to represent our brand partners in the best possible way to our discerning customers. This includes working together to identify distribution opportunities, partner on demand forecasting and product development and

collaborating closely on all store projects, across the online platform, clienteling initiatives and marketing activities. During the COVID-19 pandemic, we further enhanced our collaboration with brand partners through increased communication, brand conferences, additional training, the inclusion of additional brands on our ecommerce platform and the creation of new clienteling initiatives.



“Rolex should be seen as the one and only – the best” declared German-born British founder of Rolex, Hans Wilsdorf, in 1914, and his dream came true. The story of the legendary watch house began nine years earlier, in 1905, when the ambitious 24-year old set out to create an elegant and reliable wristwatch in a time when these were still a rarity. The young pioneer’s vision became a reality when he turned to a watchmaker in Bienne, Switzerland, who was able to provide the small, highly precise movements his innovative new creations required. By 1910, the company had produced the first watch ever to receive the Swiss Certificate of Chronometric Precision, and this was followed four years later by a Class A precision certificate, Class A being a quality previously reserved for marine chronometers. By 1919, Rolex, which had by then moved to Geneva, was firmly regarded as the watchmaker of both accuracy and innovation, having produced the first waterproof watch. In 2019, we were proud to have celebrated our 100-year partnership with Rolex.



Utilising over 175 years of experience and perpetuating the tradition of Genevan watchmaking, Patek Philippe has always been at the forefront of the luxury watch industry. As the last family-owned independent watch manufacturer in Geneva, Patek Philippe enjoys total creative freedom to entirely design, produce and assemble what experts agree to be the finest timepieces in the world – following the vision of its founders Antoine Norbert de Patek (1839) and Adrien Philippe (1845). We have been privileged to partner with Patek Philippe for over 50 years.



Audemars Piguet is the oldest fine watchmaking manufacturer that is still in the hands of its founding families (Audemars and Piguet). Since 1875, the company has written some of the finest chapters in the history of haute horlogerie, including a number of world firsts. Our partnership with Audemars Piguet has spanned more than 50 years and we are privileged to partner on a mono-brand boutique at our Mayors store in Lenox Square, Atlanta, Georgia, US.



Cartier

Known as a maison (French for house), Cartier was established in 1847, in Paris by Louis-François Cartier. Responsible for the world's first modern wristwatch in 1904, the Santos, driven by advances in aviation and the Brazilian pilot Alberto Santos-Dumont. Cartier has since developed its own range of in-house watch movements, has led the way in creative watchmaking and developing iconic shapes as its signature. We are fortunate to have had a partnership with Cartier spanning over 70 years.



Ω
OMEGA

Swiss made since 1848, OMEGA watches are the pinnacle of luxury watches. Their record-breaking precision, reliability, versatility and good looks are but a few of the reasons why OMEGA watches have partnered with the likes of NASA and the world's favourite secret agent, James Bond. OMEGA watches have been to the deepest depths of the ocean as well as the surface of the moon and we have been in partnership with OMEGA since the 1950s. We are proud to work in partnership on OMEGA mono-brand boutiques.



ⓑ
BREITLING
1884

Breitling has been leading the way in wrist chronometers since 1884. Its unrivalled devotion to aviation has led to world-class innovations in precision, quality and performance. Responsible for producing its own mechanical chronograph movement, Breitling equip all its models with chronometer-certified movements, entirely developed and manufactured in its own workshops. We have a long-lasting relationship with Breitling which dates back to the 1980s and we are proud to work in partnership on Breitling mono-brand boutiques.



TAG
Heuer

#DontCrackUnderPressure is far more than a claim – it is a mindset. Closely connected to motor racing, values of daring pioneering spirit and boldness shape the identity of TAG Heuer watches. Its rich heritage is built on pushing boundaries and breaking rules, all while harnessing mental strength to overcome technology restraints to create daring watches and chronographs. Breaking watchmaking conventions means that TAG Heuer watches master time with unparalleled precision. We have a strong partnership with TAG Heuer that began over 40 years ago and we are proud to work in partnership on TAG Heuer mono-brand boutiques.

OUR BRAND PARTNERSHIPS



TUDOR was established by Hans Wilsdorf, the founder of Rolex, in 1926 as a watch with all the style, character and robust high quality of its older sibling Rolex, but at a more accessible price point. This commitment to produce the very highest quality watches led to TUDOR timepieces being adopted for use by a number of professional organisations including navies, armies and expedition teams worldwide. Since 2015, TUDOR has offered in-house manufactured COSC-rated movements, which power watches made with innovative design and state-of-the-art production processes. In 2020, we will launch the first TUDOR mono-brand boutique in Europe in London.



Established in 1755 by Jean-Marc Vacheron, 'timelessness' is no doubt a perfect description of the maison's tradition of craftsmanship and spirit of innovation in a single word. Paving the way for fine watchmaking over the last 260 years, each Vacheron Constantin timepiece reflects a unique technical and aesthetic signature, each with its own story to tell. The Swiss manufacturer champions elegance, simplicity and creativity with the highest level of excellence and we have been working in partnership for 40 years.



Born out of founder Carlo Croco's desire to create his own watch in the 1970s, luxury Swiss watch brand Hublot (French for porthole) was founded in 1980, and instantly became world-renowned for its innovative rubber strap – never before seen in the luxury watch industry. Ever since, the brand has continued to pioneer watches with novel cases and materials, calling it 'the art of fusion' in which traditional watchmaking techniques are combined with modern innovation. In 2020 we launched our second Group exclusive watch in partnership with Hublot and have enjoyed a partnership for over 30 years.



The brainchild of Boston watchmaker, Florentine Ariosto Jones, IWC Schaffhausen as its name suggests is an international watch company that is renowned for crafting luxurious timepieces that prove style and functionality can work together with effortless ease. Having founded the watch company in 1868, he achieved his vision by bringing together progressive American production techniques and the skilled craftsmanship of Swiss watchmakers, in order to create world-class timepieces that are of the highest standard, both aesthetically and functionally. Today, IWC Schaffhausen has gained an international reputation and we have enjoyed a partnership for over 30 years.



Jaeger-LeCoultre was born in La Vallée de Joux in the Swiss Mountains in 1833. With all crafts under one roof within the Manufacture, watchmakers, engineers, designers, artisans work together to give birth to fine watchmaking creations. Driven by a compelling energy and a spirit of collective invention that daily inspires the commitment of each and every member of the family, they cultivate an understated sophistication and technical creativity. This same spirit has powered the creation of more than 1200 calibres since 1833 and made Jaeger-LeCoultre the Watchmaker's Watchmaker. We are privileged to have had a partnership spanning over 30 years.



Founded in Florence in 1860 as a workshop, shop and school of watchmaking, for many decades Panerai supplied the Italian Navy in general, and its specialist diving corps in particular, with precision instruments. The designs developed by Panerai in that time, including the Luminor and Radiomir, were covered by the Military Secrets Act for many years. Today, Panerai develops and crafts its movements and watches at its Neuchâtel manufacture. We have enjoyed a partnership spanning over 25 years.



Founded in 1832 by Auguste Agassiz, the Swiss watch brand Longines has created classic luxury watches that have stood the test of time. Inspired by aviation, the winged hour glass logo is recognised worldwide for producing high quality and accurate sport watches and chronographs. Longines provided timers for the very first modern Olympic games in 1896 and used in North Pole expeditions since 1899. Tried and tested in the most extreme conditions, Longines has proved quality and accuracy time and time again. We have enjoyed a partnership spanning 65 years.



Blancpain is the world's oldest watchmaking brand, having been founded in 1735 in the Swiss Jura mountains by Jehan-Jacques Blancpain. Over the years it has invented countless complications, remaining ever faithful to its tradition of innovation, and this quest for invention still drives the master watchmakers of the manufacture in Switzerland today. Blancpain is determined to push the boundaries of its inheritance through constant self-renewal, and to improve its timepieces by constantly challenging watchmaking constraints.

JEWELLERY



At the Watches of Switzerland Group, our brands Mappin & Webb, Goldsmiths and Mayors offer their very own collections of jewellery all steeped in a rich history and heritage, making our stores and websites the destination for fine luxury jewellery. We are also privileged to partner with the best luxury jewellery brands in the world, including Gucci, FOPE, Messika, Roberto Coin and Mikimoto.

We are proud to have opened our first jewellery mono-boutique in partnership with FOPE in November 2019 in Old Bond Street, London, the heart of luxury jewellers.

Mappin & Webb
LONDON

EST. 1810
MAYORS
FINE JEWELLRY & TIMEPIECES

GOLDSMITHS
SINCE 1778

GUCCI

VICENZA
FOPE
DAL 1929

MESSIKA
PARIS

MIKIMOTO

ROBERTO COIN



DELIVERING
A MARKET LEADING
LUXURY
EXPERIENCE

FY20 was an interesting year; the first year for the Watches of Switzerland Group as a public company listed on the London Stock Exchange, a successful year of record growth for the 46 weeks through to mid-March and then the closure of all of our stores in the UK and US due to the COVID-19 pandemic.

» READ MORE OVERLEAF FROM
BRIAN DUFFY, CHIEF EXECUTIVE OFFICER

"We are well positioned to deliver on our plans to leverage our leading position in the UK and become a leader in the US luxury watch market."

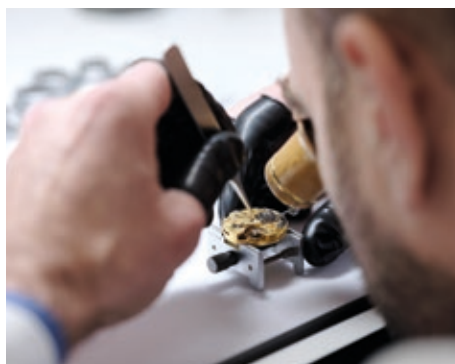
BRIAN DUFFY CHIEF EXECUTIVE OFFICER

Through week 46 of FY20 we were tracking at +15.8% revenue growth with the UK +9.4% and the US +36.4% driven by strong LFL sales +9.3% (UK +9.2%, US +9.8%) and new store projects contributing positively. Ecommerce sales in the UK were +15.9%. Sales growth was driven by luxury watches +19.3% representing 83.8% of total sales (FY19: 81.6%). Jewellery sales were +5.4% in the UK but -11.0% in the US as we transition our positioning in that market. All in all, a very satisfactory performance and further evidence of having successfully executed our strategy in recent years.

As a result of the store closures, our sales performance for the 52 weeks to 26 April 2020 was +5.9% to £819.3 million (+4.8% to £810.5 million post reclassifications¹). Adjusted EBITDA² of £78.1 million grew by 13.6% and operating profit of £48.3 million grew by 6.2%.

Our UK business continued to perform strongly, leading us to gain market share and further cement our leadership position in this market. We continued the successful development of our multi-channel proposition with enhancements made to our store estate, including our mono-brand and travel retail channels, and to our ecommerce platform, supported by bold, impactful, digitally led marketing and best in class technology and systems. With an exciting pipeline of projects lined up, we continue to pursue growth and expansion opportunities in the UK.

We are particularly pleased with the performance of our US business during the period. At year-end, the Watches of Switzerland Group had only been operating in the US for less than three years and in that time we have successfully integrated acquisitions (Mayors and Wynn Resort, Las Vegas), launched the Watches of Switzerland brand in New York with the opening of two flagship stores, implemented all of our systems and expanded the Head Office functions in Fort Lauderdale, Florida. We have established strong working relationships with all US based key brand management and with all major landlords and mall operators. We have created both awareness and popularity with the discerning watch consumer audience in the US. Importantly, we have demonstrated that our approach to store design, namely stores that are luxurious and contemporary but also warm and welcoming, appealing to the US consumer. We have implemented these designs in the new New York flagships and in the refurbishments in Wynn Resort, Las Vegas and in some



Above: Manchester Service Centre



Prince's Trust

Mayors stores including Lenox Square (Atlanta), Avalon (Atlanta), Merrick Park (Miami) and Miami International. In all cases, the sales performance post refurbishment has met or exceeded expectations. We have retained and integrated experienced talented teams in Mayors and the Wynn Resort and added new talent in New York and in our corporate organisation.

We have built an impressive infrastructure and established a significant presence in the US market, making a major step towards our goal of becoming leaders in this market. We have great momentum and we have significant opportunity to grow in this attractive market.

In FY20 we progressed our programme of mono-brand boutiques. At year-end there were 22 mono-brand boutiques in our portfolio, with the opening of a further three TAG Heuer boutiques and Scotland's first Rolex boutique during Q1. We have announced plans to open a further 17 mono-brand boutiques in the UK and the US.

We also expanded our presence in the travel retail channel with the opening of our first store in Gatwick North Terminal.

We acquired four stores from Fraser Hart in Stratford, Brent Cross, Kingston and York in March 2020. The stores' fascias have been changed to either Watches of Switzerland or Mappin & Webb and we have implemented all of our Group systems. Most importantly we welcomed four new teams of colleagues into our organisation. The stores have all traded well during the initial period following the acquisition and we have plans to invest and upgrade these stores in the near future.

In September 2019, we opened a National Watch Service Centre in Manchester. We currently have 12 watchmakers and two technicians in the centre and we have plans to expand. The centre has accreditation from Rolex and other key brands. Watch servicing and repair has historically been a challenge for the industry, particularly in terms of turnaround times. Our new purpose-built centre, which is fully set-up with the latest equipment and technology, allows the Group to respond to client needs locally and quickly and also supports our growing pre-owned business.

Overall market conditions in both the UK and US markets remained strong, with demand for popular products, particularly those of Rolex, Patek Philippe and Audemars Piguet outstripping supply for the total markets and for the Watches of Switzerland Group. We believe that these conditions will continue for the foreseeable future.

The closure of our stores in mid-March 2020 clearly resulted in a major shortfall in sales revenues. Our main source of sales during this period was our ecommerce business in the UK. In the six weeks to year-end, ecommerce sales increased 45.8% versus last year and in the month of April 2020 were +82.8%. We added new brands and supported online with marketing that contributed to this market leading performance.

We expect there to be a permanent step up in our ecommerce business as a result of these enhancements. In addition, we also increased our marketing support on all digital and social media including direct support of our online sites during this time.

With the loss of store revenue, we were required to review and restrict all areas of expenditure and focus on cash. Most importantly, our priority during this period was the job security of our colleagues and maintaining the salaries of colleagues. As our stores began to re-open in June, I am pleased to report that we were successful in preserving jobs and salaries. Government support during this period has been important in achieving these objectives.

The health and wellbeing of our colleagues and customers remains our priority throughout this challenging time and beyond and we have taken the necessary actions to adapt to the new requirements. Our business model is robust and we are well equipped to adapt to changing consumer behaviour and heightened safety concerns created by the COVID-19 pandemic. Luxury watches and jewellery are a considered purchase, with over 80% of transactions being digitally driven and researched by the customer prior to visiting a store. As a result of the category's characteristics, our stores typically have limited traffic and high conversion rates, enabling us to practically adopt the required social distancing measures. PPE and hygiene materials have been introduced to all stores. In addition, we have continued to invest in new technology and recently launched our "By Personal Appointment" service, a booking system for clients to make both

¹ During FY20 the Group has reclassified certain costs and revenue, mainly to correctly reflect interest-free credit costs under IFRS 9, with no impact on net profit. As the impact is not material to the financial statements the comparatives have not been restated. The results are shown prior to making this adjustment to aid comparability. These adjustments would reduce the FY20 revenue as stated by £8.8 million. If the prior year revenue was restated, revenue would have reduced by £10.7 million.

² Refer to glossary on page 180 for definition.

£810.5m

FY20 REVENUE

4.8%

YEAR-ON-YEAR REVENUE GROWTH

in-store and virtual appointments with their chosen store, for a personalised one-to-one experience. A survey we recently conducted suggests our customers are highly satisfied with the changes we have made to prioritise their health and safety. Lastly, our colleagues can view regularly updated COVID-19 secure audits across support centres, service centres and stores on our internal ONE communication platform.

During lockdown, we kept our workforce informed of business developments and management plans whilst progressing on learning and development initiatives. We implemented a number of social initiatives including a virtual pub (the 'Cog & Carat') in the UK and a virtual Water Cooler chat room in the US, which enabled colleagues to stay in touch with one another while a 'Daily Read' was circulated to keep teams up to speed with their industry knowledge. UK colleagues completed over 13,000 e-learning modules while colleagues in the US attended nearly 2,300 hours of virtual webinar training sessions delivered by 21 different brand partners. Our teams returned to their workplaces informed, confident and enthusiastic and we were pleased to have protected salaries throughout the period of lockdown. We opened our stores as soon as we were able and have no plans for any major restructuring of the business.

As a precaution against any further lockdown measures, we negotiated additional borrowing facilities of £45.0 million under the UK Government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"), which significantly increased liquidity.

During the first quarter of FY21 we re-opened the majority of our stores. This began in the US with Mayors throughout Florida and Georgia from early May 2020, Wynn Resort, Las Vegas in early June 2020 and Soho, New York in late June. Hudson Yards, New York remains closed. In the UK we opened in England in mid-June 2020, followed by Wales and Scotland in late June and finally, Heathrow Terminal 2 and Terminal 5

OUR STRATEGIC PRIORITIES



01. GROW REVENUE, PROFIT AND RETURN ON CAPITAL EMPLOYED¹

See page 18



02. ENHANCE STRONG BRAND PARTNERSHIPS

See page 20



03. DELIVER AN EXCEPTIONAL CUSTOMER EXPERIENCE

See page 21



04. DRIVE CUSTOMER AWARENESS AND BRAND IMAGE THROUGH MULTIMEDIA WITH BOLD, IMPACTFUL MARKETING

See page 22



05. LEVERAGE BEST IN CLASS OPERATIONS

See page 24



06. EXPAND MULTI-CHANNEL LEADERSHIP

See page 25

on 1 July 2020 and Gatwick North Terminal in early August. We calculated our opening hours versus normal conditions for Q1 at approximately 38%.

While the UK retail sector began a recovery in July 2020, there remained a significant reduction in traffic and this was particularly evident in London and Heathrow. Traffic in regional centres was approximately -50%, -75% in London and more than -80% in Heathrow.

Despite these fundamental challenges, during Q1 we delivered sales of -27.6% to last year, which is a very positive performance considering that stores were closed for a significant part of the period, with performance rebounding strongly on re-opening with July sales +7.4%. In the UK, Q1 ecommerce sales were very strong at +79.3% while UK domestic sales +20.4% offsetting lower tourism and airport business -92.8%. Overall regional stores and domestic customers offset the greater declines in London, airport and tourist business. In the US post re-opening, all areas of the business performed strongly driven by enhanced clienteling and good product availability.

We are very pleased with our Q1 performance which we believe is clear evidence of the strength of our brand partner portfolio and our customer-centric approach to modern retail. Our encouraging Q1 sales performance underpins the strength of our supply-driven business model and provides the basis on which we provide FY21 guidance.

The most compelling take away for me from FY20, the 12-week lockdown (half in Q4 FY20, half in Q1 FY21) and the period of store re-opening (Q1 FY21), is that we have the best teams in the business. Throughout these periods our colleagues have supported each other; have learned and trained; have remained positive and forward thinking; and have hit the ground running as our business returned. Thank you all. The Directors and Executives will do all that we can to continue to support you as we drive our business on to greater success.

PROVEN TRACK RECORD & MARKET LEADING PROPOSITION

- 1 Proven track record of delivering a strong, consistent financial performance with robust like for like sales, sustained profitable growth, elevated returns on capital and strong cash generation
- 2 Long-standing, collaborative partnerships with the most prestigious and recognised Swiss luxury watch brands. The top 7 brands account for c. 74% of FY20 Group revenue
- 3 Multi-channel specialist of Swiss luxury watches with a leading UK position and significant and growing position in the US in a category with high barriers to entry which is underpinned by robust demand, proven value creation and supply-driven dynamics
- 4 Scale and national coverage in the UK and a significant and growing presence in the US, with a well-invested store network which provides an exceptional customer experience through welcoming and expert service and luxurious, open, contemporary, spacious and browsable environments
- 5 Operational excellence with bold, impactful, digitally-driven marketing and best in class merchandising capabilities, powered by leading-edge, sophisticated and fully integrated IT systems
- 6 Well positioned to continue to build its leading position in the robust UK market and to become a leader in the US, a highly fragmented and under-invested market for luxury watches

STRATEGY CONTINUING TO DELIVER RESULTS

During FY20, the Group made further progress in advancing on its strategic priorities and delivered profitable growth despite the unprecedented challenges presented by the COVID-19 pandemic. The Group's leading position in the UK was further cemented whilst momentum in the growing US business accelerated.



1. GROW REVENUE, PROFIT AND RETURN ON CAPITAL EMPLOYED¹

The Group continues to grow revenue, profit and return on capital employed through the following key drivers:

- Increasing sales productivity through excellent customer service, impactful marketing including extensive use of CRM; improved product availability through analytical merchandising; continual improvement of brand representation
- Elevating and expanding of existing store portfolio to provide luxurious, inviting, welcoming, spacious and browsable store environments
- Further developing multi-channel network in response to brand direction and changing consumer preference
- Expanding our footprint with new stores in new retail developments and underserved markets
- Making selective complementary acquisitions
- Continuing to research further growth potential in the luxury watch category both geographical and market sector

Since FY14, the Group has generated average UK like for like growth of 9.0%, increased its market leading position in the UK and grown UK Adjusted EBITDA by a CAGR² of 29.8%. Prior to the COVID-19 pandemic, the Group had been on track to deliver double digit sales growth; revenue for the 46 weeks to 15 March 2020 increased by 15.8% relative to the prior year period, with UK sales increased by 9.4% and US sales increased by 36.4%.

FY20 Adjusted EBIT¹ increased by 7.8% to £55.9 million (FY19: £51.8 million). Return on Capital Employed increased to 15.8% (FY19: 14.7%).

As at 26 April 2020, the Group's store network comprised 135 stores, excluding non-core, of which 113 in the UK and 22 are in the US.

£20.7m

FY20 EXPANSIONARY CAPEX³

9

NEW SHOWROOMS IN FY20 (INCLUDING 4 STORES ACQUIRED FROM FRASER HART)

¹ This is an Alternative Performance Measure. Refer to the Glossary on page 180 for definition and reconciliation to statutory measures.

² Compounded Annual Growth Rate. Refer to the Glossary on page 181.

³ Refer to page 32 for more information.



Main image: Watches of Switzerland, Hudson Yards, NYC

IN FY20 THE GROUP INCURRED £20.7 MILLION IN EXPANSIONARY CAPEX INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING STORE PROJECTS:



Above: Mappin & Webb, York. Above right: Mayors Merrick Park, Coral Gables, Florida.

UK

- Watches of Switzerland Regent Street flagship, expanded to include a dedicated Rolex Room, new IWC room opened (November 2019)
- Four Fraser Hart stores acquired and converted (March 2020):
 - Stratford and Brent Cross rebranded as Watches of Switzerland
 - Kingston and York rebranded as Mappin & Webb
- New FOPE jewellery mono-brand boutique opened on Old Bond Street (November 2019)
- First Watches of Switzerland boutique opened in Gatwick Airport, North Terminal, extending the Group's presence in the travel retail channel (August 2019)
- Mappin & Webb Old Bond Street refurbished (June 2019)
- Mappin & Webb Manchester refurbished (October 2019)
- Mappin & Webb Bluewater refurbished (November 2019)
- Goldsmiths Merry Hill refurbished (May 2019)
- Goldsmiths Watford refurbished (June 2019)
- OMEGA boutique in Glasgow relocated and fitted to the new store design (November 2019)
- Watches of Switzerland Brighton relocated and fitted to the new store design (July 2019)
- Goldsmiths Nottingham Victoria Centre store enhanced to the new store design (August 2019)
- Goldsmiths Edinburgh Fort new store opened (November 2019)
- Three new UK TAG Heuer mono-brand boutiques opened in Watford (June 2020), Kingston (July 2020), Oxford (July 2020)
- Mappin & Webb Cambridge refurbishment and expansion including a dedicated Rolex Room (July 2020)
- Conversion of Watches of Switzerland Glasgow to a Rolex mono-brand boutique (July 2020)

US

- Four Mayors stores were converted to the new concept through relocations and refurbishments:
 - Mayors Miami International mall store relocated and refitted to the new store design (May 2019)
 - Mayors Merrick Park, Coral Gables relocated and refitted to the new store design (June 2019)
 - Mayors Lenox Square, Atlanta relocated and refitted to the new store design; introduction of a dedicated Rolex space and opening of the Group's first mono-brand Audemars Piguet boutique (July 2019)
 - Mayors Avalon, Atlanta relocated and refitted to the new store design (February 2020)
- Watches of Switzerland Encore Boston Harbor opened (July 2019)

IN ADDITION, WE HAVE A VERY STRONG STORE PROJECT PIPELINE:

UK

- Two new UK TAG Heuer mono-brand boutiques Trafford Upper & Cardiff (Spring 2021)
- Watches of Switzerland Broadgate London, Rolex anchor (Autumn 2020)
- Watches of Switzerland Knightsbridge expansion and refurbishment including a Rolex Room (Autumn 2020)
- First Tudor mono-brand boutique White City London (Autumn 2020)
- Breitling and OMEGA Bluewater mono-brand boutiques refurbishment (Autumn 2020)
- Goldsmiths Trafford Upper relocation (Winter 2020)
- Watches of Switzerland Stratford refurbishment (Spring 2021)
- Mappin & Webb Kingston expansion including a Rolex Room (Spring 2021)
- Watches of Switzerland Oxford Street refurbishment including Rolex and Vacheron Constantin expansion (Spring 2021)
- Goldsmiths Cardiff refurbishment (Spring 2021)
- Goldsmiths Edinburgh St James new store (Spring 2021)
- Three new Breitling mono-brand boutiques Cardiff, Glasgow and Edinburgh St James (Winter 2020/ Spring 2021)

- Three new OMEGA mono-brand boutiques Broadgate London (Autumn 2020), Edinburgh St James (Spring 2021) and Meadowhall (Spring 2021)
- Watches of Switzerland Battersea (FY22)

US

- Nine new mono-brand boutiques in four locations (TAG Heuer, OMEGA, Breitling and Bulgari) (Summer/ Autumn 2020)
- Mayors Aventura refurbishment to new design (Autumn 2020)
- Watches of Switzerland American Dream New Jersey (FY22)



Above: The Watches of Switzerland Group and Rolex Centenary Celebration



2. ENHANCE STRONG BRAND PARTNERSHIPS



Above: Hublot WOSG Exclusive Aerofusion Special Edition 45mm Satin and polished black ceramic case on a leather and rubber strap with red stitching featuring the automatic HUB1155 skeletonized chronograph movement with a 42 hour power reserve.

Our strong and long-standing relationships with the most recognised and prestigious Swiss luxury watch brands are a key point of distinction. The top seven luxury watch brands represent 73.9% of our sales.

We are proud of our collaborations with these key partners across all operational areas of our business. We actively work with our brand partners to identify distribution opportunities and partner on demand forecasting, product development and launches, store projects, online platform, clienteling initiatives and marketing activities.

In partnering with the most prestigious Swiss luxury brands, our goal is to deliver an exceptional customer experience that is welcoming, engaging and underpinned by the deep category knowledge of our teams. We work collaboratively with our brand partners to focus on extensive learning and development in order to ensure our colleagues are well equipped for the task.

We are working closely with our partners to further develop multi-channel opportunities in both the UK and the US. During the year, we further enhanced and extended the Rolex boutique within our Regent Street flagship. In the US, we opened an Audemars Piguet mono-brand boutique in Mayors Lenox Square, Atlanta, the first within the Mayors portfolio.

A number of mono-brand boutiques are planned to be opened in both the UK and the US during FY21 and beyond. We have also agreed new Rolex agencies for Broadgate, Battersea and American Dream (US).

In addition, we are further developing our ecommerce capabilities, enhancing the range of brands transacted online with the addition of several brands which had previously only been transacted in store: Jaeger-LeCoultre, Panerai, Vacheron Constantin, Piaget, Roger Dubuis, Grand Seiko.

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

During 2019, we celebrated the 100-year anniversary of our partnership with Rolex. Together with Rolex, we hosted a wide range of events, including a major launch event in Newcastle, to allow our customers even greater access to our successful relationship with the world's leading manufacturer of luxury watches.

The unusual circumstances created by the COVID-19 lockdown further strengthened the relationships we have with our brand partners resulting in enhanced collaboration, increased communication and an even greater focus on brand training.

>100

CUSTOMER EVENTS IN FY20
FOR LOYAL CLIENTS



3. DELIVER AN EXCEPTIONAL CUSTOMER EXPERIENCE

Maintaining a clear customer perspective and ensuring customers feel valued and supported throughout the celebration of special moments are central to our priority of delivering an exceptional experience. We look to create modern, active, welcoming, inviting, browsable, luxurious store environments. We provide the greatest choice of brands and products in the world of luxury watches and jewellery. Our stores are designed to appeal to a broad audience, catering to customers across all demographics.

The way we make our customers feel is always a primary focus and we pride ourselves on offering a warm and welcoming customer experience as a major point of difference. With an

emphasis on local reputation, trust and networking, every customer is treated as a potential loyal client for life by our retail colleagues.

We continue to provide our colleagues with extensive training to develop their brand knowledge and retail expertise, to allow our staff to provide customers with in-depth product mastery. Through dedicated customer focus, our regular monthly Net Promoter Score in the UK has improved further to 85% (FY19: 80%), as measured through our voice of customer surveys (approx. 1,000-1,500 responses per month). This is supported by a 92% positive Goldsmiths Google rating as provided by post-purchase online Feefo reviews. We also undertake

an extensive programme of mystery shopping to ensure consistency of our luxury service offering. Consisting of physical store visits and digital enquiries, supplementary programmes are also conducted to measure the joint expectations of key partner brands. In the US, we use Podium to measure in-store experiences and received a rating of 4.7 out of 5.0.

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

During the year we opened a purpose-built National Watch Service Centre in Manchester to further enhance the customer experience. This has allowed

us to expand our after-sales and service proposition for luxury watches, and further strengthen our market position. The centre features 12 watchmakers on site, two technicians, three skilled case polishers and six colleagues focused on quality control.

Despite our stores being closed during the lockdown period, selected store teams continued their dialogue and engagement with clients. The introduction of enhanced clienteling initiatives enabled our colleagues to remain engaged throughout the period of store closure. Our store colleagues continued to advance their development during lockdown, completing over 13,000 e-learning modules during this period.



4. DRIVE CUSTOMER AWARENESS AND BRAND IMAGE THROUGH MULTIMEDIA WITH BOLD, IMPACTFUL MARKETING

MARKETING

During the year, we sustained a high level of marketing investment, with a focus on digital activities, particularly digital communications and CRM.

During FY20, we further enhanced our digital communication strategy by deploying highly successful and innovative YouTube and Google campaigns that focused on delivering engaging high-quality content to luxury watch and jewellery consumers. This strategy in total delivered over 1.1 billion impressions and 76.6 million views, which equals over 48 years of branded watch time.

As part of this strategy, the first Watches of Switzerland Group campaign was introduced. Led by a digital-first approach, the campaign ran from November to December 2019, with an extension online until March 2020. The campaign utilised a breadth of traditional media, out of home and digital activation on YouTube, Google and social media channels. Through these mediums we inspired consumers with a range of key luxury Swiss watch brands across iconic women's and men's ranges. Through the digital channels the campaign in total delivered over 660 million impressions and 34.1 million video views, which equals over 15 and a half years of branded watch time.

Social media also continues to be an important part of our strategy across the UK and US with a social community of over 500,000 and a monthly reach of 17 million across the Group.

The strategic focus on acquisition and amplification is supported by content creation, in particular in-house brand assets with a consumer centric and mobile first approach through video and impactful stylish photography.

We continue to engage with our luxury watch partners through cooperative campaigns, with an increased focus and heavy investment in Paid Search. This enables the Group to improve its rankings and visibility on Google and drive a return on investment online or instore. It also strengthens its position and awareness of being Authorised Retailers.

A key focus of our centralised marketing activity is Calibre, our industry leading luxury watch communications platform, which is produced globally to support the UK and US client base and which showcases the brands the Group sells and provides an opportunity to share our knowledge and expertise within luxury watches. Calibre started as an annual printed publication, with the first edition published in 2003 and whilst the magazine still exists, Calibre has become much more digitalised including monthly newsletters to a database of over 260,000 watch clients, Calibre Online, www.calibre-online.com, which hosts the Group's content for our clients and a series of successful Podcasts hosted by our CEO, with interviews and insight from industry leading figures. Podcasts alone have achieved over 60,000 downloads in total since launch in October 2018.

Throughout the COVID-19 pandemic, our CEO also hosted a series of Instagram Lives, with key brand partners, watched by both our UK and US audiences.

In addition to the centralised marketing activity, our store colleagues in both the UK and US are focused on their own direct client reach out to drive footfall and engagement. To support the stores in their outreach to customers, over 45 clienteling guides were produced in FY20 covering topics such as new product launches, key focus lines and brand guides.

A key focus of our CRM strategy is hosting loyal clients at various events, from exclusive factory trips with our watch brand partners, intimate dinners launching new product collections, hosting our clients at watch brand sponsored events (such as The Open Championship Golf) as well as in-store events. Hosting over 100 events during FY20, we executed the event programme in the most relevant way to further develop and grow our client relationships. A significant event held during 2019 was the Group's Exclusive Partnership launch of the Bremont and 'Ronnie Wood' Limited Edition Collection. Attended by Ronnie Wood, press, VIPs and ambassadors, the Group hosted a memorable evening in its Watches of Switzerland Knightsbridge store. The launch event accompanying the opening of the first FOPE Boutique was held at the Old Bond Street store in London and was also attended by press, VIPs and ambassadors.



1.1 billion

DIGITAL IMPRESSIONS IN FY20

GROWING BRAND AWARENESS

	UK		
	2012	2019	
	Total Awareness	Total Awareness	High Net Worth
WATCHES OF SWITZERLAND SINCE 1924	46%	70%	78%
Mappin & Webb LONDON	35%	66%	70%
GOLDSMITHS SINCE 1778	84%	93%	97%

US

2020

Total Awareness

84%

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

US Source: Schlesinger Watches of Switzerland Brand Research June 2020 conducted in NYC, with focus on the tri-state area.

Looking ahead, the Group anticipates a greater emphasis on virtual events during FY21 as it adapts to restrictions created by COVID-19.

Watches of Switzerland US and Mayors produced over 60 events during FY20 including three exclusive product releases and a series of first to market experiential opportunities including "Sneaker Time", a fully immersive experience in partnership with Stadium Goods and media outlet HypeBeast for an editorially curated display of rare sneakers paired with partner timepiece brands including Tudor, Ulysse Nardin and TAG Heuer. The exhibition was covered internally and externally through digital, social, print and media coverage. The pop-up was further celebrated through a private VIP and influencer event.

Watches of Switzerland partnered with Haute Living to host a cover celebration for artist Nas. The programme included print, digital, social and event coverage.

Artist Nas created four posts of the private event to 5.5 million of his personal Instagram followers resulting in 90,600 likes and 2,019 comments. Haute Living curated the guest list for the evening mixing collectors with influencers. They dedicated six pages of print, multiple digital and social stories to round out the 360 programmes.

Our PR activity in the US has been incredibly strong throughout FY20. We engaged with well-respected public relations agencies to promote brand storytelling, key executive profiles and the partnered brands behind the Group. This led to 2.8 billion media impressions in FY20 alone including features within Bloomberg, CNBC, GQ, New York Times, Wall Street Journal and Yahoo.com. The public relations activities included strategic influencer alliances including Erica Pelosini Leeman, Emily Ratajowski and Anne Hathaway which further solidified our stronghold as a culturally relevant retailer within the US market.

In addition to the PR in the US, media partnerships were secured utilising a 360-degree approach combining traditional print, digital, social, experiential event and visual merchandising to maximise impact. Watches of Switzerland and Mayors engaged in a programme with Watch Journal and design outlet Surface Media to promote brand partners on the cover of the magazine distributed to subscribers and at the 250 private air terminals across the US. The media programme included feature editorial coverage, digital online feature, social media through Instagram and Facebook and custom content for visual merchandising opportunities on the video wall of the Hudson Yards location. Brand partners including Jacob & Co, Jaeger-LeCoultre and Zenith created an exclusive timepiece for the Group and promotion across properties including ecommerce.



Above: Watches of Switzerland and Zenith Event, Soho, NYC Above right: Watches of Switzerland Knightsbridge, Ronnie Wood and Bremont Collaboration launch Event



5. LEVERAGE BEST IN CLASS OPERATIONS

96%*

AVAILABILITY OF SKUS OF KEY BRANDS



Above: Watches of Switzerland, Wynn Resort, Las Vegas



Top: Watches of Switzerland Gatwick North Terminal

Bottom: TAG Heuer mono-brand boutique, Kingston

* This excludes Rolex, Patek Philippe and Audemars Piguet

MERCHANDISING

As part of the Group transformation programme, merchandising capabilities have been significantly improved and enhanced. Powered by leading-edge systems and analytics, the merchandising function has been developed into a customer-focused driver of product availability and access, providing a unique point of difference in the way we run our stores. The availability of SKUs of our key brands increased to 96% during FY20 (FY19: 91%).

Underpinned by a customer-centric approach, our dynamic 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. In order to continually drive productivity and profitability, we look to ensure there is a collective alignment,

ownership and understanding at all levels within retail. Performance is maximised through Business Planning Reviews with store managers every four to six weeks and through the monitoring of operational KPIs.

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

IT SYSTEMS

Our leading-edge IT systems are based on a single SAP platform and power point of sale, CRM, financial reporting solutions, live inventory availability and operations.

We have adapted our systems quickly in response to the changing retail landscape created by the COVID-19 pandemic. We have created a store appointment booking system, enabling clients to request scheduled store visits, phone or video meetings. A Content Management system enables store teams to send high quality digital photography and copy to clients. Mail order and telephone order card payment technology has been integrated into point-of-sale in all stores with the introduction of email receipts.



6. EXPAND MULTI-CHANNEL LEADERSHIP

Thanks to our multi-channel leadership, we are well positioned to respond to evolving retail and consumer dynamics through the development of growing channels including online, travel retail and mono-brand boutiques.

ONLINE

We continue to leverage our position as the Authorised Luxury Watch and Jewellery partner of choice, significantly building on the largest portfolio of luxury watch brands in the UK. We have a significant advantage in the volume of traffic generated via our technically advanced AI-driven marketing approach.

We continue to make enhancements to our sites and continue to evolve our ever-growing Web Enabled Store platform providing our clients with access to shop the full online catalogue whilst in our retail stores.

Working collaboratively with key partners such as Google (Digital Marketing), Vee24 (Video and Text Concierge) and DPD (Direct delivery), we use the most efficient, cutting edge digital marketing while offering a best in class, harmonised omni-channel shopping experience.

MONO-BRAND BOUTIQUES

We continue to develop and expand our growing network of mono-brand boutiques, a format that allows for a more tailored and brand-specific environment and has contributed to further strengthening and enhancing our brand partnerships.

During the year we opened our first Audemars Piguet mono-brand boutique within Mayors, Lenox Square (Atlanta). We opened our first FOPE jewellery boutique on London's Old Bond Street. We operated 17 mono-brand boutiques in the UK and five in the US as at 26 April 2020.

Looking ahead, we believe there is a significant opportunity to grow the mono-brand boutique channel in both the UK and the US and we expect to continue to develop this format further with a strong pipeline of projects planned for FY21 and beyond.

Sales from mono-brand boutiques have increased by 6.1% during FY20 and represent 15.7% of revenue (FY19: 15.5%).

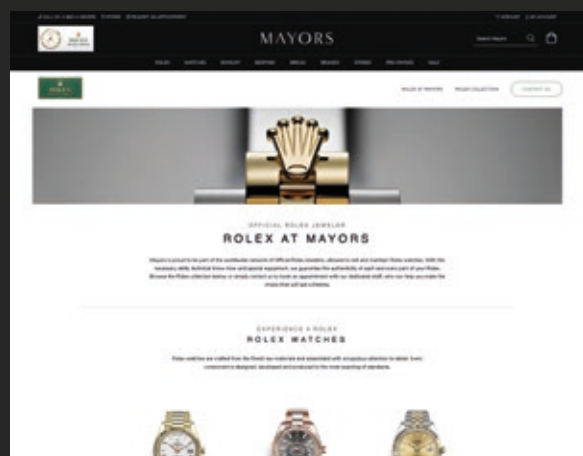
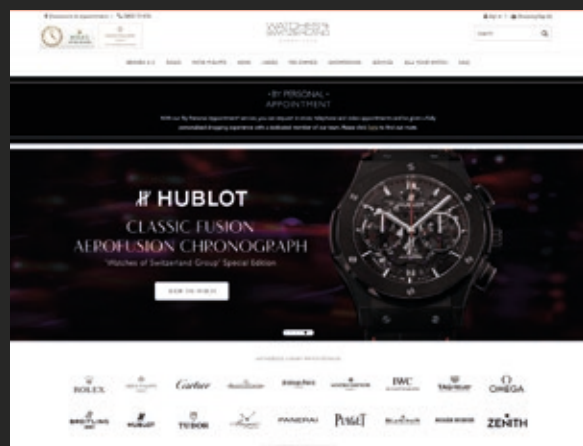
TRAVEL RETAIL

We made further strides in expanding our presence in the travel retail channel.

We opened the first Watches of Switzerland store in Gatwick Airport (North Terminal), the airport's exclusive luxury watch retailer, complementing our existing five stores in Heathrow Airport. 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.

Whilst travel has suffered a disproportionate impact from the COVID-19 pandemic during FY20 and remains affected during FY21, the Group believes this channel represents a significant growth opportunity in both the UK and the US over the medium term.

During the year, sales from our travel retail channel declined by 4.5% as a result of reduced tourism from COVID-19; sales from this channel represent 10.5% of our revenue (FY19: 11.5%).



DELIVERING STRONG REVENUE GROWTH

"Prior to the COVID-19 pandemic, the Group had been on track to deliver double-digit sales growth, reflecting our strong brand partnerships, favourable market conditions and accelerating momentum in the US."

ANDERS ROMBERG
CHIEF FINANCIAL OFFICER



7.7%

GROWTH IN LUXURY WATCH REVENUE

83.9%

OF OUR REVENUE COMES FROM
LUXURY WATCHES

Our FY20 results have been significantly impacted by the COVID-19 pandemic, with the Group's entire store portfolio in the US closed as of 19 March 2020 and all UK stores closed as of 23 March 2020. However, trading in the run up to these temporary store closures was strong, resulting in double-digit revenue growth over the 46 weeks to 15 March 2020 and revenue in our UK ecommerce business was up 45.8% during the final six weeks of the financial year (from 16 March 2020 to 26 April 2020), when stores were largely closed. During the period impacted by the pandemic, the Group took steps to maximise revenue opportunities, eliminate discretionary expenditure, reduce working capital and delay capital projects.

The impact of COVID-19 on the Group's results is discussed in detail throughout this report.

The following tables and commentary exclude the impact of IFRS 16 and are shown on a continuing basis, to allow for comparability of the results. A reconciliation between the results pre-IFRS 16 and post-IFRS 16 is included on page 34.

INCOME STATEMENT (£m)	52 weeks to 26 April 2020	52 weeks to 28 April 2019	YoY variance %
Revenue as previously disclosed	819.3	773.5	5.9%
Reclassification adjustment*	(8.8)	–	
Statutory revenue	810.5	773.5	4.8%
Adjusted EBITDA pre-exceptional, store opening and closing costs and other non-underlying items ¹	81.9	78.2	4.8%
Store opening and closing costs and other non-underlying items	(3.8)	(9.4)	(59.3%)
Adjusted EBITDA ¹	78.1	68.8	13.6%
Depreciation, amortisation and loss on disposal of fixed assets	(22.2)	(15.8)	41.2%
Other non-trading items	–	(1.2)	
Segment profit (Adjusted Earnings Before Interest and Tax ¹)	55.9	51.8	7.8%
Net finance costs – ongoing	(6.5)	(25.4)	(74.3%)
Adjusted profit before tax ¹	49.4	26.4	86.5%
Exceptional and other non-trading items	(21.7)	(6.3)	
Exceptional finance costs	(28.5)	–	
(Loss)/profit before tax	(0.8)	20.1	(103.8%)
Adjusted basic Earnings Per Share (pre-exceptional items) ¹	16.6p	11.1p	49.5%

The key statutory measures (including IFRS 16) are as follows:

	52 weeks to 26 April 2020	52 weeks to 28 April 2019	YoY variance %
Revenue (£m)	810.5	773.5	4.8%
Operating profit (£m)	48.3	45.5	6.2%
Basic EPS (p)	0.2	(1.0)	120.0%

* In Q4 FY20, the Group has reclassified certain costs and revenue, mainly to correctly reflect interest-free credit costs under IFRS 9 'Financial instruments', with no impact on net profit. As the impact is not material to the financial statements the comparatives have not been restated. These adjustments reduced FY20 revenue as stated by £8.8m. If the prior year revenue was restated, FY19 revenue would have been £762.9m, therefore fully restated revenue growth would have been 6.2%.

¹ Refer to glossary on page 180 for definition.

REVENUE

Revenue in FY20 grew by 5.9% on the prior year to £819.3m (+4.8% to £810.5m on a reclassified basis). US revenue now makes up 27.8% of Group revenue, increasing from 24.0% in the prior year, as can be seen in the table below:

REVENUE BY REGION (£m)	52 weeks to 26 April 2020	52 weeks to 28 April 2019	YoY variance %	Participation %
UK	585.5	588.2	(0.5%)	72.2%
US	225.0	185.3	21.4%	27.8%
Total revenue	810.5	773.5	4.8%	100.0%

Impact of COVID-19 on revenue

Prior to the COVID-19 pandemic, the Group had been on track to deliver double-digit sales growth, reflecting our strong brand partnerships, favourable market conditions and accelerating momentum in the US. At the end of Q3 FY20, Group revenue was up 15.6% on the prior year, with the UK up 9.2% and US up 37.0%.

For the first 46 weeks of the year to 15 March 2020, total Group revenue increased 15.8%, driven by the sales of luxury watches, which rose 19.3% versus the prior period. The relaunched jewellery ranges generated a positive response from customers and the category performed well relative to the market.

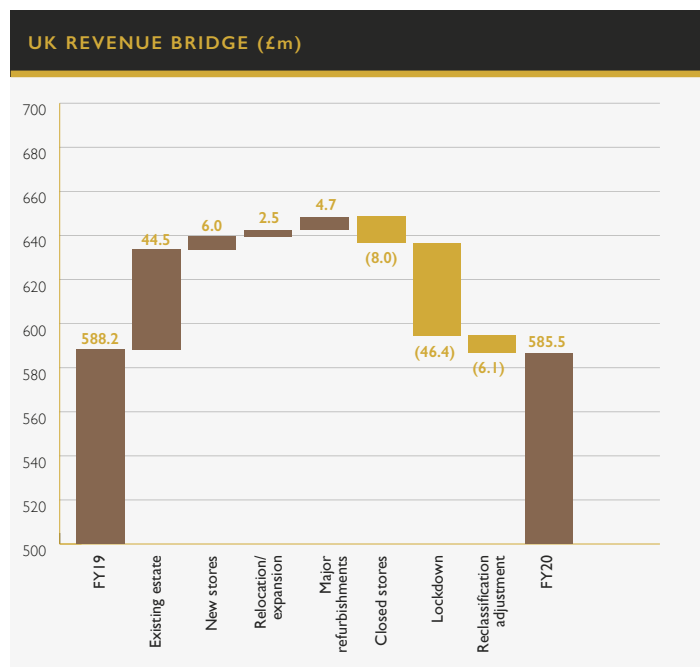
The impact of the closure of stores due to COVID-19 was significant and sales in the final two months of the year declined sharply on the prior year. The table below demonstrates the strong trading performance prior to the closure of the store portfolio and the impact of lockdown on sales growth:

REVENUE PRE AND POST LOCKDOWN (£m)	46 weeks to 15 March 2020	6 weeks to 26 April 2020	52 weeks to 26 April 2020
UK	575.9	9.6	585.5
YoY variance %	9.4%	(84.5%)	(0.5%)
US	221.8	3.2	225.0
YoY variance %	36.4%	(85.9%)	21.4%
Total	797.7	12.8	810.5
YoY variance %	15.8%	(84.9%)	4.8%

The revenue reclassification adjustment was made in the final month of FY20, had this adjustment not been made, the sales in the 6 week period to 26 April 2020 would have been £21.6m.

UK Revenue

UK revenue decreased by £2.7m (0.5%) versus the prior year to £585.5m. The increase in sales from the existing estate and projects was offset by the impact of the COVID-19 lockdown, store closures and the revenue reclassification as described earlier. A summary of the movements is shown below:



1. New stores include the revenue from all stores opened in the year, along with the annualisation of stores opened in the previous year.
2. Relocation/expansion includes the incremental sales of any stores relocated/expanded during the year, along with the annualisation of stores relocated/expanded in the previous year.
3. Major refurbishment includes the incremental sales of any stores undergoing major refurbishment in the year (defined as costing more than £250,000), along with the annualisation of stores refurbished in the previous year.
4. Lockdown represents the decrease in sales between FY20 and FY19 during the period from week 47 to week 52 when the stores were closed due to the COVID-19 lockdown.
5. Revenue reclassification as discussed on page 27.

UK sales from the existing estate continued to be strong in the year. £13.2m of incremental sales were achieved from our capital enhancement projects, which were offset by £8.0 million of lost revenue from closed stores.

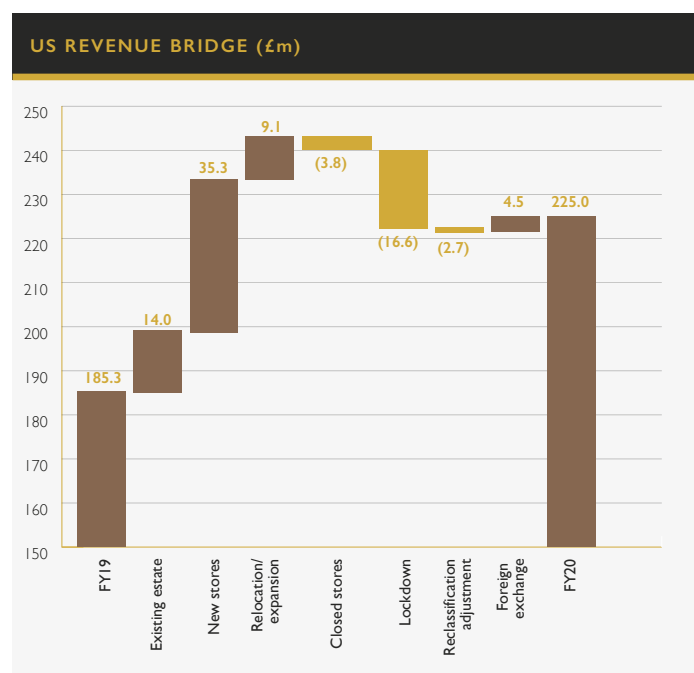
Ecommerce sales rose by 15.9% during the 46 weeks to 15 March 2020. During the period following the closure of stores, ecommerce has performed particularly well. Sales from this channel increased 45.8% during the last six weeks of the financial year, with a further acceleration during the month of April, when sales increased by 82.8% relative to the same period last year. In response to the temporary closure of the store network, the online offering has been enhanced by the addition of several brands which the Group had previously only transacted in its stores. These additional brands will continue to be part of the online offering going forward.

The Group progressed its store elevation strategy with a total of seven refurbished stores, including the expansion of the Rolex Room in the 155 Regent Street flagship during November 2019, and two relocated stores. The multi-channel network was further enhanced with the opening of three new stores, the first Watches of Switzerland store in Gatwick Airport, a new Goldsmiths store in Edinburgh Fort and the first FOPE jewellery mono-brand boutique. Four Fraser Hart stores were acquired during March 2020 and were converted and integrated, with a strong initial response from customers prior to entering lockdown.

In comparison to the previous year, the Group lost sales of £46.4m as a result of the COVID-19 lockdown.

US Revenue

Total US sales were £225.0m, up by £39.7m (21.4%) on the prior year and up by 19.0% in constant currency. Momentum in the US accelerated strongly during the 46 weeks to 15 March 2020, with sales up 36.4% relative to the prior year period and by 33.7% on a constant currency basis.



During FY20, sales from the flagship stores in New York were annualised, with Soho having opened in November 2018 and Hudson Yards in March 2019. Both stores are performing in line with our expectations.

During the period, the Group further elevated the network of Mayors stores. Three stores were moved to more strategic locations and converted to the new design concept (Merrick Park, Coral Gables; Lenox Square, Atlanta; Avalon, Atlanta) and, in addition, the Miami International mall store was completely refurbished. Following the upgrades, these stores received a strong response from customers. Incremental sales from new stores, along with the annualisation of the prior year new stores were £35.3m with a further £9.1m of incremental sales from relocated stores.

In comparison to the previous year, the Group lost sales of £16.6m as a result of the COVID-19 lockdown.

Revenue by category

The Group continues to increase sales from the luxury watch sector as a proportion of total Group revenue, with an increase in revenue of 7.7% in the year. The split of revenue by category is shown below:

FY20 REVENUE BY CATEGORY (£m)	UK	US	Total	Mix %
Luxury watches	475.9	204.0	679.9	83.9
Luxury jewellery	54.1	15.0	69.1	8.5
Other	55.5	6.0	61.5	7.6
Total revenue	585.5	225.0	810.5	100.0

FY19 REVENUE BY CATEGORY (£m)	UK	US	Total	Mix %
Luxury watches	471.7	159.7	631.4	81.6
Luxury jewellery	55.8	18.9	74.7	9.7
Other	60.7	6.7	67.4	8.7
Total revenue	588.2	185.3	773.5	100.0

As a result of high demand and the continued execution of the Group's strategy, luxury watches now make up 83.9% of Group revenue, up 230bps on the prior year. In general, demand for key luxury watch brands continued to exceed supply throughout the year and luxury watch revenue was up 7.7% in the year and 19.2% up to week 46.

The relaunched jewellery ranges generated a positive response from customers and the category performed well relative to the market. Luxury jewellery sales decreased by 7.5% in the year, but were up 1.2% up to week 46, demonstrating the impact of lockdown.

Other revenue consists of servicing, repairs, 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 4.0% of Group sales.

FOCUS ON PROFITABLE GROWTH

The table below analyses our key costs and margins on a continuing basis:

£m	FY20	FY19	%
Net margin ¹	304.7	290.2	5.0%
as % of revenue	37.6%	37.5%	0.1%
Store costs	(178.2)	(172.4)	3.4%
as % of revenue	22.0%	22.3%	(0.3%)
4-Wall EBITDA¹	126.5	117.8	7.4%
as % of revenue	15.6%	15.2%	0.4%
Overheads	(44.6)	(39.6)	12.5%
as % of revenue	5.5%	5.1%	0.4%
Store opening and closing costs	(3.8)	(7.5)	(48.8%)
Other non-trading items	—	(1.9)	100.0%
Adjusted EBITDA¹	78.1	68.8	13.6%
as % of revenue	9.6%	8.9%	0.7%

Net margin¹:

Net margin %¹ increased by 10bps to 37.6% in FY20, with the negative impact of product mix being offset by a reduction in customer incentives.

Store costs

Store costs increased by £5.7m (3.4%) in the period as result of new store openings and the annualisation of US stores opened in the prior year. Despite the fact that stores were closed for a six-week period, the Group managed to leverage the store cost base, with store costs as a percentage of sales reducing 30bps from the prior year to 22.0%.

Impact of COVID-19 on store costs

During the six-week period of lockdown the Group focused on cost control and saved £5.0m in variable store related costs as a result of the store closures. The Group also benefited from the business rates suspension of £1.1m and the UK and US governments' employee cost support schemes. At the time of the lockdown, the Group furloughed c. 1,300 store colleagues but continued to supplement employee pay to the full contractual rates. These schemes contributed £2.3m towards store colleague wage costs during the financial year.

¹ Refer to glossary on page 180 for definition.

Overheads

Overheads increased £5.0m (12.5%) in the financial year. During the year the Group increased marketing spend by £2.1m and incurred £1.5m of additional costs relating to additional headcount and legal, professional, board and advisory costs reflecting the newly listed nature of the business. Overhead costs also included the expansion of our repairs and servicing business through the opening of our National Watch Service Centre. The revenue reclassification as discussed previously increased the FY20 overhead costs by £1.9m in comparison to last year.

During the period of lockdown, overheads were tightly controlled with the elimination of discretionary spend, which saved £0.8m. A further £0.4m of government employee support was obtained for head office colleagues.

Due to the loss of sales during the lockdown period and the resultant impact on operating profit, no annual bonus was accrued in relation to the FY20 year (FY19: £3.1m).

Store opening and closure costs

STORE OPENING AND CLOSURE COSTS (£m)	FY20	FY19
Store opening costs	1.7	6.0
Store closure costs	2.1	1.5
Total	3.8	7.5

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. The Group opened five stores (excluding the Fraser Hart acquisition) during FY20 compared to eight in the previous year.

During the period the Group closed a total of eleven stores with associated costs including rent (pre-IFRS 16), rates and redundancy. Nine of these were non-core stores¹ and two are closed while undergoing conversion to mono-brand boutiques.

The majority of the FY19 cost related to the US operations, particularly the New York flagships.

Other non-trading items

Other non-trading items in the prior year are made up of a number of costs which are either non-recurring or not related to trading. These costs have been treated as operating costs in FY20 and the FY19 costs are analysed below:

OTHER NON-TRADING ITEMS (£m)	FY20	FY19
Non-Executive Board prior to IPO	–	0.6
Redundancy costs	–	0.4
Transitional Services Agreement* with the previous owners of Mayors	–	0.4
Share-based payments	–	0.4
Other one-off legal and professional fees	–	0.1
Total	–	1.9

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

Depreciation, amortisation and loss on disposal of fixed assets

£m	FY20	FY19
Depreciation and amortisation	18.3	14.4
Loss on disposal of fixed assets	3.9	1.4
Total	22.2	15.8

Depreciation increased by £3.9m in FY20 to £18.3m as result of capital additions. The Group incurred £3.9m (2019: £1.4m) loss on disposal of fixed assets, where fixed assets were disposed of on the refurbishment or closure of stores ahead of the end of the lease term or their useful economic life.

In the prior year the Group incurred £1.2m of non-trading items relating to management fees to former owners and legal and professional costs.

Exceptional items

Exceptional items are defined by the Group as those which are significant in magnitude and are linked to one-off, non-recurring events. These items are broken down in the table below and are shown pre-IFRS 16 adjustments.

EXCEPTIONAL ITEMS (PRE-IFRS 16) (£m)	FY20	FY19
COVID-19 linked exceptional items:		
Bad debt credit losses	0.7	–
Impairment of property, plant and equipment	7.1	–
Onerous leases	5.5	–
	13.3	–
Exceptional administrative expenses:		
IPO costs	8.0	5.9
Business acquisition	0.3	–
Pension GMP equalisation	–	0.4
	8.3	6.3
Total	21.6	6.3

COVID-19 linked exceptional items

The COVID-19 pandemic and associated lockdown has significantly impacted the profitability of the Group and future economic outlook of the retail industry. As a result of this the Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand. Furthermore, during the lockdown period in the US, the Group identified a deterioration in collection rates on US in-house credit.

The Group identified £7.1m of fixed asset impairment linked to the change in circumstances and forecasts due to the COVID-19 pandemic. On a pre-IFRS 16 basis the Group also identified a further £5.5m onerous lease provision, again linked to the loss of profitability as a result of COVID-19.

Based on the Group's assessment of the worsening economic environment in the US as a result of COVID-19 the Group specifically increased the provision against in-house credit debtors by a further £0.7m, which, when considered with impairment, is considered exceptional by its nature.

¹ Refer to glossary on page 180 for definition.

Exceptional administrative costs

The IPO costs include legal and professional costs in relation to the premium listing of the Group in June 2019 of £2.6m (2019: £5.9m), a discretionary bonus paid to all employees on the success of the IPO of £2.1m and IPO linked share-based payments of £3.3m. Other than £3.0m of share-based payment costs linked to the success of the IPO, these costs will not reoccur in FY21.

During FY20 the Group incurred legal and professional costs of £0.3m in relation to the acquisition of four stores from Fraser Hart, which is considered exceptional by nature.

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

Impact of IFRS 16

The exceptional items above are shown pre-IFRS 16 adjustments so that the accounting is comparable on a year-on-year basis. On an IFRS 16 basis, no onerous lease provision is recognised and instead the Group has impaired the lease right-of-use assets by £4.8m. The impairment of property, plant and equipment under IFRS 16 was £3.7m.

The exceptional items under IFRS 16 are as follows:

EXCEPTIONAL ITEMS (POST-IFRS 16) (£m)	FY20	FY19
COVID-19 linked exceptional items:		
Bad debt credit losses	0.7	–
Impairment of property, plant and equipment	3.7	–
Impairment of right-of-use assets	4.8	–
	9.2	–
Exceptional administrative expenses:		
IPO costs	8.0	5.9
Business acquisition	0.3	–
Pension GMP equalisation	–	0.4
	8.3	6.3
Total	17.5	6.3

Finance costs

Ongoing net finance costs (pre-IFRS 16) reduced in the period by £18.9m to £6.5m as a result of the refinancing which took place in June 2019 (see below). This included 37 days of interest cost in the current year under the old financing agreement. Had the current financing facility been in place for the entire FY20 period, net finance costs would have been £1.7m lower than reported.

As a result of the refinancing, the Group incurred a one-off early redemption fee of £21.7m and has written off £6.8m of transaction costs capitalised under the old facility. These have been treated as exceptional finance costs in the period.

Profit before tax

As a consequence of the items noted above, adjusted profit before tax (before exceptional items and IFRS 16 adjustments) was £49.4m, an increase of £22.9m (+86.5%) on the prior year.

After accounting for exceptional costs of £21.6m, exceptional finance costs of £28.5m and IFRS 16 adjustments of £2.2m, statutory profit before tax was £1.5m, a reduction of £18.6m in the year as a result of the exceptional items recognised.

Taxation

The effective pre-exceptional tax rate for the year was 19.6%, 60bps higher than the UK corporation tax rate of 19.0% mainly due to non-deductible expenses.

The IPO costs, fixed asset impairments and early repayment fees on the bond subject to interest restriction, were disallowed costs for tax purposes in FY20. This resulted in a higher tax charge of £1.0m against the pre-tax profit of £1.5m and a post-exceptional items effective tax rate of 66.0%.

Earnings Per Share

Adjusted EPS¹ from continuing operations increased 49.5% in the current year and has been calculated as follows:

	Adjusted EPS (before exceptional items and IFRS 16 adjustments)	EPS (before exceptional items and after IFRS 16 adjustments)	Statutory EPS (incl. IFRS 16)
FY20			
Profit after tax	£38.8m	£38.2m	£0.5m
Weighted average number of ordinary shares	233,733,000	233,773,000	233,733,000
EPS	16.6p	16.3p	0.2p

In FY19, the legal entity Watches of Switzerland Group PLC did not exist. For comparative purposes we have calculated basic EPS using the number of ordinary shares of Watches of Switzerland Group PLC immediately prior to the IPO, occurring on 4 June 2019. The results are as follows:

	Adjusted EPS ¹ (before exceptional items)	Statutory EPS (continuing operations)
FY19		
Profit after tax	£20.2m	£13.9m
Weighted average number of ordinary shares	182,000,000	182,000,000
EPS	11.1p	7.6p

¹ Refer to glossary on page 180 for definition.

BALANCE SHEET

The balance sheet below is shown pre-IFRS 16 adjustments for comparability. A reconciliation to the post-IFRS 16 balance sheet is included on page 35.

BALANCE SHEET (PRE-IFRS 16) (£m)	FY20	FY19
Goodwill and intangibles	154.5	127.7
Property, plant and equipment	99.8	101.3
Inventories	243.5	200.3
Trade and other receivables	12.9	40.2
Other	1.8	5.4
Trade and other payables	(165.3)	(157.7)
Net debt ¹	(129.7)	(240.6)
Net assets	217.5	76.6

Goodwill and intangible assets

Goodwill and intangible assets increased by £26.8m in the year, reflecting the goodwill of £26.1m recognised on the acquisition of the four stores from Fraser Hart.

Property, plant and equipment

Property, plant and equipment decreased by £1.5m in the year to £99.8m. Fixed asset additions of £22.4m were offset by depreciation of £15.6m, disposals of £3.8m and impairment £7.1m.

The investment in our store portfolio is paramount to our strategy as discussed previously and the capital additions are broken down in the table below. In making capital investment decisions the Group follows a disciplined payback policy.

CAPITAL ADDITIONS (£m)	FY20	FY19
Expansionary	20.7	33.1
Store maintenance capex	1.5	2.0
Acquisition of Fraser Hart stores	1.0	–
Other	0.2	0.2
Total	23.4	35.3

Expansionary capex relates to new stores, relocations or major refurbishments (defined as costing over £250,000). In the year the Group opened five (2019: eight) stores, relocated six (2019: three) and refurbished nine (2019: nine).

Inventories

Inventories increased by £43.2m (21.6%) compared to the prior year, £4.6m of this increase related to the acquisition of the Fraser Hart stores. As a result of the good stock levels on hand at the year-end, the business was well placed to satisfy customer demand on the re-opening of stores during May and June 2020.

Additionally, all stock on hand at the year-end has been fully paid for by the business by July 2020, aiding post re-opening working capital requirements.

Trade and other receivables

Trade receivables have reduced by £27.3m (68.0%) in the year to £12.9m. £6.6m of this reduction related to a decrease in rent prepayments at the year-end. At the time of lockdown, the Group negotiated with landlords to defer rental payments during the period that the stores were closed. The Group also received supplier rebates of £3.5m prior to the year-end which also reduced the receivables balance further. The US in-house credit debtors also reduced by £7.1m from the prior year. During the year the Group has progressively switched to offer new credit through third parties and therefore the in-house credit debtors have reduced accordingly, as customers have paid down the outstanding balance.

Following the group re-organisation which preceded the IPO, the Group made a distribution by law to Jewel UK Topco Limited, the former parent company of the Group, for £11.5m. This was offset against the amount owed to the Group, thereby reducing trade and other receivables.

Other

Other is made up of taxation balances and the defined benefit pension obligation totalling £1.8m (2019: £5.4m). The main movement relates to the timing of corporation tax payments in the year.

Trade and other payables

Trade and other payables have increased by £7.6m (4.9%) in the year. Supplier creditor balances increased by £8.6m, mainly driven by the increase in stock holding at the year-end. During the period of lockdown the Group generated additional cash through enhanced clienteling initiatives in the UK and US, and by continuing to take deposits on products that were delivered to customers once the stores re-opened in June 2020. This activity also increased the creditor balance at the year-end.

Following the impact on trading resulting from the closure of stores due to COVID-19, no bonus was accrued at the year-end compared to £3.1m in the prior year. The interest accrual also reduced by £4.7m when compared to the prior year, a function of the reduced interest charge under the new facilities entered into during the year. In the prior year the Group had outstanding accruals in relation to the IPO of £3.6m which were settled during FY20. Capital expenditure accruals also reduced by £4.8m due to the timing of spend.

Net debt¹ and financing

The net proceeds of the IPO of £148.4m were primarily used to reduce our external debt to a level more appropriate for a publicly listed company. Accordingly, on 4 June 2019 the outstanding principal of the UK bonds was repaid, including an early redemption premium of £21.7m. On the same date, the Group drew down on a new term loan facility at a significantly lower rate of interest. The facilities of the Group at 26 April 2020 were as follows:

TYPE	Expiring	Amount (£/\$m)
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%	April 2023	\$60.0

¹ Refer to glossary on page 180 for definition.

* Year-end net debt as disclosed in our trading update of 14 May 2020 was £131.4m, the difference being restricted cash held on retention for the settlement of the consideration for the showroom acquisitions.

Net debt* at 26 April 2020 was £129.7m, which compares to the guidance provided prior to the COVID-19 pandemic of £120.0m to £130.0m. During the period of lockdown, management focused on cost control and cash preservation, which meant net debt¹ was maintained in line with previous forecasts.

Since the end of the period, the Group has further strengthened its liquidity position with new financing arrangements. The Group has entered into a new £45.0m facility agreement as part of the UK government Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which has a maturity of November 2021. The total available facilities in place as of 12 August 2020 were £261.8m.

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 and therefore the implementation of IFRS 16 has had no impact on financial covenants. The covenants were fully met at April 2020.

On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20.0m for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period.

CASH FLOW

CONTINUING BASIS (£m)	FY20	FY19
Adjusted EBITDA ¹	78.1	68.8
Exceptional costs paid	(5.0)	(5.9)
Working capital and other movement	(7.4)	7.1
Cash generated from operations	65.7	70.0
Pension contributions	(0.7)	(0.7)
Tax	(7.5)	(5.0)
Capital expenditure	(28.7)	(35.5)
Interest	(11.6)	(17.3)
Acquisition	(31.1)	–
Net proceeds from IPO	147.8	–
Government grants received	1.3	–
Carve-out of discontinued operations	–	(6.3)
Financing activities	(98.2)	(20.2)
Cash flow	37.0	(15.0)

Cash generated from operations of £65.7m was £4.3m adverse to the prior year, as a result of the movement in working capital. The working capital movement was £7.4m adverse in the year, with the beneficial impact of movements in receivables and payables (£28.1m) offset by an increase in inventories of £35.5m.

Tax payments are £2.5m higher than the prior year as a result of a change in quarterly tax instalments.

Interest reduced by £5.7m in the year, reflecting the lower interest rate on the financing taken out in the year. £8.2m of the interest paid in the year related to accumulated interest, representing 4.5 months of interest, for the old bond prior to refinancing.

£31.1m of cash was paid during the year for the acquisition of the four stores from Fraser Hart.

The proceeds from the IPO were used to refinance the existing bond, this payment included the exceptional early redemption premium for the bond.

Impact of COVID-19 on cash flow

During the period of lockdown the Group controlled cash flow very tightly, to maximise liquidity. The following actions were taken to reduce cash outflows:

- £2.8m of capital expenditure was postponed
- Government employee protection schemes were accessed in the UK and US, with £1.3m received in March and April 2020
- Rental payments of £6.7m were deferred, of which £4.6m were paid by July and the rest have been negotiated to pay within the next 12 months
- UK business rates holiday contributed £1.1m in the period
- The Group negotiated longer payment terms from many suppliers. These payments were fully up to date as at the end of July 2020 and normal payment terms resumed. Additionally, all stock on hand at the year-end has been fully paid for by the business by July 2020, aiding post re-opening working capital requirements
- An agreement was made with HMRC to defer UK tax payments totalling £5.2m
- Marketing and discretionary expenditure was reduced as discussed previously
- The Group also generated additional revenue and cash during the period through enhanced clienteling initiatives in the UK and US, leveraging its strong customer relationships together with its sophisticated CRM tools

Between weeks 47 FY20 and the year-end, the net cash outflow was £19.3m, which included stock and other purchase payments of £61.9m during that period.

Q1 FY21 TRADING UPDATE

Group revenue for the 13 weeks to 26 July 2020 (Q1 FY21) declined -27.6% to £151.6 million (Q1 FY20: £209.4 million), ahead of management expectations. As a result of COVID-19 related closures, the Group's stores traded for approximately 38% (UK: 35%, US: 44%) of potential trading hours during the period. By category, luxury watch sales increased to 86.8% of Group revenue (Q1 FY20: 84.8%), with key brands outperforming.

Since re-opening, ecommerce sales in the UK have remained strong but traffic to the Group's stores has been significantly impacted; this has been offset by higher conversion rates, good supply of key brands and new technology to further enhance clienteling initiatives and customer service. Reflecting these initiatives as well as pent-up demand, Group sales have been positive since re-opening and during the month of July, increased +7.4% relative to the prior year.

Net debt¹ at 26 July 2020 was £91.2m (Q1 FY20: £104.6m) demonstrating strong cash management over the period.

UK

UK revenue declined -30.1% to £108.3 million (Q1 FY20: £155.0 million), with stores open for approximately 35% of normal trading hours as a result of COVID-19 closures. Key brands generated encouraging performances and ecommerce sales were strong, up 79.3% relative to the prior year. Since re-opening, regional stores have outperformed London and airport stores, which remain adversely impacted by a lack of tourism business and air travel.

US

US revenue declined -20.4% to £43.3 million (Q1 FY20: £54.4 million) mainly affected by store closure and reduced hours through the months of May and June. Stores were open for approximately 44% of normal trading hours during the period. Once stores were re-opened, all areas of the business performed strongly compared to the prior year, driven by key brands and new product launches.

The Group's mono-brand boutique network was further expanded with a new Rolex boutique opened in Glasgow at the end of Q1 FY21, the brand's first such store in Scotland, and three new TAG Heuer boutiques opened in Watford, Kingston and Oxford. In addition, a Grand Seiko pop-up store was opened in New York featuring an exclusive product launch.

The Group renegotiated contracts for its airport stores and agreed a short term extension to end FY21 on revised terms reflecting reduced traffic expectations.

OUTLOOK AND GUIDANCE

Trading in Q1 FY21 has been encouraging and the Group remains well positioned to deliver on its strategy. The Group provides guidance for FY21 on the basis of continued strong demand for our portfolio of luxury watch brands in the UK and US and anticipates no further national lockdowns but continued localised disruption in both markets for the balance of the financial year.

During FY21, whilst the Group expects domestic demand to remain buoyant in both the UK and the US, it anticipates limited airport traffic and foreign tourism in the UK and limited domestic tourism in the US, with gradual and moderate improvement throughout the financial year.

There continues to be a strong pipeline of projects in the UK and the US, including new stores, expansions and refurbishments.

Certain projects which had been expected to complete during FY21 will now fall into FY22, namely American Dream, New Jersey and Battersea.

Please see below the guidance for FY21 pre-IFRS 16 adjustments and based on a 53-week period.

	FY21 Guidance
Total revenue	£840.0m-£860.0m
EBITDA margin % and Adjusted EBITDA margin % ¹	Flat vs last year
Depreciation, amortisation, impairment and profit/loss on disposal of fixed assets	£21.0m-£23.0m
Total finance costs	£5.3m-£5.8m
Underlying tax rate	21.0%-22.5%
Capital expenditure	£28.0m-£32.0m
Net debt ¹	£90.0-£110.0m

APPENDIX – IFRS 16 LEASES

The financial results included on pages 26 to 33 exclude the impact of the adoption of IFRS 16 "Leases". This means that operating leases have been held off balance sheet with the lease costs recognised on a straight-line basis over the lease term, following the accounting treatment adopted in the prior year.

The statutory results include the impact of IFRS 16 in FY20. The Group has implemented IFRS 16 using the modified retrospective approach, which means that prior year balances have not been restated. For further information refer to note 1 of the consolidated financial statements.

Accounting under IFRS 16

IFRS 16 applies a single 'on balance sheet' approach to lease accounting. Under IFRS 16, leases are accounted for as follows:

A right-of-use asset is recognised which represents the lessee's contractual right to use the lease asset over the lease term. The right-of-use asset is depreciated on a straight-line basis over the lease term.

A lease liability is recognised which reflects the lessee's obligation to make payments under the lease term. The lease liability is held at amortised cost, with an associated interest charge. This results in a higher interest expense in the earlier years of the lease term.

IFRS 16 results in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. However, the total expense over the life of the lease will be identical under IFRS 16 and IAS 17.

Income Statement impact

The impact of the implementation of IFRS 16 on the FY20 Income Statement is as follows:

£m	Under IAS 17	IFRS 16 adjustments	Under IFRS 16
Adjusted EBITDA ¹	78.1	45.8	123.9
Depreciation and amortisation	(22.2)	(35.9)	(58.1)
Adjusted operating profit ¹	55.9	9.9	65.8
Exceptional items	(21.6)	4.1	(17.5)
Operating profit	34.3	14.0	48.3
Ongoing finance costs	(6.5)	(11.8)	(18.3)
Exceptional finance costs	(28.5)	–	(28.5)
(Loss)/profit before tax	(0.8)	2.2	1.5
Taxation	(1.2)	0.3	(1.0)
(Loss)/profit after tax	(2.0)	2.5	0.5

Adjusted EBITDA¹ increased by £45.8m as a result of adding back the operating lease rentals under IAS 17. This has been replaced with depreciation of the right-of-use asset and interest on the lease liability.

¹ Refer to glossary on page 180 for definition.

Balance Sheet impact

The impact on the Balance Sheet of the implementation of IFRS 16 at 26 April 2020 was as follows:

£m	Under IAS 17	IFRS 16 adjustments	Under IFRS 16
Non-current assets	264.1	256.8	520.9
Current assets	331.6	(0.7)	330.9
Current liabilities	(229.3)	(37.5)	(266.8)
Non-current liabilities	(148.9)	(236.5)	(385.4)
Net assets	217.5	(17.9)	199.6

On implementation of IFRS 16 on 29 April 2019, a transitional adjustment of £20.3m decreased retained earnings and distributable reserves.

Net debt on a pre-IFRS 16 basis was £129.7m at 26 April 2020. This would increase to £437.7m if the IFRS 16 lease liabilities of £308.0m were included.

Our banking covenants are based on a frozen-GAAP basis and therefore the application of IFRS 16 has no impact.

Cash flow impact

IFRS 16 does not impact the total cash flow during the period. However, under IAS 17 the rental payments were included within operating activities, whereas under IFRS 16 these are treated as financing activities. The £nil impact on the cash flow is shown in the table below:

£m	Under IAS 17	IFRS 16 adjustments	Under IFRS 16
Net cash from operating activities	57.5	36.4	93.9
Investing activities	(58.4)	–	(58.4)
Financing activities	37.9	(36.4)	1.5
Cash flow	37.0	–	37.0

Leases and lease length

The average lease term remaining (to the nearest break clause) on our current portfolio of stores is 4.0 years. More than half of our leases (by value) will expire, or can be terminated, within the next 3.4 years.

Only seven of our store leases expire in more than ten years at 26 April 2020, the longest expiry being 11.9 years.

On an IFRS 16 basis, in general, leases have been recognised to the end of the lease term rather than the nearest break clause. Under IFRS 16, the break clause is only taken into account if the Group is reasonably certain to exercise the break.

HOW THE GROUP CREATES VALUE

To provide the highest level of customer service by well-trained, expert colleagues in modern, luxurious and welcoming store environments and state-of-the-art online sites, and by partnering with the most prestigious luxury watch brands and jewellery brands, all supported by leading-edge technology and bold impactful marketing.

INPUTS

Brand Partnerships

Colleagues

Customers

Stores

Technology and digital capabilities

BRAND PARTNERSHIPS

Long-standing, collaborative partnerships with the most prestigious Swiss luxury watch brands and luxury Jewellery brands; identify distribution opportunities and partner on-demand forecasting, product development, store projects, online platform, clienteling initiatives and marketing activities. Please refer to page 10 for further details.

STORE ENVIRONMENT

Well-invested stores feature luxurious environments which are open, welcoming, contemporary, spacious, non-intimidating and browsable.

CUSTOMER EXPERIENCE

Our colleagues receive extensive learning and development training provided to our store colleagues to provide exceptional customer experience

People: 2,000+ dedicated colleagues working in our stores, head offices and distribution centres in the UK and the US. Please refer to page 54 for further details.

MARKETING

Impactful, bold marketing focused on digital communications, CRM, client experiences, cooperative activity with brand partners. Please refer to page 22 for further details.

MULTI-CHANNEL

Market presence adapted according to consumer dynamics across broad reaching store network, with flagships, regional stores, travel retail, mono-brand boutiques; complemented by a leading ecommerce platform. Please refer to page 25 for further details.

OPERATIONAL EXCELLENCE

Technology: leading-edge IT systems based on a single SAP platform powering CRM, reporting solutions, live inventory availability and operations

Merchandising: dynamic inventory management optimises stock availability, enhances store productivity and allows for nationwide coverage

Retail operations: continually drive productivity and profitability, with a high level of accountability and performance management

SCALE

High barrier to entry created through national coverage in the UK with a portfolio of 113 stores (excluding non-core) and a growing presence in the US with 22 stores

Fully resourced: experts in our category through investments focused on Learning and Development and technical capability

FINANCIAL DISCIPLINE

Financial performance: all store profitability, leveraging store and central overheads through topline growth with strict investment criteria on projects

Cash generation: strong, consistent cash generation, fuelled by strict working capital management, with sufficient liquidity to fund growth and to provide for potential acquisition opportunities

We take a disciplined approach to capital allocation. Our objective is to deliver long term sustainable earnings growth whilst retaining financial capability to invest in developing our business and to execute our strategic priorities. We are well positioned to continue investing in elevating and expanding our existing store portfolio and to make complementary acquisitions which meet our strict investment criteria and advance our strategic objectives.

VALUE

Long term relationships with our brand partners, for instance in 2019 we celebrated our centenary with Rolex



REVENUE:

£810.5m

RETURN ON CAPITAL EMPLOYED¹:

15.8%

ADJUSTED EBIT¹:

£55.9m

2,000+

NUMBER OF COLLEAGUES

135

STORES (EXCLUDING
NON-CORE STORES)

£102.0m

CASH GENERATED
FROM OPERATIONS



Highly standardised and scalable
platform to facilitate future growth

¹ Refer to glossary on page 180 for definition.

OUR PORTFOLIO

Our stores are located in prominent, high-profile shopping areas of the UK and US and feature a spacious, contemporary, inviting, welcoming, high-end luxury feel, further enhancing the prestigious brands which are showcased.

In the UK, the portfolio covers the breadth of the market, while in the US, the Group is represented in Florida and Georgia with Mayors stores and in Las Vegas, New York and Boston with Watches of Switzerland stores. The estate includes multi-brand stores and mono-brand boutiques in both the UK and the US, supported by a leading-edge ecommerce platform.

FLAGSHIPS

Located in the most prestigious locations, flagship stores typically feature a larger footprint, more extensive product offering and dedicated spaces to host special client events. In the UK, this channel is represented by the "Golden Triangle" Watches of Switzerland stores in central London, comprised of 155 Regent Street, Oxford Street and Knightsbridge. In the US, there are two flagship stores located in New York, in Soho and in Hudson Yards.



MONO-BRAND BOUTIQUES

The mono-brand format allows for a more tailored and brand-specific environment and has contributed to further strengthening and enhancing our brand partnerships. As at 26 April 2020, we operated 17 mono-brand boutiques in the UK and five boutiques in the US.

	UK	US	Group
Rolex	4	2	6
Audemars Piguet	0	1	1
TAG Heuer, OMEGA, Breitling	12	2	14
FOPE	1	0	1
Total mono-brand boutiques	17	5	22

TRAVEL RETAIL

Travel retail provides high visibility in a prominent setting to a discerning international customer base. The Group maintains a strong presence in Heathrow Airport in Terminals 2, 3, 4 and 5 with Watches of Switzerland stores and Rolex mono-brand boutiques and recently expanded its presence with the opening of a new store in Gatwick North Terminal, the airport's first luxury watch specialist.



US

Our US portfolio predominantly caters to the local clientele. The Mayors network is located in Florida and Georgia, with a store elevation programme underway. We operate two Watches of Switzerland flagship stores in Manhattan, a market with similar demographics to London but with less investment and higher fragmentation. We are also present in the highly lucrative Las Vegas market with stores located within the Wynn Resort, Las Vegas, including a multi-brand store, a Rolex boutique and other mono-brand boutiques.



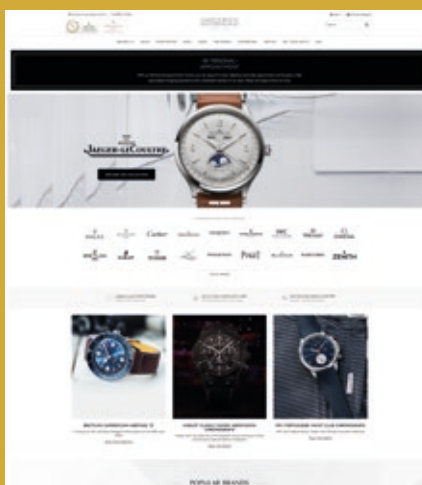
UK REGIONAL

Outside of London, a well-situated network of premium regional stores in the UK provide scale and national coverage and cater to a more local, domestic client base. Multi-brand stores across all three fascias and mono-brand boutiques are located in high profile, prominent locations, primarily shopping centres, in cities such as Manchester, Birmingham and Oxford.



ECOMMERCE

Through our five transactional websites, we have established an industry leading ecommerce platform, a key component of our multi-channel strategy. We continue to invest in enhancing the sites and improving the customer experience, through initiatives such as next day delivery, improved luxury fulfilment and new luxury packaging. The ecommerce platform is built on SAP Commerce, which offers the benefit of a common ERP and ecommerce technology vendor.



OUR STORES

A WELL-INVESTED PORTFOLIO

Our multi-channel leadership has been established through a network which includes multi-brand stores, a presence in travel retail, a strong online platform and a growing portfolio of mono-brand boutiques in partnership with Rolex, TAG Heuer, OMEGA, Audemars Piguet and Breitling. Our well-invested portfolio consists of 113 stores in the UK (excluding non-core stores) and 22 stores in the US.



WATCHES OF SWITZERLAND

SINCE 1924

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

Founded in 1924, Watches of Switzerland has been retailing the world's finest watches for over 90 years. The Company began trading as a mail-order business under the name G & M Lane on Ludgate Hill, and now has

stores in leading retail destinations across the UK, including London, Manchester, Glasgow, Birmingham, Brighton and Cardiff. Watches of Switzerland also has a strong presence in Terminals 2, 3, 4 and 5 at Heathrow Airport including three independent Rolex boutiques and a presence in Gatwick Airport. In 2018 Watches of Switzerland went international and now has two stores in New York and one in the Wynn Resort, Las Vegas.

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

MONO-BRAND BOUTIQUES

The Watches of Switzerland Group is very proud to have been selected to operate single brand boutiques on behalf of some of the most important brand partners. These 'mono-brand' boutiques give the opportunity to showcase the specific brand in a more tailored, brand-centric environment, displaying the brands' products within purpose-designed settings, allowing the brand to more thoroughly demonstrate the ethos and culture of that brand than is often possible in a multi-brand store environment.

The Watches of Switzerland Group operates mono-brand boutiques on behalf of Rolex, OMEGA and Breitling in both the UK and the US, TAG Heuer in the UK and Audemars Piguet in the US.





Mappin & Webb

LONDON

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

Granted a Royal Warrant by Her Majesty Queen Victoria in 1897, the Company has held a Royal Warrant to each succeeding monarch and currently holds appointments as 'Jewellers, Goldsmiths and Silversmiths' to Her Majesty

The Queen and 'Silversmiths' to His Royal Highness The Prince of Wales.

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

Mappin & Webb also trades successfully online with mappinandwebb.com.

GOLDSMITHS

SINCE 1778

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

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

In 1919, Goldsmiths was appointed Rolex stockists and last year saw the centenary celebrations of the partnership between the Watches of Switzerland Group and Rolex.

Goldsmiths also trades successfully online with goldsmiths.co.uk.



MAYORS

EST. 1910
FINE JEWELRY & TIMEPIECES

Mayors is one of the most recognised watch and jewellery retailers in the United States operating in Florida and Georgia with a portfolio of stores including a Rolex Boutique located in The Mall at Millenia, Orlando and an Audemars Piguet boutique in Lenox Square, Atlanta.

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

The brand is steeped in a rich heritage, founded by Irving Mayor Getz in 1910 in Cincinnati, Ohio. In 1937, he opened the first Mayors store in the heart of downtown Miami's business district. When Irving passed away, his son Samuel assumed control and developed Mayors' reputation as one of the nation's finest watch and jewellery retailers – a provider of outstanding client service.

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

HOW THE GROUP MEASURES PERFORMANCE

Key Performance Indicators (KPIs) are designed to measure the development, performance and position of the business. All KPIs are calculated on a continuing basis.

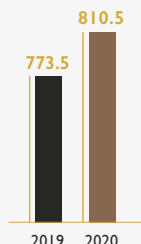
Certain KPIs are Alternative Performance Measures (APMs) and the Directors use these measures as they believe they provide additional useful information on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The APMs are not defined by IFRS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

During the year the Directors have reassessed the KPIs used by the Group to measure performance, and this year have replaced Adjusted EBITDA pre-exceptional items and non-underlying items with the KPIs of Adjusted EBIT and Adjusted EPS. These new measures are the basis for executive remuneration.

Following the refinancing performed during the year the Directors do not believe Adjusted EBITDA leverage is a KPI for the Group. Due to the impact of store closures as a result of COVID-19 and the significant expansionary activity of the Group, the Directors have removed like for like sales as a KPI. These KPIs have been replaced with Operating profit and Basic EPS which are statutory IFRS measures of profitability and Return on Capital Employed (ROCE) which is an APM linked to the strategy of the Group.

FINANCIAL KPIs

REVENUE £m



DEFINITION AND PURPOSE

Revenue is stated exclusive of sales taxes and is measured in accordance with IFRS 15 'Revenue from contracts with customers'. Growing revenue is a key pillar of our business strategy.

PERFORMANCE IN THE YEAR

Revenue grew by 4.8% in the year, although it was significantly impacted by a six-week lockdown period due to the COVID-19 pandemic. Further details on the revenue performance in the year are detailed in the financial review on pages 26 to 35.

Revenue in FY20 includes a reclassification adjustment, reducing revenue by £8.8 million (refer to page 27 for further details). On a comparable basis, without this adjustment, revenue for FY20 would have been £819.3 million.

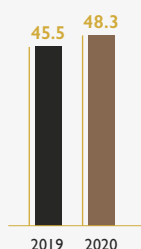
LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Customer experience and market risks
- Colleague talent and capability
- Business interruption and IT infrastructure
- Economic and political
- Brand and reputational damage

LINK TO STRATEGY



OPERATING PROFIT/EBIT £m



DEFINITION AND PURPOSE

Statutory measure under IFRS representing profit/earnings before interest and taxation. Growing profit is a key pillar of our strategy.

PERFORMANCE IN THE YEAR

Operating profit increased by 6.2% on the prior year, ahead of revenue growth demonstrating good profitability management. Profits were negatively impacted by the six-week lockdown period due to the COVID-19 pandemic and material exceptional one-off items relating to the IPO and the COVID-19 pandemic. Further details on profit performance in the year are detailed in the financial review on pages 26 to 35.

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- 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
- Financial and treasury

LINK TO STRATEGY



KEY TO STRATEGY



Grow revenue, profit and return on capital employed



Enhance strong brand partnerships



Deliver an exceptional customer experience



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



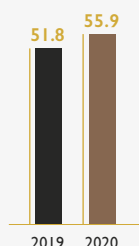
Leverage best in class operations



Expand multi-channel leadership

FINANCIAL KPIs

ADJUSTED EBIT £m



LINK TO STRATEGY



DEFINITION AND PURPOSE

Earnings Before Interest and Tax (EBIT) adjusted for exceptional items and before IFRS 16 adjustments. This measure is defined as segment profit under IFRS 8 'Operating segments' and is reconciled to profit before taxation on an IFRS basis in note 2 to the financial statements.

This is a measure of profitability excluding exceptional items. This presents the Group's underlying performance without distortion from one-off or non-trading events to provide comparability between years.

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

PERFORMANCE IN THE YEAR

Adjusted EBIT increased by 7.8% on the prior year, ahead of revenue growth demonstrating good profitability management. Profits were negatively impacted by the

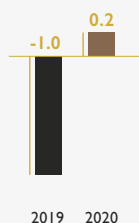
six weeks of the lockdown period which fell into FY20.

Further details on profit performance in the year are detailed in the financial review on pages 26 to 35.

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- 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
- Financial and treasury

BASIC EPS p



LINK TO STRATEGY



DEFINITION AND PURPOSE

Basic EPS is a statutory measure defined by IAS 33 'Earnings per share'. EPS is a direct measure of profitability per share held in the Group.

PERFORMANCE IN THE YEAR

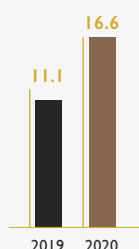
Basic EPS has grown from (1.0)p to 0.2p in the year, reflecting the increase in profitability in the year.

The current year weighted average number of shares increased from 182,000,000 in the prior year to 233,773,000 as a result of the capital reconstruction prior to the IPO.

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- 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
- Financial and treasury

ADJUSTED EPS p



LINK TO STRATEGY



DEFINITION AND PURPOSE

Basic Earnings Per Share adjusted for exceptional items as disclosed in note 10 to the financial statements. This measure is reconciled to statutory measures in note 10 to the financial statements.

This is a measure of profitability per share held in the Group, excluding exceptional items and IFRS 16 adjustments. This presents the Group's underlying performance without distortion from one-off or non-trading events to provide comparability between years.

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

PERFORMANCE IN THE YEAR

FY20 Adjusted EPS increased by 49.5% relative to the prior year, reflecting the increase in profitability during the year.

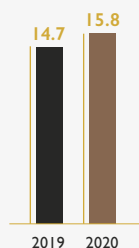
The weighted average number of shares increased from 182,000,000 in FY19 to 233,773,000 in FY20 as a result of the capital reconstruction prior to the IPO.

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- 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
- Financial and treasury

FINANCIAL KPIs

RETURN ON CAPITAL EMPLOYED (ROCE) %



DEFINITION AND PURPOSE

Return on Capital Employed (ROCE) is defined as Adjusted EBIT divided by average capital employed. Average capital employed is total assets less current liabilities on a pre-IFRS 16 basis. The calculation for ROCE is included in the glossary on page 181.

ROCE demonstrates the efficiency with which the Group utilises capital.

PERFORMANCE IN THE YEAR

The increase in ROCE in the year largely reflects the increase in Adjusted EBIT.

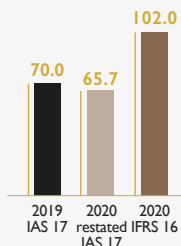
LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Customer experience and market risks
- Colleague talent and capability
- Business interruption and IT infrastructure
- Economic and political
- Brand and reputational damage
- Financial and treasury

LINK TO STRATEGY



CASH GENERATED FROM OPERATIONS £m



DEFINITION AND PURPOSE

Cash generated from operations is defined under IAS 7 'Statement of Cash Flows'. This is a direct measure of cash generation from the operations of the business excluding financing, investing, tax and defined benefit pension contributions.

In FY20 the Group implemented IFRS 16 'Leases' which resulted in cash flows from leases being shown in financing activities. The FY19 comparatives have not been restated on transition and are therefore stated under IAS 17, where cash flows for operating leases are shown in operating cash flows. The Group has restated the FY20 cash flows in this section to provide comparability between the two years.

PERFORMANCE IN THE YEAR

On a restated basis, cash generated from operations reduced by £4.3m in the year. This was caused by a combination of a loss of profits due to the six-week COVID-19 lockdown period combined with working

capital movements. The Group's stock levels were significantly higher at the year-end as a result of strong in take of luxury watch product, leading to a working capital outflow in the year. This provided a positive working capital unwind at the start of FY21 when the Group began to trade again, with substantially higher stock levels. Further details on cashflow profit performance in the year are detailed in the financial review on pages 28 to 35.

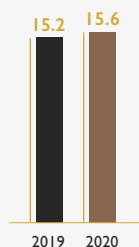
LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Customer experience and market risks
- Colleague talent and capability
- Business interruption and IT infrastructure
- Economic and political
- Brand and reputational damage
- Financial and treasury

LINK TO STRATEGY



4-WALL EBITDA %



DEFINITION AND PURPOSE

4-Wall EBITDA % is defined as net margin less store costs shown as a % of revenue. Refer to the Glossary on page 180 for a reconciliation of this measure to statutory IFRS measures.

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

PERFORMANCE IN THE YEAR

4-Wall EBITDA % improved by 40 bps, however it was significantly impacted by the six-week COVID-19 lockdown period. During the year, store costs were tightly controlled, improving 4-Wall profitability.

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Colleague talent and capability
- Economic and political
- Brand and reputational damage

LINK TO STRATEGY



KEY TO STRATEGY



Grow revenue, profit and return on capital employed



Enhance strong brand partnerships



Deliver an exceptional customer experience



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



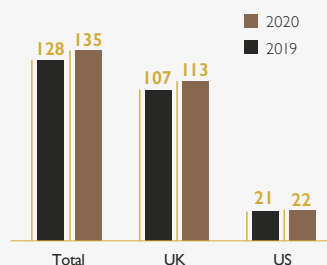
Leverage best in class operations



Expand multi-channel leadership

NON-FINANCIAL KPIs

NUMBER OF STORES



DEFINITION AND PURPOSE

Number of stores at the end of the financial year. Excludes non-core stores which are not core to the ongoing strategy of the business and will be closed at the end of their lease term. There were 11 non-core stores at 26 April 2020 (28 April 2019: 20 non-core stores). This metric demonstrates the Group's size and scale.

PERFORMANCE IN THE YEAR

The Group has continued to increase its store network in both the UK and US and across the mono-brand and travel retail sectors.

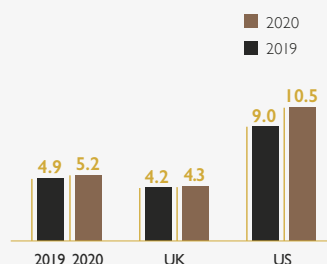
LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Colleague talent and capability
- Business interruption and IT infrastructure
- Economic and political
- Brand and reputational damage

LINK TO STRATEGY



SALES PER DOOR £m



DEFINITION AND PURPOSE

Revenue from stores divided by the average number of stores (including non-core stores) in the year. This metric is a measure of store productivity.

PERFORMANCE IN THE YEAR

Sales per door increased by +6.8% in the year, demonstrating that the Group's focus on store elevation and operational excellence is proving successful. This metric was significantly impacted by the six-week COVID-19 lockdown.

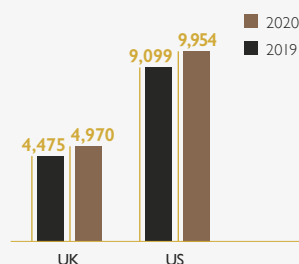
LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Customer experience and market risks
- Colleague talent and capability
- Economic and political

LINK TO STRATEGY



LUXURY WATCHES AVERAGE SELLING PRICE £



DEFINITION AND PURPOSE

The Average Selling Price (ASP) represents revenue generated (including sales-related taxes) in a period from sales of the luxury watch category, divided by the total number of units of such products sold during the period. This metric is a measure of sales performance. Luxury watches are defined as those that have a Recommended Retail Price greater than £1,000.

PERFORMANCE IN THE YEAR

The Group has continued to concentrate on the luxury end of the watch market and the demand for this product has continued to be evident, leading to an increase in ASP of 11.1% in the UK and 9.4% in the US.

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

- Business strategy execution and development
- Key suppliers and supply chain
- Customer experience and market risks
- Colleague talent and capability
- Business interruption and IT infrastructure
- Economic and political
- Brand and reputational damage

LINK TO STRATEGY



NON-FINANCIAL INFORMATION STATEMENT

The following table sets out where stakeholders of Watches of Switzerland Group PLC can find relevant Non-Financial information within this Annual Report and Accounts further to the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006.

This Non-Financial Information Statement highlights information necessary for an understanding of the Company's development, performance, position and impact of its activity, information relating to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters. Where possible, the following table also states where additional information can be found that supports these requirements.

REPORTING REQUIREMENT	RELEVANT POLICY	WHERE TO READ IN THIS REPORT	PAGE	ADDITIONAL INFORMATION
Information, to the extent necessary for an understanding of the Company's development, performance and position and the impact of its activity relating to:				
1. Environmental matters	Environmental	Environment	60	We are an accredited member of the Responsible Jewellery Council Corporate social responsibility report*
2. Employees	Whistleblowing	Section 172 Statement	48	Gender pay gap report*
	Employee code of conduct	People, Culture and Community	54	Corporate social responsibility report*
	Health and safety	Corporate Governance statement	78	Company-wide engagement survey
	Dignity at work	Nomination Committee Report	90	Designated Non-Executive Director for Workforce Engagement
	Equality and diversity			One Communication (platform)
	Equal opportunities			Values
	Employee handbook			Vibe Platform
	Health and safety			
	Flexible working			
3. Social matters	–	Section 172 Statement	48	We are an accredited member of the Responsible Jewellery Council
		People, Culture and Community	54	Corporate social responsibility report*
4. Respect for human rights	Conflict diamonds campaign	People, Culture and Community	54	Modern Slavery Statement*
	Dirty gold	Environment	60	We are an accredited member of the Responsible Jewellery Council
	Supplier handbook			Corporate social responsibility report*
	Dignity at work			
	Equality and diversity			
	GDPR			
5. Anti-corruption and anti-bribery matters	Anti-bribery and corruption	Bribery, corruption, taxation and health and safety	63	Tax strategy statement*
	Anti-money laundering	Corporate Governance Statement	78	Online training modules
Other information:				
Business model		Business Model	36	
Principal risks in relation to (1) to (5) above and related due diligence processes		Risk Management	64	
		Going Concern and viability statement	74	
Relevant non-financial KPIs		Key Performance Indicators	42	

An overview of our engagement with employees, customers, suppliers and other stakeholders can be found on pages 48 to 53 within our Section 172 Statement in compliance with the Companies Act 2006.

* Available on our corporate website at www.thewosgroupplc.com



"Overall market conditions in both the UK and US markets remained strong with demand for popular products, particularly those of Rolex, Patek Philippe and Audemars Piguet outstripping supply for the total markets and for the Watches of Switzerland Group."

BRIAN DUFFY
CHIEF EXECUTIVE OFFICER



HOW WE ENGAGE WITH OUR STAKEHOLDERS

SI72 Companies Act 2006 Statement

We understand that our business can only grow and prosper responsibly over the long term if we understand and respect the views and needs of all our stakeholders. Engagement with stakeholder groups plays a vital role throughout the business.

A director of a company must act in the way they consider, in good faith, would most likely promote

the success of the company for the benefit of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006.

The Company Secretary ensures that as we make decisions, the impact on any of our stakeholder groups is considered.

In the following pages, we demonstrate how the directors have had regard to the need to foster the company's business relationships with our partners, customers and others, including the principal decisions taken by the Company during the financial year.

CUSTOMERS

We understand the importance and value of the luxury products we sell. Be it a once in a lifetime luxury watch purchase, providing limited edition or exclusive products or being part of a customer's special lifetime moments, we never "just sell watches and jewellery". The customer is at the heart of everything we do.

NET PROMOTER SCORE

Through dedicated customer focus, our regular monthly UK Net Promoter Score has improved further to 85% (FY19: 80%), as measured through our voice of customer surveys (approx. 1,000-1,500 responses per month). This is supported by a 92.0% positive Goldsmiths Google rating as provided by post-purchase online Feefo reviews. We also undertake an extensive programme of mystery shopping to ensure consistency of our luxury service offering. Physical store visits and digital enquiries are also conducted to measure the joint expectations of key partner brands.

COMPLAINTS

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

PERSONALISED LUXURY

We continue to enhance our online customer experience by doubling the resource available on our VEE24 customer concierge platform, which provides conversational tools such as messaging, live text, voice and video chat. The shopping journey is enhanced with collaboration tools such as co-browse and screen share allowing the operator to remotely assist the client through their research and purchase path. We will also be adding a chat bot to the platform later this year in order to scale up our efficiency and reach.



SOCIAL

We engage with our customers via social media, highlighting our products, new product launches as well as celebrating key gifting moments. With a community of over 500,000 followers across our Group, social media not only gives us an opportunity to have a narrative with an engaged and interested watch and jewellery audience, but also allows us to have the dialogue and interact with them as they comment on our posts.

EXPERIENCES

A key focus of our CRM strategy is hosting our loyal clients at various events, from exclusive factory trips with our watch brand partners, intimate dinners launching new product collections, hosting clients at watch brand sponsored events (such as the Open Championship Golf) as well as in-store events. One significant event of 2019 was our exclusive partnership launch of the Bremont and 'Ronnie Wood' limited edition collection. Attended by Ronnie Wood, press, VIP's and ambassadors, we hosted a memorable evening in our Watches of Switzerland Knightsbridge store. We also saw the launch of the very first FOPE Boutique opening on Old Bond Street, London, again attended by press, VIP's and ambassadors. Our client relationships are incredibly important and with over 100 events during FY20, we executed the event programme in the most relevant way to further develop and grow our client relationships. Please refer to page 25 for further details.

INSIGHTS

Our stores and websites are powered by sophisticated, leading-edge systems, which provide us with valuable sales performance data and customer and market trends.

BOARD ENGAGEMENT

Our CEO and other members of the senior management team regularly report on these trends to the Board, ensuring business decisions are made that reflect market dynamics. The Board understands the needs of the Group's customers.



BRAND PARTNERS

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

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

RESPONSIBLE JEWELLERY COUNCIL

We are an accredited member of the Responsible Jewellery Council ("RJC"), whose mission is: "To advance responsible ethical, social and environmental practices, which respect human rights, throughout the diamond and gold jewellery supply chain, from mine to retail." We encourage all relevant suppliers to become members and independently of this we work to an established code of conduct to ensure ethical standards are adhered to. Please refer to page 62 for further details.

COLLABORATION

We actively work together with our brand partners across product, marketing and customer engagement to streamline the supply chain and gain efficiencies wherever possible. This is primarily done through the exchange of data, providing product trends and forward demand forecasting, thus enabling effective production planning as well as product development opportunities.

BOARD ENGAGEMENT

Executive Directors along with other members of the senior management team maintain an active and regular dialogue with our brand partners, both with representatives based in our markets as well as with executive teams located in Switzerland and elsewhere.

The Board regularly engages with its brand partners, both with local representatives and executives based in Switzerland.

COLLEAGUES

We are proud to be a people business and are honoured to represent our prestige luxury brand partners. It is the common goal of all our colleagues to deliver an unrivalled customer experience that is welcoming, engaging and is underpinned by the deep category knowledge of our talented teams.

Our colleagues dedicate themselves to being luxury watch and jewellery experts and during the furlough period in the UK, took the opportunity to increase their skills by completing over 13,000 e-learning modules. In the US, whilst stores were closed, 2,300 hours of virtual webinar training sessions were delivered.

Our culture and positivity is embedded in our core values and never has it been more evident than during the COVID-19 crisis where the creativity and ingenuity shown by our teams during the twelve week period of lockdown only served to emphasise just how engaged the Watches of Switzerland Group team is.

HOW ARE WE DOING? ENGAGEMENT SURVEY

Just prior to lockdown we launched our first company-wide engagement survey and were delighted with the participation level of 89% and the resulting engagement score of 85%. We gained some great insights into our strengths and some useful pointers for where to focus our people strategies in the future.

ONE COMMUNICATION PLATFORM

Our award-winning communication portal enables us to stay in touch with our 2000+ colleagues daily. During the period of store closures it became an invaluable host for the wide range of communications including weekly messages, competitions, challenges and Zoom Q&A sessions issued at the time.

VIBE! RECOGNITION PROGRAMME

Another award-winning initiative, Vibe provides colleagues and leaders with the means to immediately recognise and celebrate our values and achievements via an online digital platform.



THE COG & CARAT IN THE UK AND THE WATER COOLER CHAT ROOM IN THE US

With stores and offices closed, the internal communications teams in the UK and US rose to the challenge and did not disappoint. In the UK a virtual pub called The Cog & Carat opened its doors to showcase willing colleagues' talents with a series of Friday night gigs and weekly pub quizzes. In the US, a virtual Water Cooler Chat Room enabled colleagues to stay in touch with one another remotely.

LEARNING & DEVELOPMENT

Deep product knowledge and welcoming hospitality are critical to our success. We are proud of our wide range of training and development programmes and learning collaborations with our luxury brand partners. Our extensive set of e-learning modules make development accessible to all.

TOWN HALL MEETINGS AND CONFERENCES

At least twice in an ordinary year, the CEO and members of the executive team go on the road to deliver business updates to all our colleagues in the UK and US.

BOARD ENGAGEMENT

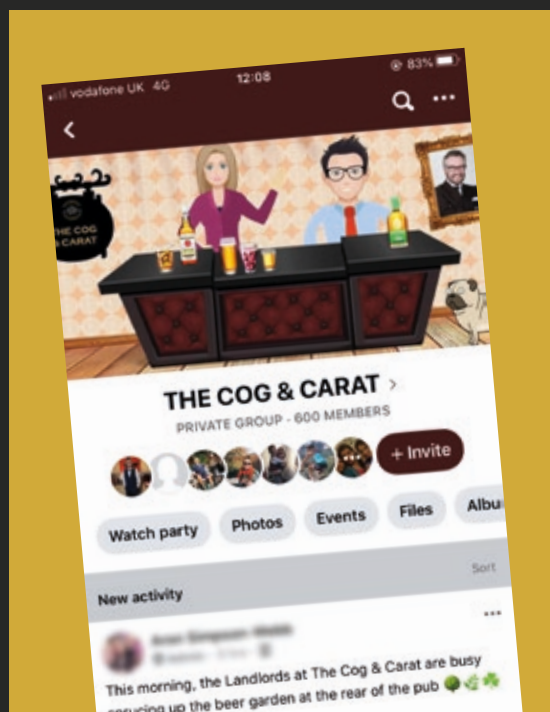
Rosa Mondkton, the Designated Non-Executive Director for workforce engagement, was involved in the creation of the engagement survey and the results of this survey were presented to the Board. Unfortunately, our plans to set up a Listening Forum were delayed by the COVID- related lockdown period, but we plan to re-initiate this project in due course.

Our CEO and our Executive Director HR update the Board on all significant colleague communications.

Please refer to the People and Culture section on page 54 for further details.

"Our colleagues dedicate themselves to honing their skills and knowledge to become experts in the world of luxury timepieces and jewellery."

BRIAN DUFFY
CHIEF EXECUTIVE OFFICER



COMMUNITY



We have always supported the local communities in which we live and serve and this year we expanded our efforts with the first year of our Group-wide Corporate Partnership with The Princes Trust as well as introducing a Food Bank support programme in response to the COVID-19 crisis.

Our approach to giving is to keep it local and to give our time, energy and expertise as well as to engage our teams and Brand Partners in our fundraising activities.

THE PRINCES TRUST

After only six months of collaboration, we were pleased to be nominated in the New Partnership category at the National Princes Trust Partnership Awards in October 2019. This was as a result of our involvement across a whole range of initiatives with the charity.

FUNDRAISING

Launching our strategic partnership with a joint initiative with Rolex in honour of our Centenary, we raised the targeted sum of £300,000 and became The Princes Trust's biggest ever product-related fundraising project.

Our teams participated in the Palace to Palace Cycle Ride and the Royal Parks Half Marathon and look forward to doing so again this year.

CEO Brian Duffy was also happy to support the launch of The Princes Trust USA by hosting a 'friend raising' event in our prestigious Watches of Switzerland Soho, New York store.

SPONSORING

We continue to sponsor the National Young Ambassador Awards and this year extended our sponsorship to three Regional Awards, supporting awards in the North, Midlands and London.

VOLUNTEERING

Engaging in a number of ways, colleagues trained to become Mentors; ran a number of 'World at Work' days; helped with mock interviews and CV preparation and continued to run our Mappin & Webb Young Entrepreneurs programme.

During the lockdown period we supported by running live webinars for the Young Entrepreneurs programme with our CEO telling his story and our social content manager sharing her expertise.

LITTLE ACORNS PROJECT

Craig Bolton, Executive Director UK, delivered his Little Acorns presentation to over 150 schoolchildren in the North East. The Little Acorns project uses the inspiring stories from the world of luxury watches alongside the Watches of Switzerland story and that of the presenter to educate young adults about the exciting opportunities a career in Retail can offer.



COVID-19 COMMUNITY RESPONSE – FOOD BANK PROGRAMME

As a result of the huge demand on food banks due to the COVID-19 crisis, we decided to donate £100,000 in the UK and \$50,000 in the US to food banks. In keeping with our philosophy of supporting local communities, we selected 7 locations in the UK and 3 in the US to be beneficiaries following the year-end during June 2020.

BOARD ENGAGEMENT

All of the initiatives above have been covered in briefings to the Board from various members of the senior management team.

Please refer to the Community section on page 58 for further details



INVESTORS

As a publicly listed company we need to provide fair, balanced and understandable information to the capital markets community. We are committed to maintaining an active dialogue with all investors in order for them to make informed investment decisions.

INVESTOR RELATIONS

A dedicated investor relations colleague manages a programme of communications, engagements and events and acts as the primary interface between the company and the capital markets community. We also engage a financial PR agency to oversee our financial PR programme, resulting in enhanced media and PR activity, with CEO interviews and press coverage in high quality sources.

FINANCIAL COMMUNICATIONS AND EVENTS

We conduct a comprehensive communications programme which provides fair, balanced and clear updates at regular intervals. During the year we issued two quarterly trading updates for Q1 and Q3, a COVID-19 update during March 2020, half year results and full year results (communications and in-person meetings). We also hosted several management-guided store tours, attended investor conferences and participated in other investor meetings.

ANNUAL GENERAL MEETING

Our AGM will be held on 14 October 2020, where the Group will present its Annual Report and Accounts and shareholders will be able to vote on a number of matters.

ANNUAL REPORT AND ACCOUNTS

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

CORPORATE WEBSITE

We are delighted to have re-launched our corporate website on 13 August 2020. Our corporate website allows the investment community to easily access extensive information about our business as well as the latest news updates.

BOARD ENGAGEMENT

Our Executive Directors and our Director of Investor Relations conduct regular meetings with investors and potential investors. In addition, the independent Non-Executive Directors do engage with investors if required and these conversations would ordinarily be facilitated by the Company Secretary. For example, after publication of our remuneration policy last year, a number of the key shareholders were contacted and offered a meeting with the Chairman and the Chair of the Remuneration Committee should they wish to discuss the policy.

PEOPLE AND CULTURE

LINK TO VALUES

We are
Enthusiastic

We do the
Right Thing

We strive
for Excellence

We are
Dedicated

We are a Team

We Care

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

Colleague talent and capability

Business interruption and IT infrastructure

Brand and reputational damage



FY20 has been another transformational year for our teams at the Watches of Switzerland Group as we continue to command a leading position in the luxury watch market.

From the collective pride at the Group's admission to the London Stock Exchange in June 2019 to the overwhelming response and commitment of colleagues following the COVID-19 pandemic closure of stores and offices in March 2020, we have come together as never before to demonstrate the strength, capability and resilience of our organisation.

Our goal is to partner with the most prestigious Swiss luxury brands to deliver an unrivalled customer experience that is welcoming, engaging and underpinned by the deep category knowledge of our teams. Our colleagues love what they do and are dedicated to being experts in the world of luxury watches. In return, we work hard to make sure that they feel equipped for the task and valued for their contributions via our award-winning recognition programmes.

Our welcoming, high achieving and can do culture is embedded in our core values and never has this been more apparent than during the unprecedented events of this year.

In February 2020, we were delighted with the results of our first ever company-wide engagement survey, announced just prior to the COVID-19 lockdown.

During the year, we were also pleased to demonstrate the strength of our internal succession plan with the appointments of Craig Bolton, Executive Director UK and David Hurley, Executive Vice President USA, following the retirement of Tony Broderick, Chief Operating Officer after 40 years with the Group. This new structure brings all trading sectors together under one leader in each country, the benefits of which are already being felt. The integration of the US business is now complete and the senior management team is fully recruited.

WIDER WORKFORCE ENGAGEMENT

We have always prided ourselves on our open, collaborative and inclusive management structure and were pleased to test our assumptions about the Group's culture with the launch of 'How Are We Doing?', the company's first engagement survey, in January 2020.

1,915 colleagues – 89% of our population in the UK and US – took part in the 40 question survey and we were delighted with the Group's resulting Engagement score of 85%.

85%

FY20 ENGAGEMENT SCORE

The Board and the Designated Non-Executive Director for Workforce Engagement (DNED) were particularly pleased to note that scores relating to confidence in the business's leadership, belief in there being a clear vision for the future of the company and colleagues feeling positive about the future success of the business were amongst the highest scoring questions.

- 91% agreed/strongly agreed "I feel positive about the future success of the Company"
- 91% agreed/strongly agreed "I feel positive about the Company's goals"
- 90% agreed/strongly agreed "I am proud to work for this company"

The survey's results were announced at the beginning of March and line managers were just beginning to develop their action plans when the COVID-19 pandemic emerged. As a result, these action plans had to be put on hold against the backdrop of the furlough programme. We are very much looking forward to revisiting these plans as soon as we are able to.

Unfortunately, we were forced to delay the election process to support the launch of our new 'How Are We Doing? Listening Forum' which will be attended by Rosa Monckton, DNED. The election process will recommence in September 2020.



VALUES AND RECOGNITION

The Values system is deeply ingrained in the core Watches of Switzerland Group culture. In the UK, the award winning digital VibE platform encourages managers and colleagues to instantly recognise success and reward those who are living the Group's values. In the US, the Celebrating Success programme applauds individuals and team successes.

Our bi-monthly magazine celebrates achievements throughout the Group and makes sure that colleagues in both the US and the UK can feel proud of all we do.

The achievements of our highest contributors of FY19 were recognised at our Annual Awards ceremony in May of last year. Sadly, this year's celebrations have had to be deferred due to the COVID-19 crisis and may take place in a virtual format due to the need for social distancing.



We are Enthusiastic

We **work** hard, we **play** hard and we have a sense of **humour** and **fun**

We do the Right Thing

Acting with **honesty** and **integrity**, we are fair, **respectful** and **responsible** in all of our interactions

We are Dedicated

Taking **pride** in our accomplishments, **learning** from our mistakes, **focusing** on **results** and striving to be the **best** we can be

We strive for Excellence

We are **creative** and entrepreneurial, constantly seeking improvements to help us **achieve** the highest possible standards and **results**

We are a Team

We **support** each other, **sharing** our skills, **knowledge**, experience and **success** to **achieve** more.

We Care

We **cherish** our brands and products, and value **relationships** with our Colleagues, Customers, Suppliers and the **Community**



COMMUNICATING WITH COLLEAGUES IN UNUSUAL TIMES

Our award winning ONE communication platform enables us to speak to our colleagues every day and really demonstrated its worth this year as stores and offices were forced to close. Anticipating the lockdown, we moved quickly to make sure that colleagues would be able to access the platform from home during the furlough period.

From information about the steps we were taking to keep people safe as the COVID-19 pandemic developed, to practical guidance and regular communication from the senior team, ONE has enabled us to stay in regular contact with our teams when normal communication channels are challenged.

The Internal Communications teams in the UK and US are small but their creativity and innovation during the period of lockdown has done nothing but impress. With video content, Zoom Q&A sessions and the launch of a range of highly engaging competitions for colleagues and their children through the “Keeping In Touch Tuesday” campaign, the Watches of Switzerland Group spirit continued to thrive for the duration of lockdown.

Amongst many initiatives, colleagues in the UK were invited to send in clips of themselves and families clapping for the NHS to create a moving montage of collective support; colleagues’ children designed watches and jewellery, baked cakes fit for HM The Queen’s 94th birthday and designed Easter eggs. Their parents were invited to compete in the Watches of Switzerland Group Masterchef competition and engage in fundraising initiatives as they saw fit.

In the UK, the opening of the Group’s virtual pub The Cog & Carat through a closed Facebook group was a triumph which saw Quiz Nights, daily competitions and Friday night gigs performed by our many talented colleagues from their own living rooms. It was also an informal vehicle for serious Q&A sessions with the CEO and Executive Director UK.

In the US, a virtual Water Cooler chat room enabled colleagues to stay in touch with one another while a Daily Read was circulated to keep teams up to speed with their industry knowledge.

During the course of the year, we also took the opportunity to move our popular, bi-monthly Clarity magazine onto a fully digital platform. We were therefore very well placed to continue to share news of colleagues’ achievements and stories during the lockdown period and were able to properly celebrate the retirement of Tony Broderick, COO in our specially dedicated April edition.



“We’ve always known we are a people business, but the outstanding level of engagement during the recent period of enforced closures has proved this definitively once and for all.”

BRIAN DUFFY
CHIEF EXECUTIVE OFFICER

DIVERSITY & INCLUSION

We believe in equality for all and are fully committed to promoting an inclusive culture and diverse workforce. Ensuring a culture of fairness and equity underpins our management decisions, actions and behaviours and we were pleased to note that in our engagement survey 85% of colleagues agreed or strongly agreed with the statement ‘Colleagues’ individual differences are respected here (cultures, working styles, backgrounds, ideas)’.

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

Our Equality and Diversity policy ensures that development, promotion, opportunity and advancement are based solely on objective, measured criteria relevant to the situation and we are confident that women and men are paid equally for equivalent work. Full and fair consideration is given to job applications from disabled persons, taking into account their particular aptitudes and abilities.

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

LEARNING & DEVELOPMENT

Delivering the highest level of customer experience is integral to our purpose and colleagues are proud to call themselves experts in the luxury watch and jewellery sector.

We have an established range of in-house training programmes including Bronze and Silver Academies and leadership initiatives such as the Sales to Management programme which supports our internal progression plan. In addition, we collaborate with our brand partners to deliver intensive product knowledge and customer experience training and our programmes are held in high regard in the sector.

This year, in the UK, we developed and ran a specific two-day coaching programme attended by 90 Rolex Agency Store Managers and to support this year’s strategic brands UK Christmas campaign, five thirty minute e-learning modules were developed and completed by 96% of store colleagues. In the US colleagues attended 4,400 hours of timepiece brand training, 25% of which was Rolex.

80 colleagues attended the three-day Rolex in house training programme held at their training centre in Kings Hill increasing the total number of trained colleagues in the UK to 400.

In the US, three new Rolex one day training programmes delivered 1,089 hours of training for 218 colleagues

In the UK, 50 colleagues graduated from leadership programmes.

Most impressive of all, during the period of lockdown, UK colleagues completed an incredible 13,000+ e-learning modules while colleagues in the US attended nearly 2,300 hours of virtual webinar training sessions delivered by 21 different brand partners.

TALENT AND SUCCESSION

As our business grows and develops, the ability to attract and retain talent is key. The strength of our talent planning was showcased this year in the UK with the opening of Watches of Switzerland Gatwick North and recruitment of teams to run five new mono-brand boutiques due to open over a period of two months following the lockdown period. In the US, we collaborated closely with the Audemars Piguet team to open the first dedicated Audemars Piguet mono-brand boutique at Lenox Mall.

We were pleased to showcase the opportunities for progression with several movements around the Group. The store directors for Soho and Hudson Yards were appointed from Watches of Switzerland UK and Mayors respectively and the store director of the Rolex Boutique at the Wynn Resort, Las Vegas relocated from Mayors. We celebrated the promotion of 44 colleagues in the UK and 16 colleagues in the US this year.

In preparation for the planned retirement of Tony Broderick COO at the end of FY2020, we put our succession plan into practice. In January, Craig Bolton was promoted to Executive Director UK and David Hurley Executive Vice President USA, took complete accountability for the US division.

RETURNING TO WORK POST COVID-19

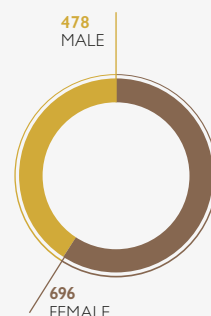
As we started to plan our return to work after the COVID-19 enforced lock down, we ensured that we followed the 'Working Safely during COVID-19' Government guidelines and assured our colleagues that we respected these and were going beyond them.

Our return to work plans included newly created e-learning modules, physical interventions such as sneeze screens and the provision of optional PPE; new protocols for our teams and collateral to communicate our plans to our clients.

We have made every effort to ensure that our teams and customers feel confident that we have created a safe environment for them to work in and enjoy the experience they have come to expect from the Watches of Switzerland Group.

COLLEAGUE STATISTICS AS AT 26 APRIL 2020

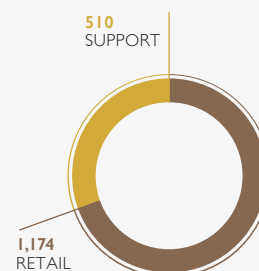
UK FTE – Retail



UK FTE – Support



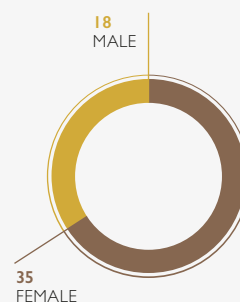
UK FTE – Total



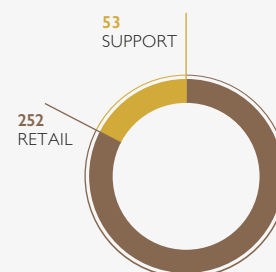
US FTE – Retail



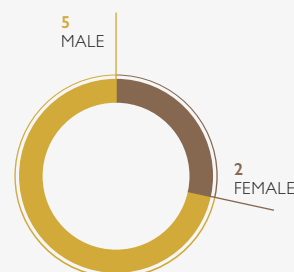
US FTE – Support



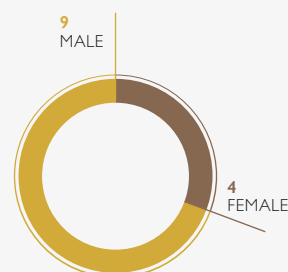
US FTE – Total



Board



Trading Board



COMMUNITY

LINK TO VALUES

*We do the
Right Thing*

We Care

LINK TO PRINCIPAL RISKS
AND UNCERTAINTIES
Brand and reputational damage



Our interaction with our local communities has always been an important part of our culture but this year has seen a step change as our approach has become more strategic and focused. After only six months of our new corporate relationship, we were delighted to be nominated in the New Partnership category of the National Prince's Trust Partnership Awards. In response to the COVID-19 crisis, we were also honoured to create a food bank support programme to help those most in need in our local communities.

Last year we announced the launch of our strategic partnership with the Prince's Trust at our Rolex Centenary celebrations in Newcastle. We were delighted that Rolex agreed to join us in setting an inaugural fundraising target of £300,000 for the Prince's Trust through the sale of 100 special edition watches, each with a special engraving to mark the Watches of Switzerland Group's 100 year anniversary with Rolex.

We were very pleased to announce in February that all of the watches had been sold and the fundraising target of £300,000 reached. This has become the Prince's Trust's single largest product related campaign to date and will support up to 800 young people across a variety of programmes. £100,000 of these funds will help young people in the North East.

"It's been a fantastic first year of partnership with the Watches of Switzerland Group supporting our education programmes across the UK and in Newcastle specifically. It's a pleasure working with a partner like the Watches of Switzerland Group who share our vision to raise young people's aspirations and inspire them to realise their full potential. Together we have supported 1,032 young people in this first year and we look forward to our next year in partnership."

IAN JEFFERS
DEPUTY CEO – THE PRINCE'S TRUST

With such an auspicious launch, our involvement with the charity has gone from strength to strength. In October 2019, 16 colleagues participated in the Palace to Palace cycle ride and five colleagues completed the Royal Parks Half Marathon raising over £20,000 between them.

Our volunteering programmes saw colleagues in our support centre in Leicester training to become Mosaic Mentors and then becoming assigned to local schools as mentors for classes of up to 25-30 schoolchildren.

We arranged World of Work days in our support centre and a Retail World of Work Day at our Birmingham store. Here, Watches of Switzerland Group colleagues from a variety of functions came together to explain how a retail business works and give an insight to the opportunities available. We ran mock interviews and helped with CV preparation for a Prince's Trust TEAM programme. We were thrilled to be able to make our first hire when a TEAM programme participant so impressed us following her work experience in the IT department.

In London, we continue to host our highly popular Mappin & Webb Enterprise day for the Young Entrepreneurs programme whilst in the North East, Craig Bolton, Executive Director UK rolled out the Little Acorns presentation to over 150 schoolchildren. This project uses the inspiration

of the Rolex story together with our Group's story and the presenter's own career history to educate young adults about the exciting opportunity a career in business and retail can offer.

We continue to sponsor the Prince's Trust National Award for Young Entrepreneur of the Year and this year, extended our sponsorship to three Regional Awards where Watches of Switzerland Group Regional Directors were humbled to join the judging panel of the North East, Midlands and London awards. Our Executive Director HR was equally honoured to join the judging panel for the National Awards.

Finally, we were pleased to support the soft launch of The Prince's Trust US in October 2019 with a private 'friendraising' event in our prestigious Soho flagship, co-hosted by Brian Duffy, CEO and the Chairman of the Trustees, the Prince's Trust US.

COVID-19 COMMUNITY RESPONSE – FOOD BANK PROGRAMME

In response to the growing food poverty crisis caused by the impact of COVID-19, after the period end during June 2020, we decided to make donations that would directly support food banks in large city centre community hubs in the UK and US. Each food bank is a registered charity and in the UK every recipient is a member of The Trussell Trust network.

In some locations, donations were made to single recipients and in others, a small network of food banks who often work in collaboration, elected to share donations between themselves. With one exception food banks were asked to use the donation to directly purchase food or farm vouchers which allow access to fresh food.

In total, the Group donated £100,000 in the UK with donations by location of either £10,000 or £20,000 and \$50,000 in the US with donations of \$10,000 and \$30,000. Communities in Leicester, Newcastle, Glasgow, Manchester, Birmingham, London, Bristol, New York, Florida and Las Vegas were the beneficiaries of the programme.

"Firstly, I want to thank the Watches of Switzerland Group for their wonderful donation, it means a great deal to our food bank and the other three Glasgow food banks. While demand for emergency food has increased, donations – which we rely on to run – dropped by the same amount, so gestures like this mean we can continue to feed our community."

"We will use the donation to purchase vouchers for Farmfoods stores. This means that as well as giving out our food parcels, we are able to give vouchers to people to use as they need to, giving them more choice and access to fresh fruit and veg, and extending the length of time the parcel lasts."

AUDREY FLANNAGAN
MANAGER OF GLASGOW SOUTH EAST FOODBANK



ENVIRONMENT

LINK TO VALUES

*We do the
Right Thing*

We Care

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

Brand and reputational damage
Emerging risks

The Watches of Switzerland Group believes that a business should protect, and where possible, improve the environment, promote sustainable development and prevent the wasteful use of natural resources. We expect our business associates to comply with all current local environmental laws and regulations. Additionally, we encourage our vendors to promote responsible environmental practices.

GOVERNANCE

In order to improve the Group's environmental sustainability, the Group set up a Corporate Social Responsibility (CSR) Committee. The CSR Committee is chaired by a member of the Trading Board and contains representatives from across the business. This committee meets regularly throughout the year, with its objectives being the following:

- Monitoring compliance with all relevant environmental legislation
- Keeping abreast of legislative and best practice sustainability developments
- Developing environmental objectives, policy, targets and initiatives
- Promoting environmental awareness to colleagues.



ENERGY AND RESOURCES

Electricity consumption

The Group's objective is to reduce energy consumption year-on-year relative to revenue. In order to do this the Group is focussing on a number of energy initiatives, including:

- In the UK we are compliant with Phase 2 of the Energy Savings Opportunity Scheme
- Energy consumption is monitored on a site-by-site basis in conjunction with a specialist energy partner. Through energy consumption monitoring, automatic lighting and temperature controls we look to reduce energy consumption whilst maintaining a comfortable environment for our customers and colleagues
- Since November 2015, all new UK stores or major refurbishments have been completed using LED lighting to reduce energy usage. 60% of our UK stores have been converted to date and there is an ongoing programme in place to install LED lights in all our UK stores over the next 2-3 years. A review of LED lighting is being performed in the US.
- The Group has commitments in place to purchase at least 40% of UK electricity for FY21 from renewable sources.

Transport

We partner with third-party parcel distribution companies for the delivery of our products. These companies have an Ecovadis Gold sustainability rating and have made a commitment to reducing their carbon footprint.

Our air travel within the Group is limited and our small fleet of company cars comprises mainly clean diesel or hybrid models.



Greenhouse gas emissions

In order to help us understand the impact of our business on the environment, we measure our global carbon footprint produced from the operation of activities over which the Group has direct control. The Group's aim is to reduce greenhouse gas emissions year-on-year relative to revenue.

TONNES CO ₂ EQUIVALENT (TCO ₂ E)	April 2020			April 2019		
	UK	US	Total	UK	US	Total
Scope 1: Direct combustion of fuel	273	64	337	370	168	538
Scope 2: Directly purchased electricity, heat, steam or cooling (location based)	2,354	702	3,056	2,248	1,105	3,263
Total	2,627	766	3,393	2,618	1,183	3,801
Revenue (£m)	585.5	225.0	810.5	588.2	185.3	733.5
Intensity measure: tCO ₂ E as % of revenue	0.00449	0.00340	0.00789	0.00445	0.00638	0.00518

The methodology used to calculate our emissions is based on operational control compliance with WRI.WBCSD GHG Protocol Corporate Accounting and Reporting Standards (Revised) and has been calculated using the revised carbon convention factors published by the BEIS in 2019.

RECYCLING AND WASTE

Product packaging

In our retail stores we have moved from polythene branded bags to recyclable paper bags. Our packaging supplier operates to ISO 9001 and ISO 14001 standards as well as SEDEX and SMETA.

Recycling

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

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

At our Leicester Head Office, we recently changed our waste management service provider to Biffa and have improved our recycling rates significantly. Our target is to send no waste to landfill. We have taken on suggestions from our colleagues to improve waste and recycling, including the removal of single-use plastic cups in our support centre.

We comply with the Waste Electronic and Electrical Equipment Directive which forms part of our company policy and procedures.

Water

Over the past four years we have installed water meters in all possible sites across our stores and offices. Water meter data is used to identify sites with exceptional water use and to resolve problems. We plan to gather the baseline data for water consumption in order to benchmark our stores and develop and plan with targets to reduce our water usage.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD recommended that organisations include information on climate-related risks and opportunities in their annual reports, with the expectation that all listed companies will report in line with TCFD recommendations by 2022. The Group will align its environmental reporting to meet these requirements by this date.

RESPONSIBLE TRADING SUPPLY CHAIN

LINK TO VALUES

*We do the
Right Thing*

We Care

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

Key suppliers and supply chain
Regulatory and compliance
Brand and reputational damage



SUPPLIER CODE OF CONDUCT

Our suppliers are requested to confirm their compliance with the following 12 principles:

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular employment is provided
- No harsh or inhumane treatment is allowed
- Responsible environmental practices
- Zero-tolerance of conflict products
- Compliance with WOS Group code of conduct

In order to test compliance with our Supplier Manual and Code of Conduct, we carry out factory visits. On these visits, senior members of our management team make a personal check of the factory environment and working conditions.

RESPONSIBLE JEWELLERY COUNCIL

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

The RJC provides a clear set of standards (the RJC 'Code of Practices') which form a framework for companies to address sustainability best practices and align with the 17 United Nations Sustainable Development Goals.

Compliance with the Code of Practices is verified through a third party, independent, certification process.

The Code of Practices is made up of 40 provisions that are specifically designed for companies to fulfil six broad objectives:

1. Legal and regulatory compliance
2. Responsible supply chains, human rights and due diligence
3. Labour rights and working conditions
4. Health, safety and environment
5. Gold, silver, Platinum Group Metals (PGM), diamond and coloured gemstone products
6. Responsible mining

SOURCING

Conflict diamonds and the Kimberley Process

The Kimberley Process is a joint initiative between governments, industry and the United Nations to restrict the supply of conflict diamonds. In this process, conflict free diamonds are transported in tamper-resistant containers and must be accompanied by a government validated Kimberley Process Certificate. The System of Warranties (SoW) Assurance was introduced to assure only

legitimately sourced diamonds are traded. Once a diamond is imported and ready for trade, a written statement must accompany all invoices guaranteeing the diamonds are from legitimate sources.

The Group insists that all our suppliers guarantee that any diamonds are conflict free and that written guarantees are provided to that effect.

Gold and other precious metals

The Group has a policy of only purchasing from jewellery suppliers who purchase their precious metals from recognised responsible bullion suppliers who are listed on the London Bullion Market Association (LBMA) good delivery list. The LBMA's list seeks to ensure that the bullion is sourced responsibly, that it is not acquired from conflict areas and that human rights standards are properly respected.

MODERN SLAVERY

We are committed to maintaining the highest ethical standards amongst our suppliers. We work strongly to oppose the exploitation of workers and take all steps to ensure that no form of human

BRIBERY, CORRUPTION, TAXATION AND HEALTH AND SAFETY



trafficking or exploitation of children has taken place in our supply chain. Our Modern Slavery Statement forms part of our supplier manual that suppliers must comply with. Our Modern Slavery Statement can be found on our corporate website at www.thewosgroupplc.com.

PAYMENT PRACTICES

The Group understands the importance of maintaining good relationships with suppliers and it is Group policy to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and for payment to be made in accordance with these terms, provided the supplier has complied with its obligations. The Group's payment practices report is available at <https://check-payment-practices.service.gov.uk/search>, which showed the Group took on average 43 days to pay in the six-month period to 26 April 2020.

LINK TO VALUES

*We do the
Right Thing*

We Care

LINK TO PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory and compliance
Brand and reputational damage

ANTI-BRIBERY AND CORRUPTION

The Group's anti-bribery and corruption policy reinforces that the Board is committed to conducting its business affairs so as to ensure that it does not engage in or facilitate any form of corruption. During the year the Group launched an online anti-bribery and corruption training course for all colleagues. The Group also has controls around anti-bribery and corruption including:

- A formal policy for the logging and approval of all gifts and hospitality accepted by colleagues
- Due diligence procedures for new suppliers
- Financial controls around segregation of duties, invoices and payments
- Supplier manual in place articulating our policies

The Group also has policies regarding anti-money laundering and the related processes are audited by the operational audit team.

TAXATION

The Group manages its tax affairs responsibly and proactively to comply with tax legislation. The Group pays corporation tax on its operations in the United Kingdom and United States and does not operate in any tax havens or use any tax avoidance schemes. We seek to build solid and constructive working relationships with all tax authorities. Our Tax Strategy Statement can be found at www.thewosgroupplc.com.

"The Group takes a zero-tolerance approach to bribery, corruption, fraud and tax evasion".

WHISTLEBLOWING

The Group's whistleblowing policy enables colleagues to report concerns on matters affecting the Group or their employment, without fear of recrimination. This policy refers specifically to bribery and fraud and an externally hosted independent helpline is in place. The Board has overall responsibility for this policy and the Executive Director HR has day-to-day responsibility. The Group also has in place an online whistleblowing training course for all employees.

HEALTH AND SAFETY

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

Our health and safety policy applies to our business activities and premises to ensure, so far as it is reasonably practicable, the health, safety and welfare of our employees, customers and others who may be affected by our business practices. Health and safety practices are regularly audited by our operational audit and support office teams.

In response to the COVID-19 pandemic, the Group implemented strict social distancing and health and safety precautions within our distribution centres and offices. We are proud to have continued our ecommerce operations in a safe working environment whilst support office staff were able to work in safety from their homes. During the first few months of FY21 we began to re-open our store network, ensuring that the Group exceeded the relevant health & safety guidelines issued by the relevant government, whilst maintaining a welcoming and enjoyable experience for our customers.

RECOGNISING EFFECTIVE RISK MANAGEMENT

“An effective risk management framework has been designed to improve the likelihood of achieving the Group’s strategic objectives, protect the interests of key stakeholders and deliver long term success.”

The Watches of Switzerland Group defines risk as uncertainty around the organisation’s ability to achieve its objectives and execute its strategy effectively. Risks can be positive (opportunities) and negative (threats) and are a combination of the likelihood of an event and the impact of the consequence.

As with any business, the Group faces risks and uncertainties that could impact the delivery of strategic and operational objectives. The WOSG PLC Board’s role is central to understanding and providing oversight into how risks are being managed and addressed. The Board has established a framework of prudent and effective controls

which enable risk to be assessed and managed.

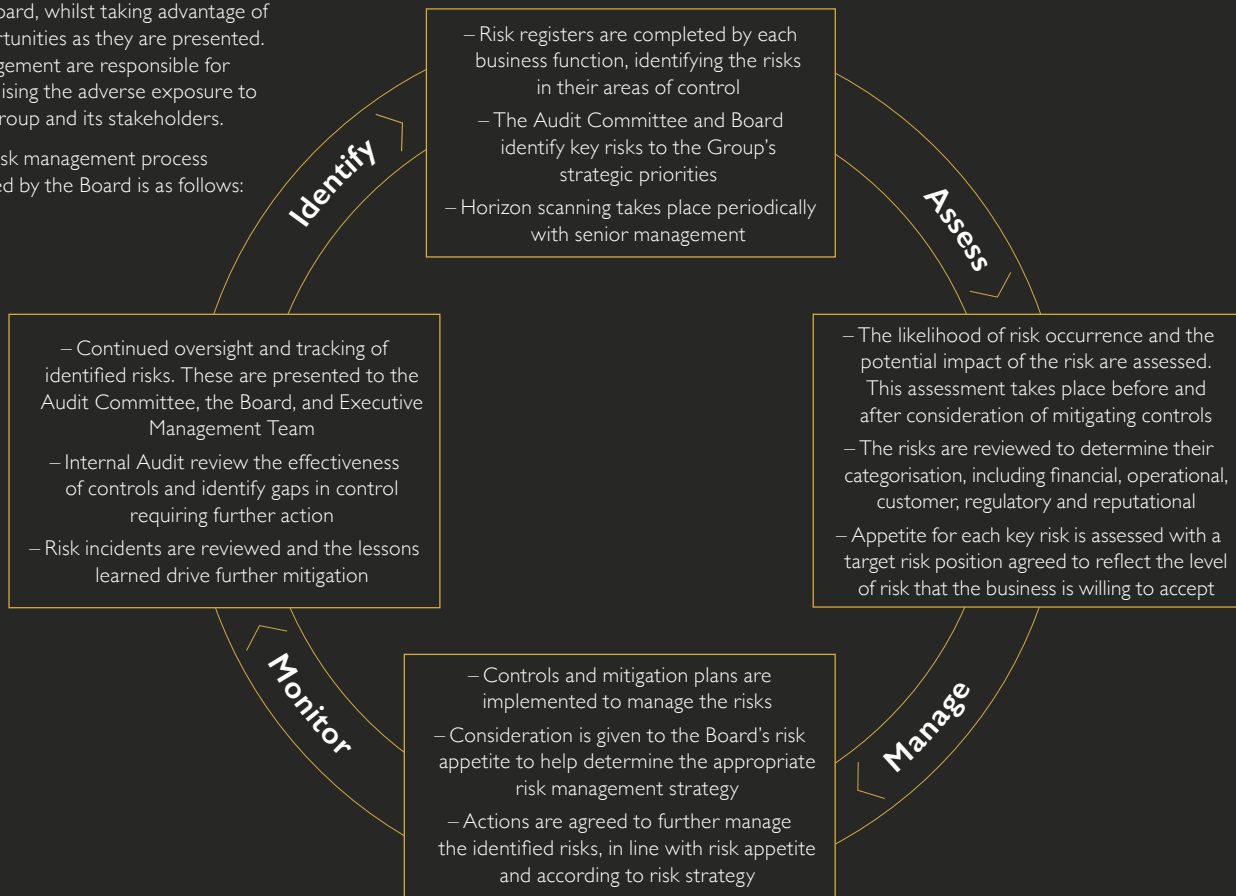
The Board takes responsibility for the management of risk throughout the business.

The Board recognises that risk management is an integral part of good corporate governance and management practice and to be most effective, should become part of the organisation’s culture. The Board is, therefore, committed to ensuring that risk management forms an integral part of its philosophy, practices and business plans rather than viewed or practised as a separate programme and that responsibility for implementation is accepted at all levels of the organisation.

RISK MANAGEMENT PROCESS

The Group’s risk management framework helps identify, assess, manage and monitor risks to within the risk appetite set by the Board, whilst taking advantage of opportunities as they are presented. Management are responsible for minimising the adverse exposure to the Group and its stakeholders.

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



RESPONSIBILITIES

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

BOARD

Collective responsibility for the management of risk throughout the business

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

TRADING BOARD

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

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

AUDIT COMMITTEE

Oversees risk management systems and process, under delegation from the Board

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

OPERATIONAL MANAGEMENT

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

- Maintains the departmental risk registers
- Identifies and assesses risk and implements action to mitigate risk within their area
- Embeds and manages internal controls and risk management processes as part of business as usual operations

OPERATIONAL AUDIT, LOSS PREVENTION AND SECURITY TEAM

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

- Provides an objective compliance and monitoring overview
- Identifies non-compliance with key business processes

INTERNAL AUDIT

Provides assurance to the Audit Committee through independent reviews of agreed risk areas

- Maintains the corporate risk register
- Presents the outcome of the risk review to the Executive Board and the Audit Committee
- Ensures that principal risk topics are scheduled for regular review by the Board
- Shares risk management information and best practice across the Group

IDENTIFICATION, EVALUATION AND MANAGEMENT OF THE GROUP'S RISKS

The Board has identified these to be the most significant risks and uncertainties that may impact the Group's ability to achieve its strategic and operational goals. The Group recognises that the profile of risks constantly changes, and additional risks not presently known, or that may be currently deemed immaterial, may also impact the Group's business objectives (as detailed on

page 17) and performance. The risk management framework is therefore designed to manage rather than eliminate the risk of failure to achieve business objectives, and, as such, can only provide reasonable and not absolute assurance against these principal uncertainties impacting on business performance.

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

COVID-19 IMPACT ON PRINCIPAL RISKS AND UNCERTAINTIES

The COVID-19 pandemic is the most significant external risk currently facing the Group, impacting colleagues, customers, the supply chain, and stores. As a business impacted by the pandemic, the Group has considered both the specific consequences of the virus and its impact on the underlying principal risks being managed.

The safety of the Group's employees and customers is the priority and has been at the forefront of the Group's response to the pandemic. The following provides an overview of the actions taken in response to the virus, the most significant risks associated with the pandemic and details of how it has impacted the broader set of principal risks and uncertainties.

HOW THE GROUP RESPONDED

In order to limit the impact of the outbreak on the Group, mitigating actions to protect colleagues and staff, contain costs, and protect financial position have been implemented. These included:

- Forming a crisis response team in February 2020 to plan, adapt and respond to the latest COVID-19 pandemic developments in order to maintain customer service and protect customers and colleagues.
- The Group reacting immediately to growing concern regarding the health and safety of customers and colleagues by closing stores prior to Government enforced closure.
- Successfully implementing home working for support centre colleagues, and safe working conditions for those needed to work in the distribution centre.
- Taking action to reduce the Group's cost base, capital expenditure and cash commitments to maximise liquidity.
- Working with suppliers to adapt the level of supply and payment terms to maximise liquidity during lockdown.
- Implementing remote trading and clienteling services in order to maximise revenue opportunities.

- Engaging with landlords to manage rent obligations and property costs.
- Accessing the Coronavirus Job Retention Scheme and furloughing colleagues where appropriate along with securing US funding through the Payment Protection Program.

Post year-end, once stores were able to re-open, the Group:

- Entered into a new £45 million facility agreement which is guaranteed by the UK Government under its Coronavirus Large Business Interruption Loan Scheme to secure liquidity.
- Introduced distancing and hygiene measures in stores, offices, and distribution centres to keep customers and colleagues safe.
- Conducted risk assessments for each customer-facing store to identify potential strategic, operational, regulatory and colleague related exposures.
- Updated operational activities to comply with guidance provided by the UK and US governments to prioritise the safety of colleagues and customers.

CHANGES TO THE RISK PROFILE

The table below summarises the key potential risk implications of the pandemic and how these link to the core principal risks that remain in place in the section below.

Relevant principal risk	Risk description
Business strategy execution and development	The Group may fail to effectively and rapidly respond to the pressures of an increasingly changing retail environment, most relevantly from the impact of COVID-19.
Key suppliers and supply chain	The potential closure of supplier manufacturing operations, as a result of COVID-19, could significantly impact the supply chain of products. The Group's supplier base is concentrated in Switzerland, therefore a significant lockdown of operations in Switzerland would materially impact the Group.
Business interruption	The impact of having to close stores or a reduced number of employees through illness.
Data protection and cyber security	Potential additional COVID-19 related security risks in relation to increased working from home arrangements, an increase in phishing campaigns, and increased reliance on third parties supporting critical support services.
Regulatory and compliance	An inability to adequately safeguard customers, colleagues, and other stakeholders during the COVID-19 pandemic, could result in potential breaches of health and safety laws and regulations.
Financial and treasury	Significantly reduced trading over an extended period, as a result of COVID-19, could impact the Group's ability to operate within committed credit facilities.
Multiple risks	An inability to successfully respond to the ending of lockdown (such as management of colleagues returning from furlough and re-establishing 'business as usual' process and control) would trigger operational challenges and inefficiencies for the business.

EMERGING RISKS

As part of the ongoing risk management framework described above, the Group identifies emerging risks and determines their potential impact on the business.

One emerging risk identified was the resilience of the Group's ability to manage the potential impact of climate change. Finite resources exist for the raw material of our product which could lead to scarcity of supply and increased product costs in the future. This could be mitigated by the recycling of raw materials or lab produced alternatives for gemstones. Increased frequency of extreme weather conditions could cause disruption to the supply chain or customers' shopping habits. Climate change and environmental policies and practices are governed by the CSR committee which includes a cross section of colleagues from across the business who meet regularly.

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

Business strategy execution and development

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

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

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

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





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

The Group may fail to effectively and rapidly respond to the pressures of an increasingly changing retail environment, including from the impact of COVID-19. The re-evaluation of priorities and their delivery, including the consideration of initiatives to respond to permanent changes in customer behaviours or to change working practices, is paramount in the current environment.







How we manage or mitigate the risk

- The Board reviews business strategy on a regular basis to determine how sales and profit can be maximised, and business operations be made more efficient
- The Board has significant relevant experience, including in the retail and luxury markets
- The CEO provides updates to the Board on key development opportunities and initiatives
- Expansion of the property portfolio or potential acquisitions must meet strict payback criteria. Return on investment of marketing and other investment activity is monitored closely
- Key management information is provided to the Board on a regular basis to help inform strategic decision making
- The Group adapted its strategy to take advantage of online trading and remote clienteling activities to maximise sales throughout the lockdown period and post re-opening. All operational and capital expenditure has been reviewed to ensure that spending is aligned with the new operating model
- The Group has diversified its operations through the expansion of mono-brand boutiques and ecommerce platforms. Having entered the US market in 2017 there is international market diversification reducing reliance on one international territory.

KEY

	Increase
	Decrease
	No change
	Heightened risk due to COVID-19

STRATEGIC PRIORITIES

	Grow revenue, profit and Return on Capital Employed		Drive customer awareness and brand image
	Enhance strong brand partnerships		Leverage best in class operations
	Deliver exceptional customer service		Expand multi-channel leadership

Key suppliers and supply chain

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

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

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

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

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

As a result of COVID-19, supplier manufacturing operations could be forced to close, impacting operational activities, customer experience, and business strategy.

How we manage or mitigate the risk

- The Group fosters strong relationships with suppliers, many of which have been held for a significant length of time
- The Group works collaboratively with suppliers to identify product trends and forward demand
- Continued focus on providing the best customer experience, representing the brands in the best possible way
- In-depth training for store colleagues is provided, including specific training provided by the brand owners themselves

Customer experience and market risks

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

An inability to maintain a consistent high-quality experience for the Group's customers across the sales channels, particularly within the store network, and during the COVID-19 pandemic, could adversely affect business.

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

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

How we manage or mitigate the risk

- The Group provides the ultimate luxury environment for its customers to feel welcome, appreciated and supported
- Initiatives launched in response to the COVID-19 lockdown to continue making product available safely to customers
- Exceptional training is provided for our store colleagues, and other customer facing colleagues, to allow them to provide the best customer service, along with in-depth product knowledge
- The CRM database allows the Group to manage the customer from a potential to a loyal customer
- The Group continues to invest in and develop its product offering to improve the value offered to consumers, retailers and manufacturers
- Competitor activity is monitored in detail, enabling strategic decision making on key market positions
- The diversification of the Group through mono-brand boutiques and significant online presence together with the Group's scale and technological capabilities are competitive advantages for the Group.

Colleague talent and capability

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description





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

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



How we manage or mitigate the risk

- The Trading Board considers the development of senior management to ensure there are opportunities for career development, promotion, and appropriate succession
- The Nomination Committee considers the succession planning for the Board
- The Group's award winning 'VibE' recognition programme is in place to incentivise and motivate all colleagues
- A wide range of training and development programmes are available to colleagues, including the Group's own Academy
- A Group wide engagement survey provides an insight into what colleagues feel would make the Group an even better place to work
- The Group continually reviews the remuneration and benefits packages for all colleagues to make sure they are appropriately rewarded for the substantial contribution they make to the Group's growth and success. These benefits and the value they bring to colleagues are continually communicated to ensure they are taking advantage of them
- A focused project group has been established, with an objective to monitor and reduce retail labour turnover, particularly in the first year of employment
- The Group is initiating a shift from part time to full time contracts for retail colleagues
- A talent bank is in the process of being established, which will provide a pipeline for management and high potential hires

KEY

	Increase
	Decrease
	No change
	Heightened risk due to COVID-19

STRATEGIC PRIORITIES

	Grow revenue, profit and Return on Capital Employed		Drive customer awareness and brand image
	Enhance strong brand partnerships		Leverage best in class operations
	Deliver exceptional customer service		Expand multi-channel leadership

Business interruption and IT infrastructure

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

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

The inability of the Group to be able to operate stores or significant reduction in available colleagues to operate the business, such as during the COVID-19 pandemic, would significantly impact the operations of the business.

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

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

Disruptions to, or failures in, the Group's IT infrastructure and networks, or those of third parties, could disrupt the Group's operations, especially during periods of increased reliance on these systems such as those experienced during the COVID-19 lockdown.

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

How we manage or mitigate the risk

- The Group has a framework of operational procedures and business continuity plans that are regularly reviewed, updated and tested
- The multi-channel model allows customers to purchase online from the safety and comfort of their homes
- Robust security arrangements are in place across our store network to protect people and products in the case of security incidents
- A comprehensive insurance programme is in place to offset the financial consequences of insured events
- Business critical systems are based on established, industry leading package solutions
- A detailed IT development and security roadmap is in place aligned to our strategy
- Reliable and reputable third party logistic partners have been engaged to ensure the secure transportation of goods
- The Group put in place action plans to effectively deal with the COVID-19 pandemic impact on business operations.

Data protection and cyber security

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

The increasing sophistication and frequency of cyber-attacks, coupled with the General Data Protection Regulation (GDPR), highlight the escalating information security risk facing all businesses.

As the Group operates in both the US and UK markets, the regulatory environment surrounding these areas is considered more complex.

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

Theft or loss of Company or customer data or potential damage to any systems from viruses, ransomware or other malware could result in fines and reputational damage to the business that could negatively impact on our sales.

Potential additional COVID-19 related security risks in relation to increased working from home arrangements, an increase in phishing campaigns, and increased reliance on third parties supporting critical support services.

How we manage or mitigate the risk

- Significant investment in systems development and security programmes
- Systems vulnerability and penetration testing is carried out regularly
- the Data Protection Committee meets at least six times a year to review related processes and emerging risks
- GDPR policies, procedures and training in place
- Strict access rights are in place to limit access to data and reports to limited people
- Regular communication with colleagues on the risk of 'phishing' emails and alerts of identified examples
- SIEM ("Security Information and Event Management") tools are being introduced across the Group's technology estate
- VPN security controls have been enhanced in light of the increased requirement for use through working from home arrangements

Regulatory and compliance

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

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





Due to the Group expanding into the US, there is a risk the business lacks the detailed knowledge of US laws and regulations resulting in a breach, significant fine and reputational impact.

There is a risk that the Group could fail to adequately look after the health and wellbeing of its colleagues and customers, especially considering the challenges faced by COVID-19, with potential breaches of health and safety laws and regulations.

How we manage or mitigate the risk

- The Group actively monitors both regulatory developments in the UK and US and compliance with existing obligations
- Clear policies and procedures are in place, including, but not limited to, anti-bribery and corruption, whistleblowing, and data protection
- Mandatory induction briefings and training for all staff on regulation and compliance
- Experienced in-house legal team with external expertise sought as needed
- The established culture and values foster open, honest communication
- Operational activities have been amended, and continue to be updated, to comply with guidance provided by the government to prioritise the safety of colleagues and customers.

KEY

-  Increase
-  Decrease
-  No change
-  Heightened risk due to COVID-19

STRATEGIC PRIORITIES

-  Grow revenue, profit and Return on Capital Employed
-  Enhance strong brand partnerships
-  Deliver exceptional customer service
-  Drive customer awareness and brand image
-  Leverage best in class operations
-  Expand multi-channel leadership

Economic and political

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

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

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

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

How we manage or mitigate the risk

- Regular monitoring of economic and political events, including Brexit and COVID-19
- Brexit risk assessment completed to identify potential areas of risk and mitigation
- Focus on customer service to attract and retain customers
- Detailed sales data is analysed to anticipate future trends and demand, taking into consideration the current economic environment
- Through the expansion into the US, the Group is not wholly dependent on the economic or political environment in one single market.

Brand and reputational damage

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

The Watches of Switzerland Group's trading brands are an important asset and failure to protect the Group's reputation and brand could lead to a loss of trust and confidence. This could result in a decline in the customer base, affect the ability to recruit and retain the best people and damage our reputation with our suppliers.

How we manage or mitigate the risk

- The Group has a clear and open culture with a focus on trust and transparency
- Good customer experience is a key priority of the Group
- The Group undertakes regular customer engagement to understand and adapt the product, offer and store environment
- The use of world-class marketing, along with an in-depth knowledge of products makes the Group an authority in the markets it serves

Financial and treasury

CHANGE IN RISK



LINK TO STRATEGY



Principal risk description

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

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

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

Significantly reduced trading over an extended period, as a result of the COVID-19 pandemic, could impact the business's ability to operate within committed credit facilities. This has been considered as part of the Group's going concern assessment on page 74.

How we manage or mitigate the risk

- The Group's debt position, available funding and cash flow projections are regularly monitored
- Current lending facilities are in place until April 2023 and June 2024. Post year-end the Group further strengthened its liquidity position with a new £45.0 million facility agreement as part of the UK government CLBILS initiative, which matures in November 2021. On 18 June 2020 the covenant requirements on the UK facilities were amended to reflect a liquidity headroom requirement, rather than financial ratios, for the October 2020 and April 2021 covenant tests.

VIABILITY AND GOING CONCERN

GOING CONCERN

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the business activities set out on pages 2 to 63, the principal risks and uncertainties as set out on pages 66 to 73 and the impact of COVID-19.

At the balance sheet date, the Group had a total of £219.0m in available committed facilities, of which £202.6m was drawn down. Net debt¹ at this date was £129.7m with liquidity (defined as unrestricted cash plus undrawn available facilities) headroom of £79.0m. This funding matures in 2023/24. On 14 May 2020, the Group entered into a new £45.0m facility agreement as part of the UK government Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which has a maturity of November 2021. The total available committed facilities in place as of 12 August 2020 were £261.8m and drawn down facilities were £150.3m.

The key covenant tests attached to the Group's facilities are a measure of net debt¹ to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October. The covenant tests at October and April 2020 were fully met. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20.0m for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period.

The 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.

In assessing whether the going concern basis of accounting is appropriate, the Directors have reviewed various trading scenarios for the 12-month period from the date of this report, these included:

- The Budget approved by the Board in August 2020, which included the following key assumptions;
- A continued strong luxury watch market in the UK and US

- Anticipation of some localised disruption due to COVID-19 but assumes no further national-scale lockdowns in either the US or UK during the period
- Lower levels of tourism in the US and UK and reduced travel impacting our airport stores.
- Sufficient luxury watch supply to support the revenue forecast

The budget aligns to the Guidance given on page 34. Under this budget all covenant tests to October 2021 are comfortably complied with and there is sufficient liquidity to repay the £45.0m CLBILS facility in November 2021.

- Reverse stress-testing of this budget to determine what level of reduced EBITDA and other possible cash outflows would result in a breach of the £20.0m liquidity headroom covenant. The likelihood of this level of reduced EBITDA and other cash outflows are considered remote. Neither a full 12-month store lockdown nor a Christmas store closure period with an additional reduced demand during the 12-month period, would result in a breach of the £20.0m minimum headroom covenant.
- Severe but plausible scenarios of a full store closure at Christmas or a 20% reduction in sales to the budget due to reduced consumer confidence and lower disposable income or a combination of the two would still result in the £20.0m liquidity covenant, the October 2021 debt to EBITDA ratio and the £45.0m CLBILS loan repayment in November 2021 all being complied with.

These scenarios reflect the following:

- Cost-saving initiatives, such as reduced marketing and other operating costs
- Reduced capital expenditure of £18.0m
- Benefit of £13.3m of business rates relief in FY21
- Income from the US and UK Government payroll support schemes of £6.1m to October 2021.

The Board extended the going concern review period to include the covenant tests at October 2021, when the covenant waiver ends, and the CLBILS £45.0m repayment in November 2021. Under the budget the October 2021 debt to EBITDA covenant is comfortably satisfied and there is sufficient liquidity available to repay the CLBILS facility. Significant sales reduction against the budget such as a lockdown in the peak trading months of November and December or a further full store lockdown of 3-4 months could be endured without breaching the October 2021 covenant. The Board considers that a further sales reduction beyond these scenarios is remote.

Should the November and December trading be below expectation, the Group has ten months to take mitigating actions to rectify any potential breach of covenants. Mitigating actions, which are not reflected in the scenario analysis 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 operational savings
- Other activities:
 - Renegotiations with suppliers and landlords
 - Pursuance of additional financing including equity
 - A covenant waiver request to the lenders

As a result of the above analysis, including potential severe but plausible scenarios, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the period to November 2021. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the financial statements.

VIABILITY STATEMENT

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

ASSESSMENT OF PROSPECTS

The Directors have assessed the prospects of the Group by reference to its current financial position its recent and historical financial performance, its forecasts for future performance, its business model (page 36), strategy (pages 18 to 25) and its principal risks and mitigating factors (pages 66 to 73). In addition, the Board regularly reviews the financial position of the Group, its liquidity and financial forecasts.

The three-year plan was reviewed and endorsed by the Board in August 2020, which includes the following key assumptions:

- Reflection of the impact of COVID-19 on tourism, air travel and consumer confidence.
- A continued strong luxury watch market in the UK and US
- Sufficient luxury watch supply to support the revenue forecast
- Revenues are based on sales in the UK and US only with no further geographical expansion planned.

The budget aligns to the Guidance given on page 34.

¹ Refer to glossary on page 180 for definition.

ASSESSMENT PERIOD

The Directors have assessed the prospects of the Group over a three-year period. In determining the appropriate assessment period, the Board considered the uncertainty regarding the duration, extent and impact of the COVID-19 pandemic on the Group's operations.

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

CURRENT FINANCING

At the balance sheet date, the Group had a total of £219.0m in available committed facilities, of which £202.6m was drawn down. Net debt¹ at this date was £129.7m with liquidity (defined as unrestricted cash plus undrawn available facilities) headroom of £82.9m. This funding matures in 2023/24. On 14 May 2020, the Group entered into a new £45m facility agreement as part of the UK government CLBILS loan which has a maturity of November 2021. The total available committed facilities in place as of 12 August 2020 were £261.8m and drawn down facilities were £150.3m.

The key covenant tests attached to the Group's facilities are a measure of net debt¹ to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October. The covenant tests at October and April 2020 were fully met. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20.0m for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period.

During the three-year viability period the lending obligations are as follows:

- Comply with a month end minimum liquidity test of £20.0m from June 2020 to September 2021
- Having sufficient funds to repay the £45.0m CLBILS facility in November 2021
- Comply with the Debt to EBITDA and FCCR ratio at six monthly intervals from October 2021
- Extending or refinancing the US ABL in April 2023.

ASSESSMENT OF VIABILITY

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.

In making the viability statement, the Board carried out a robust assessment of the principal risks and uncertainties facing Group as described on pages 66 to 73. This included a how the business model could be impacted by COVID-19. The key risks identified that would have a material impact on the long-term viability of the Group were the impact of COVID-19 (including suppressed customer demand and further lockdowns) and the loss of a key supplier. As discussed on page 73, the impact of Brexit is not expected to be material to the Group.

The impact of COVID-19 on the global economy, impact on competitors and customer behaviours or potential business interruption through further lockdowns are all uncertain. As a result, multiple models were reviewed by the Board to take into account the potential various impacts of COVID-19.

The scenarios assessed in relation to viability were:

- Reverse stress-testing of this plan to determine what level of reduced EBITDA and other possible cash outflows would result in a breach of the lending requirements during the three-year period. This level of reduced EBITDA and other possible cash outflows is considered not to be plausible. Neither a full 12-month store lockdown or a Christmas store closure period with an additional reduced demand during the three-year period, would result in a breach of the lending requirement over the next three years.
- Severe but plausible COVID-19 scenarios impacting on the three-year viability review of a full store closure at Christmas or a 20% reduction in sales due to reduced consumer confidence and lower disposable income or a combination of the two would still result in the £20.0m liquidity covenant, the October 2021 debt to EBITDA ratio and the £45.0m CLBILS loan repayment all being complied with. A further plausible sales reduction of 10% in FY22 and FY23 in addition to the severe COVID-19 impact would also not breach the lending requirements.

- The loss of a key supplier to the business. This scenario would have a significant adverse impact on the Group. However, management consider that the strength of the current supplier relationship combined with the historic store investment and revenue growth achieved means that this scenario is not plausible.

Whilst the impact of COVID-19 on the business has been and will be material to the Group, the business' long term strategy for value creation in the UK and US remains unchanged. The advantages of the Group's multi-channel operating model coupled with its scale and technological expertise should enable the business to outperform the market, take market share and capitalise on the material growth opportunities in the US.

CONCLUSION

Based upon this assessment of the sensitivity, around the significant loss of revenue built into the scenarios tested, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation to meet its liabilities as they fall due over the three-year assessment period.

APPROVAL OF STRATEGIC REPORT

Approved by the Board and signed on its behalf:

BRIAN DUFFY
CHIEF EXECUTIVE OFFICER
 12 August 2020

THE IMPORTANCE OF HIGH STANDARDS OF GOVERNANCE

"We are united in prioritising the long term strength of the business."

DENNIS MILLARD
CHAIRMAN

Welcome to our Corporate Governance Report. I speak on behalf of the full Board when I say that we are united in prioritising the long term strength of the business as we emerge from the current, unprecedented crisis.

Throughout the year, the Board has continued to recognise the importance of high standards of corporate governance and we have an effective board who work together to promote the long term sustainable success of the Company that is focused on generating value for all its stakeholders.

GOVERNANCE REFORM AND PROGRESS

This is the first full year that Watches of Switzerland Group PLC (WOSG PLC) has been subject to the Corporate Governance Code 2018 (the "Code"). We continued our efforts to strengthen governance arrangements throughout the year to ensure compliance with the Code.

Our collective resources were re-directed in the latter stages of the financial year towards ensuring the more immediate continuity of the Group with the least disruptive impact on all of our stakeholder groups. Please see additional comments on our reaction to the COVID-19 pandemic on pages 16 and 17.

All Directors and senior management are aware of their duties and responsibilities under the Companies Act 2006, the Code, the Disclosure and Transparency Rules ("DTR") and the Listing Rules ("LR").

This Corporate Governance Report discusses the framework for controlling and managing the Group in further detail. WOSG PLC has established procedures in place which provide a basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group.

PURPOSE AND CULTURE

As a Group we remain clear on our purpose which is to partner with the most prestigious and recognised Swiss luxury watch brands and offer a complementary luxury jewellery range. We provide the highest quality customer experience including a modern, open and welcoming luxury store environment featuring a compelling product range and an expert level of service in a multi-channel environment. All of the above is supported by leading-edge technology and bold impactful marketing.

Culture is a key theme in the Code. We work hard to ensure that our values and strategy are aligned with our company culture. For more on our Values see pages 54 to 63. Our culture determines how we behave, how we make decisions and our attitude towards risk. We have never been prouder of the demonstration of unity that we have seen from our workforce in these unprecedented times. We are pleased to include our first Statement of Engagement with Employees on pages 50 and 51.

ANNUAL GENERAL MEETING

The AGM is scheduled to take place on 14 October 2020, commencing at 1pm and will be held at 36 North Row, London W1K 6DH.

FOCUS FOR 2021

During the course of the 2021 financial year, the Board will continue to focus its efforts on maintaining the organisation for the benefit of all stakeholders and will continue to monitor regulations and developments arising on the governance landscape.

DENNIS MILLARD

CHAIRMAN

12 August 2020

UK CORPORATE GOVERNANCE CODE 2018



1 BOARD LEADERSHIP & COMPANY PURPOSE

» [READ MORE PAGE 80](#)



2 DIVISION OF RESPONSIBILITIES

» [READ MORE PAGE 81](#)



3 COMPOSITION, SUCCESSION & EVALUATION

» [READ MORE PAGE 82](#)



4 AUDIT, RISK & INTERNAL CONTROL

» [READ MORE PAGE 83](#)



5 REMUNERATION

» [READ MORE PAGE 83](#)

CORPORATE GOVERNANCE STATEMENT 2020

This Corporate Governance Statement explains key features of the Group's governance structure and how the Group measures itself against the standards set out in the UK Corporate Governance Code 2018, as required by the Listing Rules of the Financial Conduct Authority. A copy of the Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

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

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

Statutory Information

The Group has chosen to provide certain disclosures and information in relation to the Corporate Governance Statement as required by DTR7.2 elsewhere in this Annual Report and Accounts. These are cross referenced in the table below:

STATUTORY INFORMATION	SECTION OF REPORT	PAGE
Internal control and risk management	Risk management	64
Securities carrying special rights with regard to the control of WOSG PLC	Directors' Report	88
Restrictions on voting rights	Directors' Report	88
Appointment and replacement of Directors and amendments to WOSG PLC's Articles	Directors' Report	87
Powers of WOSG PLC's Directors relating to transactions in own shares	Directors' Report	87
Values and culture	People, Culture and Community	54

UK CORPORATE GOVERNANCE CODE 2018 COMPLIANCE

The Company's obligation is to state whether it has complied with the relevant provisions of the Code, or to explain why it has not done so (up to the date of this Annual Report and Accounts). The Company has applied the principles and complied with the provisions of the Code.

BOARD APPROVAL FOR THE CORPORATE GOVERNANCE STATEMENT 2020

This Corporate Governance Statement is approved by the Board and signed on behalf of the Board by its Chairman and Company Secretary.

DENNIS MILLARD
CHAIRMAN

PAUL EARDLEY
COMPANY SECRETARY

BOARD LEADERSHIP STRUCTURE

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

BOARD OF DIRECTORS

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

The Board has remained unchanged throughout the period which we consider a great strength at this time.

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

CHIEF EXECUTIVE OFFICER

- Leads the Executive Directors and the Trading Board
- Represents management on the Board

TRADING BOARD

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

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

KEY ROLES

The Board has adopted written statements setting out the respective responsibilities of the Chairman and the CEO, which are available on the corporate website.

The Board biographies are included on pages 84-85. A summary of the responsibilities of the Directors and key roles of the Board are set out below:

CHAIRMAN

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

DESIGNATED NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT (DNED)

- Gauges the views of the workforce and identifies any areas of concern
- Ensures the views and concerns of the workforce are taken into account by the Board, particularly when they are making decisions that could affect the workforce
- Ensures the Board takes appropriate steps to evaluate the impact of proposals and developments on the workforce and considers what steps should be taken to mitigate any adverse impact.

NON-EXECUTIVE DIRECTORS

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

CHIEF EXECUTIVE OFFICER

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

SENIOR INDEPENDENT DIRECTOR (SID)

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

CHIEF FINANCIAL OFFICER

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

COMPANY SECRETARY

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



BOARD LEADERSHIP & COMPANY PURPOSE

THE ROLE OF THE BOARD

The Board provides leadership to the Group and is collectively responsible for promoting its long term success and for delivering sustainable value to all stakeholders.

The Board ensures that there is a sound system of internal control and risk management in place (including financial, operational and compliance controls) and ensures the overall effectiveness and maintenance of those systems.

By way of example, during the lockdown, the Board met frequently on an ad hoc basis to discuss progress on the requisite debt financing and delegated final approval to a committee specially formed for that purpose.

The Board is supported by a number of committees, to which it has delegated certain powers. The role of these committees is summarised in the following pages, and their membership, responsibilities and activities during the year are detailed on pages 90 to 113.

Some decisions are sufficiently material that they can only be made by the Board as a whole. The schedule of 'Matters Reserved for the Watches of Switzerland Group PLC Board', and the Committees' Terms of Reference, explain which matters are delegated and which are retained for Board approval, and these documents can be found on our corporate website at www.thewosgroupplc.com.

The Board has received updates on their duties under the Companies Act 2006 and in particular are equipped to consider s172 of the Companies Act 2006 when decision making for the Group.

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

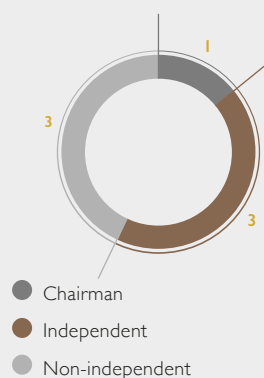
The Company Secretary ensures that as we make decisions, we ensure that the impact on any of our stakeholder groups is considered.

STAKEHOLDER ENGAGEMENT

This year we broaden our s172 Companies Act 2006 Statement to include further details on how the Directors have had regard to the need to foster the company's business relationships and our Directors' Report includes a Statement of Engagement with Employees. Refer to pages 48 to 53 for more details on our stakeholder engagement activities.

We understand that our business can only grow and prosper responsibly over the long term if we understand and respect the views and needs of our stakeholders including customers, colleagues and the communities in which we operate, as well as our suppliers and the shareholders to whom we are accountable. Knowing who our stakeholders are and what interests them equips us to manage their expectations and deliver upon their requirements particularly in these uncertain times. We ensure effective communication with all stakeholder groups by identifying key personnel who manage the relationships with them. This response is a great strength.

BOARD INDEPENDENCE



BOARD AND COMMITTEE ATTENDANCE

The table below indicates the number of Board and Committee meetings during the financial year.

DIRECTOR	Board		Audit		Remuneration		Disclosure	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dennis Millard	9	9	n/a	n/a	4	4	5	5
Brian Duffy	9	9	n/a	n/a	n/a	n/a	5	5
Anders Romberg	9	9	n/a	n/a	n/a	n/a	5	5
Tea Colaanni	9	9	4	4	4	4	5	4
Rosa Monckton	9	9	4	4	4	4	n/a	n/a
Robert Moorhead	9	8	4	4	4	4	n/a	n/a
Fabrice Nottin	9	9	n/a	n/a	n/a	n/a	n/a	n/a

During the period, the Non-Executive Directors held a meeting without the Executive Directors present.

During the period, there were several ad hoc meetings particularly in light of the COVID-19 pandemic.

MAJOR SHAREHOLDERS

We welcome the opportunity to engage with our shareholders. The Chairman has overall responsibility for ensuring that the Company has appropriate channels of communication with its shareholders and is supported in this by the Executive Directors, the Director of Investor Relations and Corporate Affairs, the Senior Independent Director and the Company Secretary.

We are in frequent contact with our major investors through a scheduled programme of communications and engagements as demonstrated in the table below.

This engagement programme was strengthened by the recruitment of our Director of Investor Relations and Corporate Affairs who is available to address any queries received from investors.

The Investor Relations team provides updates to the Board on relevant industry trends, investor activity and investor feedback.

The Board also receives feedback from the Company's brokers, and the Executive Directors on the views of major shareholders. During the period, we appointed press relations agency Headland Consultancy to oversee financial PR matters. This appointment has resulted in an enhanced programme of media and PR activity, with frequent interviews with our CEO and high quality press coverage in strategic news sources.

For the Directors' statement of responsibility in respect of the Annual Report and Accounts see page 87.

Jewel Holdco S.à r.l. ("Apollo") is the major shareholder. Upon listing Apollo owned 59.2% of the Company's shares. However, that holding reduced to 42.1% in January 2020. The Company has a Relationship Agreement with AIF VII Euro Holdings L.P., an affiliate of Apollo Global Management LLC the principal purpose of which

is to ensure that the Company is capable at all times of carrying on its business independently from Apollo.

As Apollo holds more than 10% of the Company's issued share capital it has the right to appoint a representative director and a Board observer. These two individuals receive Board papers and Board communications in the ordinary course. All other information requests from Apollo are managed by the Company Secretary and the Group Finance Director.

INFORMATION AND SUPPORT

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

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

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

WORKFORCE POLICIES

The Board takes responsibility for all workforce policies. During the year, the Board or one of its Committees approved the following workforce policies:

Group Wide Share Dealing Policy
Anti-Bribery and Corruption
Whistleblowing

ANTI-BRIBERY AND CORRUPTION

The Group's Anti-Bribery and Corruption Policy reinforces that the Board is committed to conducting its business affairs so as to ensure that it does not engage in or facilitate any form of corruption. The Board has overall responsibility for this Policy. The Group's General Counsel has day-to-day responsibility for the policy and will report both to the Chair of the Audit Committee and to the Board as required.

The Group provides an online training module which was rolled out across the workforce during FY20.

WHISTLEBLOWING

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

The Audit Committee Chairman receives a summary of all reports for communication to the full Board.



DIVISION OF RESPONSIBILITIES

INDEPENDENCE AND CONFLICTS OF INTEREST

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

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

Each of the Directors has a statutory duty under the Companies Act 2006 to avoid conflicts of interest with WOSG PLC and to disclose the nature and extent of any such interest to the Board. Under the Articles, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach

Formal communication with shareholders

DATE	EVENT/ COMMUNICATION	SHAREHOLDER GROUP	LOCATION
February 2020	Q3 Trading update	Available to all	RNS
December 2019	Half year results	Available to all	RNS
December 2019	Store tour	Available on request	London
November 2019	Investor Conference	Available to all	London
October 2019	AGM	Available to all	London
October 2019	Results of AGM	Available to all	RNS
September 2019	Field Trip	Available to all	London
September 2019	Annual report	Available to all	RNS/Hard copy
August 2019	Q1 Trading Update	Available to all	RNS
July 2019	Full Year results	Available to all	RNS/ Presentation
June 2019	Admission to trading	Available to all	RNS

to any such authorisation such conditions and/or restrictions on participation at relevant Board meetings. In addition, under the terms of the Relationship Agreement, the Apollo Representative Director may not, unless the Board (excluding the Apollo Representative Director) consents or agrees otherwise, vote or participate in any meeting of the Board that relates to any matter between the Group and Apollo which constitutes a conflict. The Chairman, acting reasonably, will determine whether a matter is a conflict matter if this is in dispute.

EXTERNAL DIRECTORSHIPS

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

The Board is comfortable that external appointments of the Chairman and the Non- Executive Directors do not impact on the time that any Director devotes to the Company.

INFORMATION PROVIDED TO THE BOARD

The Board members receive weekly financial information comprising sales analysis. Alongside this reporting there is regular ongoing dialogue with the Non-Executive Directors.

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

TRAINING AND INDUCTION

The Directors have all received briefings on their duties and responsibilities as directors of a publicly quoted company. During the year and as part of the board evaluation process, the Company Secretary continued to monitor the training requirements of each director. Technical briefings are provided in response to any training requirements.

There have been no new directors during the period and therefore no induction requirement.



COMPOSITION, SUCCESSION & EVALUATION

COMPOSITION

During the IPO process, the Group went through a process of identifying and recruiting the Chair and Non-Executive Directors. During this process, the Group concentrated on diversity, independence and ensuring a combination of skills including relevant industry and the relevant experience to complement the existing Executive Directors. There have been no changes in the composition of the Board during the year.

DIVERSITY

We are committed to a Board comprising directors from different backgrounds, diverse and relevant experience, perspectives, skills and knowledge.

We believe that diversity amongst directors, contributes towards a high performing and effective board, and this was considered during the appointment process of the Chairman and Non-Executive Directors. We fully support the aims, objectives and recommendations outlined in the Hampton-Alexander Review and the Parker Review and are aware of the recommendation to increase female representation and the ethnicity of our Board and in senior positions throughout the Group.

We do not consider that it is in the best interests of WOSG PLC and its shareholders to set prescriptive targets for gender on the Board and we will continue to make appointments based on merit, against objective criteria, to ensure we appoint the best individual for each role.

SUCCESSION PLANNING

As noted in the report of the Nomination Committee, Board succession is a continued area of focus and we consider the tenure of all Directors as part of our succession planning. We aim to look not only at the Board but at senior management.

INTERNAL BOARD EVALUATION

During the year the Chairman and the Company Secretary conducted an internal evaluation of the Board and its committees.

The Company Secretary, under the supervision of the Chairman, created a questionnaire covering the Board and its Committees which also included sections for free flow comments. This was circulated to all Board members and the feedback was collated privately by the Company Secretary. This was discussed with the Chairman and then fed back to the full Board.

The evaluation concluded that the Board and its committees are generally effective. Going forward, the Board wishes to spend more time at meetings on the longer-term objectives of the Group and this will be planned into future Board agendas. Over the next 12 months the balance of skills across the Board and its committees will be reviewed and the Nomination Committee will take the lead on this. Good progress has been made in the period since the IPO in the development of the risk framework.

Separately in respect of the Chairman's evaluation the Company Secretary agreed a questionnaire with the Senior Independent Director which was circulated to all the directors.

In addition, the Chairman meets with the Non-Executive Directors at least once a year without the Executive Directors present to discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate.

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

RE-ELECTION OF DIRECTORS

In accordance with the Code, the Board has determined that all directors will stand for re-election or election at each AGM. The specific reasons why the Board considers that each director's contribution is, and continues to be, important to the Company's long term sustainable success are set out in the directors' biographies on pages 84 and 85.



AUDIT RISK & INTERNAL CONTROL

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

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

Refer to pages 91 to 95 for details on the work of the Audit Committee.

PREPARATION OF THE ANNUAL REPORT AND ACCOUNTS

Assisted by the Audit Committee, the Board has carried out a review of the Annual Report and Accounts and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy. Refer to the Audit Committee report on page 93 for details of the review process.

See page 36 in the Strategic Report for our description of our business model and strategy.

See page 74 for the Going Concern and Viability Statement.

COVID-19 IMPACT

Due to the current public health situation and the impact of COVID-19 on companies, the company decided to delay publication of the Annual Report and Accounts in line with the FRC's recommendation. For further information as to how the Company has been affected by COVID-19 see pages 16 and 17.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The processes in place for assessment, management and monitoring of risks are described in the Risk Management section on pages 64 to 73.

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

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 26 April 2020 and for the period up to the date of approval of the Consolidated Financial Statements contained in the Annual Report and Accounts. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.



REMUNERATION

The Remuneration Committee is chaired by Tea Colaianni and is comprised of Independent Non-Executive Directors and the Chairman. Prior to her appointment as Chair of the Committee, Tea has served on a Remuneration Committee for at least 12 months and has much more experience than this.

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

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

Refer to page 96 for further details on the work of the Remuneration Committee.

BOARD OF DIRECTORS



DENNIS MILLARD
CHAIRMAN

APPOINTED
7 May 2019

BIOGRAPHY

Dennis Millard was appointed as Chairman of the Group in October 2018. He has over 25 years of experience in finance and strategy roles and as CFO of UK PLCs. He is Deputy Chairman and Senior Independent Director at Pets at Home Group PLC. He has over 14 years of experience as non-executive director, senior independent director and chairman of publicly listed and privately owned retail and service businesses (including Halfords Group PLC, Superdry PLC, Connect Group PLC (formerly Smiths News PLC) and Debenhams PLC). He is a member of the South African Institute of Chartered Accountants and holds an MBA from the University of Cape Town.

INDEPENDENT
Yes

PRINCIPAL EXTERNAL APPOINTMENTS
Pets at Home Group PLC

COMMITTEE MEMBERSHIP
Nomination (Chair)
Disclosure (Chair)
Remuneration



BRIAN DUFFY
CHIEF EXECUTIVE OFFICER
EXECUTIVE DIRECTOR

APPOINTED
7 May 2019

BIOGRAPHY

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

INDEPENDENT
No

PRINCIPAL EXTERNAL APPOINTMENTS
Watch Shop Logistics Limited

COMMITTEE MEMBERSHIP
Disclosure



ANDERS ROMBERG
CHIEF FINANCIAL OFFICER
EXECUTIVE DIRECTOR

APPOINTED
20 February 2019

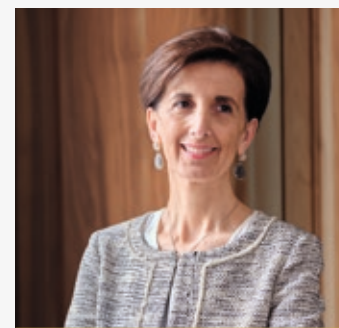
BIOGRAPHY

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

INDEPENDENT
No

PRINCIPAL EXTERNAL APPOINTMENTS
Jewel UK Watch Holdings Limited
Watch Shop Logistics Limited
The Watch Shop Holdings Limited
The Watch Lab Holdings Limited

COMMITTEE MEMBERSHIP
Disclosure



TEA COLAIANNI
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

APPOINTED
7 May 2019

BIOGRAPHY

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

INDEPENDENT
Yes

PRINCIPAL EXTERNAL APPOINTMENTS
DWF Group PLC
SD Worx nv

COMMITTEE MEMBERSHIP
Remuneration (Chair)
Audit
Nomination
Disclosure



ROSA MONCKTON
INDEPENDENT NON-EXECUTIVE
DIRECTOR

APPOINTED

7 May 2019

BIOGRAPHY

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

INDEPENDENT

Yes

**PRINCIPAL EXTERNAL
APPOINTMENTS**

Team Domenica

COMMITTEE MEMBERSHIP

Remuneration
Audit
Nomination
Dedicated Non-Executive Director
for Workforce Engagement



ROBERT MOORHEAD
INDEPENDENT NON-EXECUTIVE
DIRECTOR

APPOINTED

7 May 2019

BIOGRAPHY

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

INDEPENDENT

Yes

**PRINCIPAL EXTERNAL
APPOINTMENTS**

WH Smith PLC

COMMITTEE MEMBERSHIP

Audit (Chair)
Remuneration
Nomination



FABRICE NOTTIN
APOLLO REPRESENTATIVE
NON-EXECUTIVE DIRECTOR

APPOINTED

20 February 2019

BIOGRAPHY

Fabrice Nottin is a partner at Apollo Management International LLP and is a Non-Executive Director of the Group. He has over 15 years of private equity experience, having previously been Senior Principal at Lion Capital. His experience covers the consumer and retail sectors, and he led the acquisition of the Group by Apollo-affiliated funds in March 2013.

INDEPENDENT

No

**PRINCIPAL EXTERNAL
APPOINTMENTS**

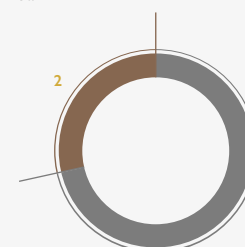
Apollo Management International LLP
Jewel UK Watch Holdings Limited
The Watch Shop Holdings Limited
The Watch Lab Holdings Limited

COMMITTEE MEMBERSHIP

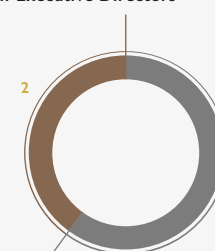
Nomination

GENDER DIVERSITY

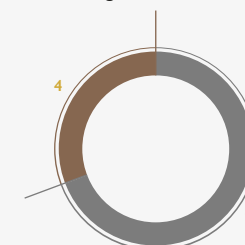
Board



Non-Executive Directors



Senior management



● Male
● Female

WATCHES OF SWITZERLAND GROUP PLC

Registered number: 11838443

Registered office address:

Aurum House 2 Elland Road,
Braunstone,
Leicester, LE3 1TT

Country of incorporation:

England and Wales

Type: Public Limited Company

Principal activities: The principal activity of the Group is the retailing of luxury watches and jewellery.

The Directors present their report, together with the audited consolidated financial statements of the Group and of the Company, for the year ended 26 April 2020. The Company has chosen in accordance with s414C (1) of the Companies Act 2006 to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under the 2013 Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, are cross referenced in the table across and together form the Directors' Report.

POST BALANCE-SHEET EVENTS

On 14 May 2020 the Group entered into an additional secured financing arrangement which comprised a £45 million facility provided under the Government Coronavirus Large Business Interruption Loan Scheme. The facility has a maturity of November 2021 and further strengthened the Group's liquidity position.

On 18 June 2020 the fixed charge and leverage covenant within the UK facilities were replaced with a monthly minimum liquidity headroom covenant. These waivers apply for the reporting periods in October 2020 and April 2021.

STATUTORY INFORMATION

TOPIC	SECTION OF REPORT	Page
Important events impacting the business	Strategic Report	2-75
Financial instruments	Note 23 of the Consolidated Financial Statements	167
Employee disabilities	People, culture and community	56
Modern slavery statement	People, culture and community	62
Greenhouse gas emissions	People, culture and community	61
Carbon reporting	People, culture and community	61
Risk management	Risk management	64
SI72 Companies Act 2006	Strategic Report	48

INFORMATION REQUIRED BY LR 9.8.4(R)

TOPIC	SECTION OF REPORT	Page
Directors' interests in shares	Remuneration Report	112
Going concern	Going Concern and Viability Statement	74
Long term incentive schemes	Remuneration Report	106

INFORMATION REQUIRED BY DTR 7.2

TOPIC	SECTION OF REPORT	Page
Corporate Governance Statement 2020	Governance Report	78

INFORMATION REQUIRED BY DTR 4.1.1IR

TOPIC	SECTION OF REPORT	Page
Likely future developments	Strategic Report	18-25

INFORMATION REQUIRED BY SCH 7.11(1)(b) COMPANIES (MISCELLANEOUS REPORTING) REGULATIONS 2018

Statement of Engagement with Employees

The Group has chosen to provide information in relation to the Statement of Engagement with Employees elsewhere in this report. These are cross referenced in the table below:

INFORMATION	SECTION OF THE REPORT	Page
How the directors engage with employees	Section 172 Statement	50
How the Group provides employees with information on matters of concern to them as employees	People, Culture and Community	54
How the Group consults with and considers employees feedback	People, Culture and Community	54
How the directors have had regard to employee interests	People, Culture and Community	54
Non-Financial Information Statement	Non-Financial Information Statement	46

Business relationships

INFORMATION	SECTION OF THE REPORT	Page
Foster the company's business relationships	Section 172 Statement	48-53
Principal decisions affecting suppliers, customers and others taken by the company during the financial year	Section 172 Statement	48-53

DTR 4.1.8

The Strategic Report and the Directors' Report (or parts thereof), together with sections of this Annual Report incorporated by reference, are the "Management Report" for the purposes of DTR 4.1.8.

ARTICLES OF ASSOCIATION

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

AGM

The AGM of WOSG PLC will be held at 1pm on 14 October 2020 at our offices at 36 North Row, London W1K 6DH. The Notice of Annual General Meeting is given, together with explanatory notes, in the booklet which accompanies this Annual Report and Accounts.

BOARD OF DIRECTORS

D Millard

B Duffy

A Romberg

T Colaianni

R Moorhead

R Monckton

F Nottin

There were no changes to the Board during the year. Full biographies for all the current Directors of WOSG PLC are found on pages 84 and 85. Details of directors' beneficial and non-beneficial interests in the shares of the Company are shown on page 112. Details of share awards are found in the Remuneration Report on page 112.

APPOINTMENT AND REMOVAL OF A DIRECTOR

The appointment and replacement of directors is governed by the Articles, the Code, the Companies Act 2006 and related legislation.

The Code recommends that all directors of FTSE companies stand for election every year and all members of the Board stood for election at the 2019 Annual General Meeting and will again do so at this year's AGM.

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

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

A Director may be appointed to the WOSG PLC Board by:

- (i) ordinary resolution of the shareholders
- (ii) Board approval following recommendation by the Nomination Committee
- (iii) ordinary resolution if the Director chooses to seek re-election at a general meeting.

In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM: if they are to continue, they must offer themselves for election. A Director must vacate office in certain circumstances set out in the Company's Articles and may be removed by ordinary resolution provided special notice of that resolution has been given.

POWERS OF THE DIRECTORS

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

DIRECTORS' INTERESTS AND CONFLICTS OF INTEREST

The Directors' interests in, and options over, ordinary shares in WOSG PLC are shown in the Annual Remuneration Report on page 112. In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of WOSG PLC

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

DIRECTORS' INDEMNITIES

Directors' and Officers' insurance has been established for all Directors and officers to provide cover against their reasonable actions on behalf of WOSG PLC. WOSG PLC also indemnifies the Directors under a qualifying indemnity for the purposes of S236 of the Companies Act 2006. This indemnity contains provisions that are permitted by the director liability provisions of the Companies Act 2006 and WOSG PLC's Articles.

DIRECTORS' STATEMENT OF RESPONSIBILITY IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' and the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Annual Report and Accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, we are satisfied that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable.

The Board believes that the disclosures set out in this Annual Report and Accounts provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 84 and 85 confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Strategic Report and Directors' Report contained in the Annual Report and Accounts include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

AUDITOR TENDER

CMA guidance requires FTSE 350 companies to have held a tender for the audit appointment within the last ten years. During this financial year, the Audit Committee conducted an audit tender, which completed in September 2019. The Audit Committee felt that whilst all firms demonstrated strengths, they agreed that Ernst & Young LLP ("EY") would provide the highest quality audit and that they demonstrated that they could provide a quality service. They were therefore recommended to the Board as incoming Auditor. The resolution to approve EY as Auditor was put to the shareholders at the AGM in 2019 and was passed with 99.9% approval.

AUDITOR REAPPOINTMENT

EY has expressed willingness to continue in its capacity as independent auditor of the Company. The Directors plan to recommend a resolution in favour of this reappointment and remuneration at the forthcoming AGM.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- i. so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- ii. he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

DIVIDENDS

The Directors do not recommend the payment of a dividend.

POLITICAL DONATIONS

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

SHARE CAPITAL AND SHAREHOLDER VOTING RIGHTS

The share capital of WOSG PLC at 3 August 2020 was as follows:

	2020 Number of shares	2020 Nominal Value £
Allotted, called up and fully paid ordinary shares of £0.0125 each	239,455,554	£2,993,194

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

RESTRICTIONS ON THE TRANSFER OF SECURITIES

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

AUTHORITY TO ALLOT SHARES

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

CHANGE OF CONTROL

There are no agreements between WOSG PLC and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) by reason of a takeover bid.

Details concerning the impact on annual bonus and LTIPs held by Directors or employees in the event of a change of control are set out in the Remuneration Policy which was approved by shareholders at the AGM in 2019. Generally annual bonus and LTIPs would be pro rated for time and performance in the event of a change of control. The Remuneration Committee does have the

discretion not to pro rate for time, however, its normal policy is to pro rate. The Remuneration Committee discretion not to pro rate would only be used if there were a business case which would be fully explained to shareholders.

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

The £170 million Multicurrency Term and Revolving Facility Agreement entered into on 15 May 2019 and the £40 million Term and Revolving Facility Agreement entered into on 14 May 2020 include certain customary mandatory prepayment and cancellation events, including mandatory prepayments on a change of control of Jewel UK Midco Limited if a lender so requests after a period of negotiations.

SIGNIFICANT SHAREHOLDERS AND INTEREST IN VOTING RIGHTS

As at 3 August 2020, this being the latest practicable date before publication of this report, WOSG PLC has been notified in accordance with DTR 5.1.2R of the interests set out in the table below representing 3% or more of the Company's issued ordinary share capital:

SHAREHOLDER	3 August 2020	
	Number of ordinary shares/ voting rights notified	% of voting rights over ordinary shares of £0.0125p each
Jewel Holdco S.à r.l. ¹	100,719,657	42.10%
BlackRock Inc.	23,618,798	9.86%
Pelham Long/Short Small Cap Master Fund Ltd	12,043,642	5.03%
B Duffy	7,474,777	3.12%

¹ Jewel Holdco S.à r.l. is a member of the AIF VII Euro Holdings L.P. group, affiliated to Apollo Global Management LLC.

In the period from 3 August 2020 to the date of this Annual Report and Accounts, we received no further notifications.

TRANSACTIONS WITH RELATED PARTIES

Refer to note 24 on page 171 of the Consolidated Financial Statements for details of related party transactions in the year.

RELATIONSHIP AGREEMENT

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

- I) Apollo undertakes that it shall (and shall procure that its associates shall):
 - (i) conduct all transactions and relationships with WOSG PLC and the Group at arm's length and on normal commercial terms;
 - (ii) take no action that would have the effect of preventing WOSG PLC from complying with its obligations under the Listing Rules; and
 - (iii) not propose or procure the proposal of a shareholder resolution of the Company which is intended or appears to be intended to circumvent the proper application of the Listing Rules

- 2) save for certain customary exceptions, WOSG PLC undertakes to Apollo that it will not issue any shares or grant any right to subscribe for or convert into shares without prior consultation with Apollo
- 3) Apollo will, for so long as it or any of its affiliates continues to hold at least 10% of the shares, have the right to nominate one person to be an Apollo representative Director on the Board and appoint one person as board observer to attend meetings of the Board.

The relationship agreement will terminate upon Apollo (and its affiliates) ceasing to hold 30% of the voting rights attaching to the shares or upon the shares ceasing to be admitted to the London Stock Exchange.

APPROVAL OF THE ANNUAL REPORT AND ACCOUNTS

The Strategic Report and the Corporate Governance Report were approved by the Board on 12 August 2020.

Approved by the Board and signed on its behalf.

PAUL EARDLEY
COMPANY SECRETARY
12 August 2020



DENNIS MILLARD CHAIR OF THE NOMINATION COMMITTEE

The Committee composition was unchanged throughout the year and comprises:

MEMBERS

Dennis Millard (Chair)

Tea Colaïanni

Robert Moorhead

Rosa Monckton

Fabrice Nottin

PRINCIPAL RESPONSIBILITIES

The Committee's principal responsibilities are to:

- review the structure, size and composition of the Board and its committees
- give full consideration to succession planning for the Board and other senior management
- review the leadership needs of the organisation
- identify and nominate potential Board candidates
- review the results of the Board performance evaluation process relating to composition and diversity and assess how effectively members work together to achieve objectives
- support workforce initiatives that promote a culture of inclusion and diversity

DEAR SHAREHOLDER

The Committee was formed in May 2019 when the Company listed and remains compliant with Code. The Code recommends that the Committee be comprised of a majority of independent non-executive directors which it does as Tea, Robert and Rosa are all independent. The Code states that the test of independence is not appropriate in relation to the Chairman.

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

ROLE

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

TERMS OF REFERENCE

The Committee's Terms of Reference reflect the current regulatory requirements and best practice appropriate to the Group's size, nature and stage of development. They were adopted when the Company listed and are available on our corporate website. No changes to the Terms of Reference were recommended this year.

ACTIVITIES

Since we published our last Annual Report the Committee has met three times to discuss Board and senior management succession planning. The Committee recognises the importance of orderly succession to both the Board and senior management positions and acknowledges its responsibility to develop a diverse pipeline for succession.

EFFECTIVENESS

The performance of the Committee was evaluated as part of the Board evaluation. The Board review concluded that the Committee operates effectively.

DIVERSITY

The Committee recognises the importance of diversity and inclusion and is aware of the recommendations of the Hampton-Alexander Review to have 33% female representation on FTSE 350 boards by 2020 and the Parker review to have one non-white board member by 2024. Whilst the Group has no current gender or ethnicity targets, if it is necessary to make appointments, objective criteria will be used to ensure that the best individuals are appointed for the role. Wherever possible, the search pool will be widened and where executive search firms are used, the Group will only engage with those firms that have adopted the "Voluntary Code of Conduct for Executive Search Firms".

The Board currently comprises 29% female representation with five different nationalities represented on the Board.

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

DENNIS MILLARD

CHAIR OF THE NOMINATION COMMITTEE
12 August 2020

The Nomination Committee's
Terms of Reference at:
→ www.thewosgroupplc.com





ROBERT MOORHEAD CHAIR OF THE AUDIT COMMITTEE

MEMBERS

Robert Moorhead (Chair)

Tea Colaïanni

Rosa Monckton

KEY RESPONSIBILITIES

Financial Reporting:

- Monitor the integrity of the financial statements of the Company and Group
- Review the appropriateness and consistency of significant accounting policies

- Review and report to the Board on significant financial issues and judgements

Internal Control and Risk Management:

- Carry out a robust assessment of the Group's emerging and principal risks on an annual basis
- Review the Group's internal control and risk management systems
- Monitor and review the effectiveness of the Group's internal audit function

External Audit:

- Review the effectiveness of the External Auditor process
- Develop and implement policies on the engagement of the External Auditor to supply non-audit services
- Monitor and review the External Auditor's independence and objectivity

DEAR SHAREHOLDER

I am pleased to introduce the Audit Committee report for the financial year ended 26 April 2020. During the year the Committee played a key role in the Group's governance framework. Its activities included reviewing and monitoring the integrity of financial information, the Group's system of internal controls and risk management, the internal and external audit process and the process for compliance with laws, regulations and ethical codes of practice. In addition, we work with other Committees and the Board to ensure that stakeholder interests are protected, and the Group's long term strategy is supported.

All members of the Audit Committee are deemed Independent Non-Executive Directors. The Board considers I have recent and relevant financial experience as required by Code and the Committee has competence relevant to the sector in which the Group operates. The Committee's wide range of financial and commercial skills and experience serves to provide the necessary knowledge and ability to work as an effective committee and to robustly challenge the Board and senior management as and when appropriate. At the invitation of the Committee, the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, senior management and the Auditor attend meetings. The Committee has regular private meetings with the external and internal auditors during the year. Paul Eardley, Company Secretary, acts as Secretary to the Committee.

The Committee met four times during the year, as per the requirements of the Terms of Reference. All Committee members are expected to attend meetings. The following table shows the number of meetings held during the year ended 26 April 2020 and the attendance record of individual directors:

Members	Meetings attended/ total meetings held	Percentage of meetings attended
Robert Moorhead (Chair)	4/4	100%
Tea Colaïanni	4/4	100%
Rosa Monckton	4/4	100%

TERMS OF REFERENCE

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

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

The Audit Committee's
Terms of Reference at:
→ www.thewosgroupplc.com



ACTIVITIES UNDERTAKEN BY THE COMMITTEE

A summary of the activities undertaken by the Committee during the year is as follows:

Financial Reporting:

- Monitored the integrity of the Group's Annual Report and Accounts, Interim statement and trading statements
- Assessed and recommended to the Board that the Annual Report and Accounts is fair, balanced and understandable
- Assessed the Viability and Going Concern statements having reviewed supporting papers from management including the consideration of the impact of COVID-19 on those assessments
- Considered papers from management on the key financial reporting judgements and estimates
- Monitored the impact of the new accounting standard IFRS 16 "Leases"

Internal Control and Risk Management:

- Considered the adequacy and effectiveness of the Group's ongoing risk management systems and control processes
- Considered the Group's risk environment, including its significant and emerging principal risks and uncertainties and reviewed the mitigating actions that management has taken
- Reviewed the impact of the COVID-19 pandemic on the principal risks and uncertainties and the actions management are taking in response to this

Internal and External Audit:

- Assessed the effectiveness of the external audit process and considered the accounting, financial control and audit issues reported by the Auditor as a result of their work
- Reviewed Auditor independence
- Held private meetings with the internal and external audit teams

GOING CONCERN AND VIABILITY STATEMENT

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

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

The Committee reviewed management's analysis supporting the going concern basis of preparation, including reviewing the Group's financial performance, budgets for FY21 and cash flow projections. This review included the impact of the COVID-19 pandemic and considered the uncertainty of trade as a result of COVID-19. The going concern and viability reviews by the Committee included the review of the results of the reverse-stress tests performed by management, available financing in place and any further mitigating actions that management could take. In making its assessment, the Committee took into consideration the trading results of the Group since stores re-opened, liquidity including the additional CLBILS facility and covenant amendments secured post year end.

As a result of the assessment, the Committee reported to the Board that the going concern basis of preparation remained appropriate and that there is a reasonable expectation that the Group will be able to continue in operation to meet its liabilities as they fall due over the three-year viability assessment period.

The Going Concern and Viability Statement is set out in the Strategic Report on page 74.

SIGNIFICANT FINANCIAL REPORTING AREAS

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

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

Impairment of tangible and right-of-use assets

The Group recognised an impairment of tangible fixed assets and right-of-use assets of £9.4m in the financial year. As part of their review of impairment the Committee challenged the assumptions used in the cash flow forecasts for impairment testing, particularly in light of the impact of the COVID-19 pandemic, along with the disclosures made in the financial statements. The Committee also considered the rationale for treating £8.5m of this as an exceptional item in the Income Statement based on its size and the fact it was directly linked to the COVID-19 pandemic.

Implementation of IFRS 16 "Leases"

During the year the Committee reviewed all aspects of the adoption of IFRS 16, including the transitional approach used, the methodology, the key judgements and assumptions applied to the calculations and disclosures provided within the financial statements. These included the determination of the term of the leases, the discount rates used and the determination of whether lease agreements included substantive substitution rights and should be treated as leases.

Inventory valuation

The Committee considered the accounting for valuation of inventory and considered the judgements made by management. The Committee gave specific consideration to the policy for, and calculation of, inventory provisions and rebates absorbed into inventory.

Pensions

The Committee assessed the accounting treatment adopted by management and the application of IAS 19 "Employee benefits" in relation to the Aurum Retirement Benefits Scheme. The Committee reviewed the judgements made in respect of the assumptions used in the valuation of the Group's obligations under the scheme and the associated disclosures made in the financial statements.

Non-underlying and exceptional items

The Committee considered the presentation of the financial statements and in particular the use of Alternative Performance Measures and the presentation of non-underlying and exceptional items in line with the Group accounting policy. This policy states that adjustments are only made to reported profit when not considered part of the normal operating costs of the business and considered exceptional due their size, nature or incidence. The Committee noted that the exceptional items disclosed in FY20 related to the significant one-off events relating to the IPO, the COVID-19 pandemic related impairments and the business acquisition.

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

OTHER SIGNIFICANT ACCOUNTING AREAS

Revenue recognition

The Committee considered the accounting for gift cards and customer returns, which were not considered to be significant areas of judgement or estimation. The Committee discussed the reclassification made by the business in FY20 to recognise certain costs within revenue and deemed this treatment to be appropriate and adequately disclosed within the financial statements.

Impairment of receivables

The Committee considered the calculation for the allowance for expected credit losses on the US trade receivables and challenged the assumptions used by management, particularly in light of the impact of COVID-19 on the future collectability of the debtor balance. The Committee also considered the treatment of the additional provision required as a result of the COVID-19 pandemic as an exceptional item in the Income Statement.

Annual Report and Accounts – fair, balanced and understandable assessment

At the request of the Board, the Committee has considered whether, in its opinion, the 2020 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Group has established internal controls in relation to the process for preparing the Annual Report and Accounts. These include the following:

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has ultimate responsibility for effective management of risk for the Group including determining its risk appetite, identifying key strategic and emerging risks, and reviewing the risk management and internal control framework. The Committee, in supporting the Board to assess the effectiveness of risk management and internal control processes, relies on a number of different sources to carry out its work including Internal Audit assurance reports, the assurance provided by the External Auditor and other third parties in specific risk areas.

The Committee monitors and reviews the effectiveness of the Group's risk management processes and internal financial and non-financial controls. The key features of the risk management process that were in place during the year are as follows:

- Each business function conducted risk assessments based on identified business objectives, which were reviewed and agreed annually by the executive management of each function. Risks are considered across the areas of financial, people and regulatory and are evaluated in respect of their potential impact and likelihood. These risk assessments are updated and reviewed at least quarterly and are reported to the Committee
- A Group risk assessment is also undertaken by the Internal Audit team, which considers all areas of potential risk across all systems, functions and key business processes. This risk assessment, together with the business risk assessments, forms the basis for determining the Internal Audit Plan
- The Head of Internal Audit met with all senior executives to undertake a formal review of the internal controls across the Group. Senior executives were required to certify compliance with the company's policies and procedures and that appropriate internal controls were in operation during the period under review. Any weaknesses are highlighted, and the results are reviewed by the Head of Internal Audit, the Committee and the Board
- The Committee confirmed to the Board that it has reviewed the effectiveness of the systems of internal control, including financial, operational, and compliance controls, and risk management for the period of this report, in accordance with the Code and the Risk Management and Internal Control Guidance

INTERNAL AUDIT

Part of the assurance provided to the Audit Committee when reviewing the effectiveness of the Group's systems of internal control comes from Internal Audit.

The Group has appointed a Head of Internal Audit, who reports directly to the Audit Committee Chair, to provide assurance to the Audit Committee through independent reviews of agreed risk areas. The Audit Committee is responsible for overseeing the work of the Internal Audit function. It reviews and approves the scope of the Internal Audit annual plan and assesses the quality of Internal Audit reports, along with management's actions relating to findings and the closure of recommended actions.

In February 2020, a carefully targeted internal audit plan was agreed to provide appropriate assurance to the Committee over the effectiveness of risk management and internal control processes across the Group. The Committee is satisfied that the internal audit plan provides appropriate assurance on the controls in place to manage the principal risks facing the Group.

As the Internal Audit department develops, the Group will supplement the assurance plan through utilising external professional advisors to provide Internal Audit related services. The Head of Internal Audit is working closely with the Audit Committee to ensure that the newly published Internal Audit Code of Practice from the Institute of Internal Auditors is applied proportionately, in line with the size, nature and complexity of the Group.

Since appointment, the Head of Internal Audit:

- Attended all Audit Committee meetings and provided reports and verbal updates to the Committee
- Had direct access to all Committee members and met with the Committee Chairman and Committee members separately
- Met with the Audit Committee Chairman five times to carry out formal reviews of the internal audit department's resources, approach and audit plan
- Managed the risk register review process

As the Internal Audit department has only been in place for part of the financial year, the Committee did not consider it appropriate to perform a formal review of the effectiveness of the Internal Audit function. A full review will be completed in the next financial year.

The Group has an operational audit, loss prevention and security team who review compliance with certain key internal procedures in stores and at other locations.

EXTERNAL AUDITOR

Interaction with external audit

One of the Committee's roles is to oversee the relationship with the External Auditor, Ernst & Young LLP, and to evaluate the effectiveness of the service provided and their ongoing independence. The External Auditor has attended all of this year's Committee meetings and at each meeting has time with the Committee without management present. The Chair of the Audit Committee has also met with the External Audit partner to review the audit scope and audit findings.

Audit tender

The Audit Committee is responsible for recommending to the Board the appointment, re-appointment and removal of the External Auditor.

Under CMA guidance, FTSE 350 companies are required to have held a tender for the audit appointment within the last ten years. As a private company, KPMG LLP had been External Auditor for over ten years. Therefore, on Admission, the Audit Committee commenced an audit tender for the financial year ending 26 April 2020.

The Committee commenced the tender process in June 2019.

The Committee ensured the selection criteria was transparent and non-discriminatory in nature. The following selection criteria were determined:

- Quality audit – robust, efficient audit. Good understanding of our business, its industry and related risks and issues.
- Team – local, stable team with appropriate experience and seniority. Strength and depth of team to provide flexibility to meet deadlines. Global reach to cover the US and any further global expansions. Retail and Plc experience is necessary.
- Cultural fit – aligned to the Watches of Switzerland Group values.
- Seamless transition
- Value for money

Having determined the selection criteria, a shortlist of firms was drawn up who were considered to have the relevant skills and resources to provide an effective audit. The Committee considered audits, geographical reach to cover the US and UK

operations and audit quality inspection results as issued by the Financial Reporting Council. The short-listing process did not preclude the participation of smaller audit firms (defined as those who received less than 15% of the total audit fees from public-interest entities in the UK in the previous calendar year). As a result of this analysis, four firms were shortlisted and invited to tender. One firm invited to tender subsequently made the decision not to participate in the tender due to a lack of available resources.

Participating firms were granted access to key members of management, the Audit Committee and the Board. The firms were also provided with a significant amount of information about the Group in a data room. Following these meetings, the firms submitted formal audit proposal documents covering predetermined areas of focus including audit quality, audit approach, independence, risk identification and audit scope.

Having met with the firms, reviewed the proposal documents, obtained feedback from management and reviewed the FRC audit quality results, the Committee submitted a recommendation to the

NON-AUDIT SERVICE

Audit-related services

Audit-related services are services, generally of an assurance nature, provided by the Auditor as a result of their expert knowledge and experience of the Group. Audit-related services include:

- Reviews of interim financial information;
- Reporting required by law or regulation to be provided by the Auditor
- Reports to regulators

Permissible non-audit services

Including, but not limited to:

- Work related to mergers, acquisitions, disposals or circulars
- Benchmarking services
- Corporate governance advice

Prohibited services

In line with the EU Audit Reform, services where the Auditor's objectivity and independence may be compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation are prohibited. Prohibited services include:

- Tax services
- Compliance certificates
- Services that involve playing any part in the management decision-making process
- Book-keeping and preparing accounting records and financial statements
- Payroll services
- Designing or implementing internal controls
- Valuation services (except such services that have no direct effect or are immaterial to the financial statements)
- Legal, internal or human resources services
- Services linked to financing, capital structure and allocation and investment strategy
- Promoting, dealing in or underwriting shares in the Company

POLICY

The Auditors are eligible for selection to provide non-audit services to the extent that their skills and experience make them a competitive and most appropriate supplier of these services

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

Non-audit fees are capped to a maximum aggregate in any financial year of 70% of the average of the statutory audit fees charged in the previous three consecutive financial years. In the case of this cap, audit-related services concerning work required by national or EU legislation are excluded

The Auditor is prohibited from performing these services for the Company or any subsidiary within the Group

Board for the appointment of the External Auditor. This recommendation put forward two auditors with a justified preference for Ernst & Young LLP. As part of this recommendation, the Committee confirmed that this recommendation was free from influence by any third party, the proposed External Auditor was independent, and the tender process had followed the requirements of the EU Audit Reform legislation.

The Board reviewed the Committee's proposal and approved the appointment of Ernst & Young LLP for the FY20 financial statements. The appointment of Ernst & Young LLP as external auditor was approved by shareholders at the AGM held on 17 October 2019.

Auditor independence and objectivity

During the year, the External Auditor reported to the Audit Committee on their independence from the Group. The Committee and the Board are satisfied that Ernst & Young LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. When assessing the independence of the External Auditor, the Committee considers, amongst other things, the length of tenure of the audit firm and the audit partner, the value of non-audit fees provided by the External Auditor and the relationship with the Auditor as a whole. As part of the assessment of the External Auditor, the Committee considered whether the Auditor had exercised professional scepticism and an appropriate degree of challenge to management.

Non-audit services provided by the External Auditor

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

As part of the tender process, the Committee ensured that all non-audit services with the tendering firms have ceased prior to tendering. Non-audit services provided by Ernst & Young LLP during the financial year ending 26 April 2020 were limited to the provision of access to the firm's IFRS accounting online portal and the half year review. Fees in relation these services were £1,825 and £50,000 respectively.

Auditor effectiveness

It is the Committee's responsibility to assess the effectiveness of the external audit. The Committee kept under review the effectiveness of the external audit throughout the year taking into account the External Auditor's mindset and culture; skills, character and knowledge; quality control and judgement.

- Reviewing the Auditor's risk assessment and audit approach to those risks
- Reviewing and discussing the Auditor's formal reports to the Audit Committee including their planning and results reports
- Considering the areas in which the Auditor had challenged management's assumptions in key areas of judgement and the number and nature of the accounting and control observations raised
- Considering the manner in which the audit was conducted, including the level of senior leadership hours spent
- Assessing feedback from the Audit Committee members and the parties involved in the external audit process
- Reviewing the FRC's Audit Inspection report on Ernst & Young LLP and discussing the planned resulting actions by the Auditor
- Assessing the interaction between management, the Committee and the Auditor

Based on these reviews, the Committee concluded that Ernst & Young LLP had applied appropriately robust challenge and scepticism throughout the audit, that it possessed the skills and experience required to fulfil its duties effectively and efficiently, and that the audit was effective. The Committee considered that Ernst & Young LLP's first year of audit had met with the expectations established in the tender.

Auditor reappointment

Ernst & Young LLP has expressed willingness to continue in its capacity as independent auditor of the Company. The Directors plan to recommend a resolution in favour of this reappointment and remuneration at the forthcoming AGM.

CMA Order 2014 Statement of Compliance

The Group confirms that it was in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 26 April 2020.

ROBERT MOORHEAD

CHAIR OF THE AUDIT COMMITTEE

12 August 2020



TEA COLAIANNI
CHAIR OF THE
REMUNERATION COMMITTEE

Members	Independent	No. of meetings attended	Section	Page
Tea Colaianni (Chair)	✓	4/4	Chair's Statement	96
Dennis Millard	✓	4/4	At a Glance	100
Rosa Monckton	✓	4/4	Fairness, diversity and wider workforce	105
Robert Moorhead	✓	4/4	Annual Report on Remuneration	110

DEAR SHAREHOLDER

I am delighted to present the Group's first Remuneration Committee Report for a full financial year as a listed Company. This year has very much been a continuation of the work done on IPO, but like many other businesses in the UK we have been impacted by COVID-19. My report sets out some of the actions we have taken in response to COVID-19 from a remuneration perspective.

The Committee complies with the UK Corporate Governance Code 2018 in terms of composition and Terms of Reference. The Committee determines and agrees with the Board the remuneration for the Executive Directors, Chair of the Board and Company Secretary, and remuneration arrangements for senior executives. No Director plays a part in any decision about his / her own remuneration.

ROLE OF THE REMUNERATION COMMITTEE

The Committee's responsibilities are to:

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

The Remuneration Committee's Terms of Reference at:

→ www.thewogroupplc.com



The Committee's Terms of Reference are available on the Group's website at www.thewosgroupplc.com.

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

The Company is seeking an advisory vote on the Chair's Statement and Annual Report on Remuneration. The current Remuneration Policy was approved by shareholders at the AGM on 17 October 2019 and the voting outcome of that resolution is set out in a table at the end of this letter.

During the year, the Committee received advice on remuneration matters from PwC LLP who were appointed in 2019 following an independent selection process. PwC LLP's fees for this advice were £33,500, which were charged on a time/cost basis. PwC LLP is a member of the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. There are no connections between PwC LLP and individual Directors to be disclosed. The Committee is satisfied that the advice provided by PwC LLP in relation to remuneration matters is objective and independent.

WHO SUPPORTS THE COMMITTEE?

Internal

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

HOW THE COMMITTEE SPENT ITS TIME IN 2020

The following sets out the main items considered by the Committee during the year.

Key agenda items

- Approving the FY2019 bonus outcomes and reviewing the design/measures for the FY2020 Bonus Plan to ensure alignment with strategic objectives and shareholder interests
- Receiving a report on pay benchmarking for Executive Directors, Non-Executive Directors and the Company Chair
- Reviewing performance under the FY2020 bonus and consideration of any bonuses payable
- Review of Committee composition, Terms of Reference and performance
- Receiving reports and advice from advisers on a range of matters including senior executive pay, market themes and trends and new governance requirements
- Granting the first awards under the LTIP
- Approving remuneration arrangements in response to the COVID-19 pandemic
- Consideration of the impact of COVID-19 on remuneration matters
- Consideration of bonus outcomes under the FY2020 bonus plan
- Preparation of the CEO pay ratio for the first time.
- Approving changes regarding remuneration in light of the new 2018 Corporate Governance Code
- Approving the 2019 Directors' Remuneration Policy and Directors' Remuneration Report for FY2019
- Approving the AGM explanatory notice and incentive plan rules
- Receiving a report on key issues from shareholder meetings on the approved Policy

As a Committee, it is our responsibility to make decisions which support the Group's long term business strategy, and which align with the Group's culture and values. We must balance this with our desire to reflect best practice remuneration and high standards of corporate governance. We recognise that executive remuneration is an area of public interest and we have worked hard to ensure that full transparency has been provided in this year's Directors' Remuneration Report on the Group's remuneration practices.

I would like to talk briefly about COVID-19 and its extraordinary impact on our people and our business. During the store closure period, our key priority was ensuring that we protected the wellbeing and safety of our colleagues and customers. The Board is very proud of and humbled by the strength, capability and resilience that all colleagues have demonstrated during these challenging times.

During FY2020, the business made excellent progress on the implementation of our long term strategy and we were on track to deliver exceptional results, which would have led to maximum annual bonus payouts for the Executive Directors and the majority of colleagues. However, the timing of the COVID-19 outbreak and the closure of our stores during the last six weeks of the financial year caused significant disruption and heavily impacted our in-store sales. As a result, the annual bonus targets were just missed and there have been no bonus payouts for FY2020.

The Committee recognises that COVID-19 has had an unprecedented impact on the retail sector and this has been felt in different ways by our colleagues, customers and shareholders. Whilst most of our stores are now fully operational and the response from our customers has been positive, there are many challenges that remain for retailers and we will be operating in a tough macro-economic environment. With this in mind, we remain cognisant of our responsibility to ensure that we very carefully consider the interests of all our stakeholders when making decisions on executive remuneration. In this context stakeholders include, colleagues, customers, shareholders, suppliers and the communities in which our stores operate.

The Board believes that the management team have taken appropriate actions to ensure that the business remains on-track to deliver our long term strategy and we will continue to implement the Remuneration Policy in a way that moves the business forward in light of the new world in which we are now all operating.

The remainder of this statement provides information on our FY2020 business highlights, details on the specific remuneration actions we took in relation to COVID-19 across the Group and the application of the Remuneration Policy in FY2020 and for FY2021. We have included the actions that the Committee has taken in response to the expanded remit under the Corporate Governance Code and how we are responding to the wider workforce aspects of the Code.

FY2020 BUSINESS PERFORMANCE HIGHLIGHTS

FY2020 represented a strong year for the business in our first full year as a fully listed Company. Some key highlights are as follows:

- Revenue increased +4.8% to £810.5m
- Adjusted EBIT¹ increased +7.8% to £55.9m
- Operating profit increased +6.2% to £48.3m
- Return on Capital Employed¹ increased to 15.8%.

IMPACT OF COVID-19 ON REMUNERATION ACROSS THE GROUP

Several measures were taken in response to COVID-19 and remuneration. The measures were implemented across the Group:

- From 1 April 2020, until we reopened our stores, the CEO, CFO, the Executive Director UK and Executive Vice President USA, together with the Chairman and Non-Executive Directors, voluntarily reduced their salaries / fees by 25%. The remainder of their salary / fees (75%) was deferred and was reimbursed in July 2020 following the reopening of the majority of our stores on 18 June 2020.
- Across the UK business, approximately 80% of our colleagues were furloughed and the business has utilised the Coronavirus Job Retention Scheme (CJRS) up to the statutory cap. The Company has ensured that the funds made available under CJRS have been topped up, so that furloughed employees have continued to receive their full basic salary.

APPLICATION OF THE REMUNERATION POLICY

I have summarised below the application of the Remuneration Policy and where applicable, the impact of COVID-19.

Annual bonus outcomes for FY2020

There will be no bonus payable in respect of FY2020. Details on the performance outcome against the targets are shown in the "At a Glance" section.

As noted earlier, whilst the Company was outperforming the targets in the lead-up to the pandemic, the closure of stores in the UK and US caused significant disruption in the final

six weeks of trading. As a result, the EBIT targets for FY2020 were just missed. The Committee did not exercise any discretion in relation to the formulaic FY2020 bonus outcome.

FY20 LTIP vesting

No LTIP award was eligible to vest in FY2020 with the first grant under the LTIP made in FY2020.

LOOKING AHEAD

The key challenge for the Committee is the impact of COVID-19 on the Company's performance and share price. The Committee will take into account the potential for unintended consequences when setting targets for the Bonus Plan and making LTIP awards, with the overriding objective to ensure that the Policy operates fairly without prejudicing any of the Company's stakeholders.

Base salary increases for FY2021

Salary reviews for all staff are scheduled to take place in October 2020. A final decision will be made based on the Company's trading position and other financial information available at the time. The Executive Directors will receive, as a maximum, the level of any employee rise.

Annual bonus for FY2021

The annual bonus will be determined in line with the normal cycle. The actual measures and targets are currently being considered whilst we assess the impact of COVID-19 on the Company's business plans and as we come to better understand trading patterns following the re-opening of our stores.

LTIP awards to be granted in 2020

The Committee has determined that LTIP grants will be made in August/September 2020. As we continue to navigate the impact of COVID-19 on our long term business plan, we will delay performance measure selection and target setting by up to six months, in line with Investment Association guidance. When targets are set these will be communicated to shareholders. The Committee is also mindful that it may need to exercise its discretion to depart from formulaic outcomes given the current uncertainty in the economic environment and to prevent any potential windfall gains resulting from the timing of the 2020 LTIP grant.

¹ Refer to glossary on page 180 for definition.

WIDER WORKFORCE CONSIDERATIONS

The Watches of Switzerland Group always strives to be an organisation that is inclusive, rewarding and fair to all employees. During the year we also formalised plans that give employees a greater voice in the Boardroom by designating Rosa Monckton to be the Non-Executive Director who will gather employee views on a range of issues, including remuneration.

It was intended that the first forum would occur in the first half of 2020. However, this has been put on hold temporarily whilst we deal with the impact of COVID-19. Nonetheless, once normal business activity resumes, elections of employee representatives will be held and a forum will be arranged. Rosa will be presenting her findings periodically and the results of this exercise will be factored into the Remuneration Committee's future decision making. Amongst other things, we will explain how executive remuneration aligns with wider company pay policy.

IN CONCLUSION

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

At a Glance Section

The "At a Glance" section provides a summary of the payments made to the Executive Directors during FY2020 and how it is proposed to operate the Policy in FY2021.

Brian Duffy's one-off IPO award

On the Company's Admission, Brian Duffy was granted a one-off award in the form of a nil cost option by the principal selling shareholder over some of their shares. This was in recognition of his contribution to the Company up to Admission and to ensure ongoing incentivisation and retention in his role following IPO. I provided detailed commentary on the terms of this award in the 2019 Annual Report (see pages 75 and 76), and in this year's "At a Glance" section I have provided a recap of this award. Although the terms of this award were agreed in FY2019, the award itself was not finalised by the selling shareholder until just after the end of that financial year. As a result, from a remuneration reporting perspective it is included in the FY2020 single total figure of remuneration.

Fairness, diversity and wider workforce considerations

This new section contains both discussions on the Company's initiatives in employee and stakeholder engagement as well as mandatory disclosures on areas such as the gender pay gap and CEO to wider employee pay ratios. This is the first year that we have reported our CEO pay ratio and we have provided further context and information to explain the elements that make up the CEO's total remuneration. In addition, we have included a report on specific areas in relation to wider workforce remuneration which the Committee reviewed during the course of the year.

ANNUAL REPORT ON REMUNERATION

This section summarises remuneration decisions during the past year. This includes details of annual bonus and long term incentive awards granted and vesting during the year as well how the Policy will be implemented for FY2021. In respect of FY2019 the Company was not listed and therefore whilst annual remuneration was disclosed, the Company did not produce a formal Annual Report on Remuneration to put to an advisory shareholder vote.

SHAREHOLDER ENGAGEMENT

In 2019 the Company Chair and I met with some of our major shareholders to discuss the Remuneration Policy that we put forward at the 2019 AGM and to obtain any specific areas of feedback. On behalf of the Board, I would like to thank those shareholders and proxy advisers who have provided us with feedback. We will continue to maintain an open and transparent dialogue with our shareholders. No material issues or concerns were raised during these shareholder meetings.

2019 AGM VOTING OUTCOMES

The Committee was pleased with the strong level of support received from shareholders for the new Remuneration Policy at the 2019 AGM and therefore does not propose to change it:

	Votes for	% of votes for	Votes against	% of votes against	Votes cast in total	Votes withheld
To approve the Directors' Remuneration Policy	211,784,331	99.99%	14,400	0.01%	211,798,731	0

GENDER PAY

Although the Government has suspended the requirement to submit data due to COVID-19, we provided our third disclosure of the pay gap based on amounts paid in the April 2019 payroll. The bonus gap was based on incentives paid in the year to 31 March 2019. The mean gender pay gap at the Watches of Switzerland Group is 29% and the mean bonus gap is 46%. The full report, including details on the initiatives we have underway to help close our gender pay gap, is available on our website www.thewosgroupplc.com.

I hope that you will find this report clear, transparent and informative. If you would like to discuss any aspect of this Remuneration Report, I would be happy to hear from you. You can contact me through the Company Secretary, Paul Eardley. I will also be available at the Company's AGM on 14 October 2020 to answer any questions.

On behalf of the Remuneration Committee and the Board.

TEA COLAIANNI

CHAIR OF THE REMUNERATION COMMITTEE

12 August 2020

AT A GLANCE

WATCHES OF SWITZERLAND EXECUTIVE REMUNERATION

Components of remuneration

The Remuneration Committee Report is coded as follows:

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

Business context

FY20 outturns against KPIs

KPI AND OUTTURN	
Revenue:	£810.5m
4-Wall EBITDA ¹ %:	15.6%
Adjusted EBIT ¹ :	£55.9m
Adjusted EPS ¹ :	16.6p
Cash generated from operations:	£102.0m
Return on capital employed ¹ :	15.8%

FIXED

Salary ☆

Reflects the value of the individual, their role, skills, experience and contribution to the business.

Benefits †

Aligned with all other employee arrangements.

Pension ○

Alignment of pension contributions with the wider workforce at 3%.

VARIABLE

Bonus Plan *

Incentivises achievement of annual objectives and aligns Director and shareholder interests by delivering some of the bonus in shares.

LTIP △

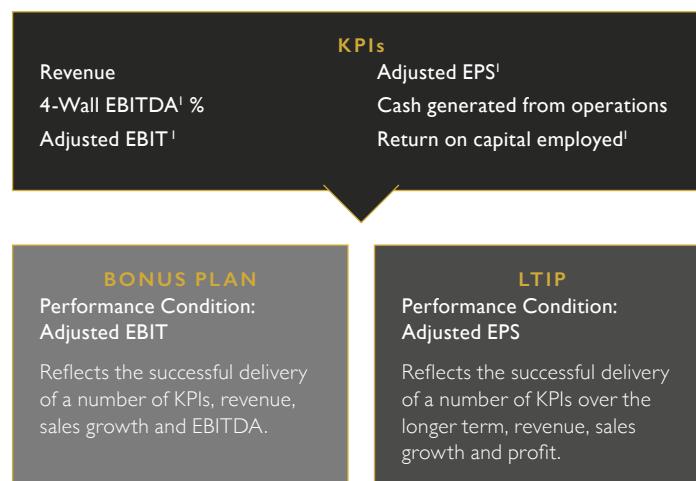
Motivates key individuals to achieve long term targets and deliver sustainable performance.

Total remuneration

Sum of the fixed and variable components of remuneration.

WHAT IS THE LINK TO COMPANY STRATEGY?

The following diagram shows the link between our Remuneration Policy and our strategy through looking at our KPIs, which measure the successful implementation of that strategy and the measures we use for our incentive plans.



WHAT WAS THE FIXED PAY FOR FY2020?

FIXED COMPONENTS	
Brian Duffy (CEO)	Anders Romberg (CFO)
☆ Salary: £489,583	☆ Salary: £338,926
○ Pension: £-	○ Pension: £13,156
† Benefits: £22,805	† Benefits: £58,722

Notes

- The salary for the CEO and CFO reflects the voluntary temporary reduction of 25% that was effective from 1 April 2020. The CEO and CFO's salaries agreed for FY20 were £500,000 and £350,000, respectively.
- Pension figures were calculated based on Executive Directors' actual salary earned during FY20. They therefore reflect the temporary reductions that were implemented due to COVID-19 but not the salary deferral.

WHAT WAS THE BONUS FOR FY20?

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

PERFORMANCE CONDITION	Threshold	Target	Maximum	Actual	Percentage of Salary	CEO Bonus	CFO Bonus
EBIT	£58.9m	£63.0m	£65.6m	£55.9m	0%	£-	£-

FY20 is the first year of operation of the new Bonus Plan. As noted earlier, due to the impact of COVID-19 on the business, targets were not met and there were no payouts to Executive Directors for FY20. The Committee did not exercise any discretion in relation to the FY20 bonus outturn.

¹ Refer to glossary on page 180 for definition.

WHAT WAS THE LTIP AWARD FOR FY20?

As the Company only underwent its IPO in May 2019, there are no awards eligible to vest for the financial year being reported on.

WHAT WAS THE TOTAL REMUNERATION FOR FY20?

Total compensation	
Brian Duffy (CEO)	Anders Romberg (CFO)
☆ Salary: £489,583 ¹	☆ Salary: £338,926 ¹
○ Pension: £–	○ Pension: £13,156
† Benefits: £22,805	† Benefits: £58,722
* Bonus: £–	* Bonus: £–
One-off IPO award: £5,999,999 ²	One-off IPO award: N/A
Total: £6,512,387	Total: £410,804

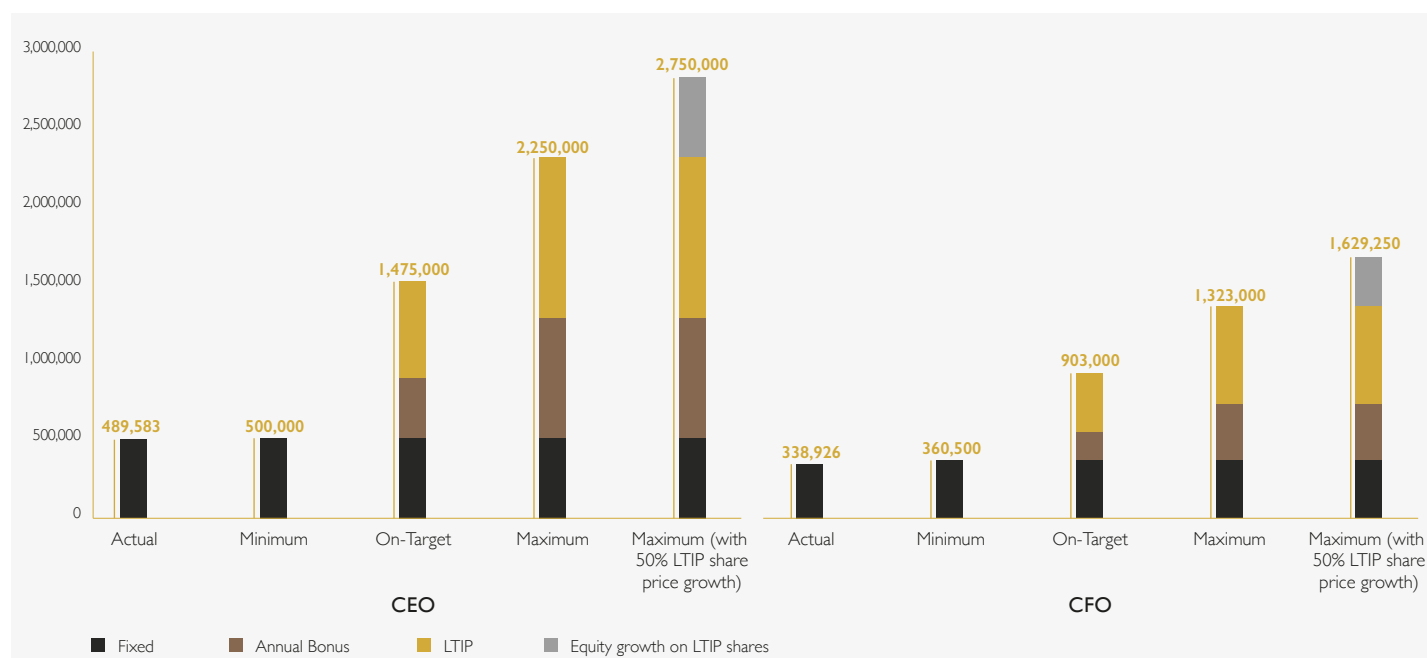
Notes

- See earlier footnote on voluntary temporary salary reductions.
- See recap directly opposite
- Pension figures were calculated based on Executive Directors' actual salary earned during FY20. They therefore reflect the temporary reductions that were implemented due to COVID-19 but not the salary deferral.
- Benefits include car or car allowance and private healthcare.

RECAP OF THE ONE-OFF IPO AWARD TO BRIAN DUFFY

On Admission the CEO, Brian Duffy, was granted a one-off award in the form of a nil-cost option 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 IPO. This one-off award is contingent on Brian Duffy's continued employment until June 2021, and is part of the remuneration agreed whilst the Company was private and therefore not part of the remuneration provided as a listed company. Whilst the majority of the terms were agreed in FY2019, the one-off IPO award was not finalised by the selling shareholder until just after the financial year end. As a result, from a reporting perspective it is included in the FY2020 single total figure of remuneration alongside the other elements of the remuneration package provided in the Remuneration Policy as a listed company. Full details of the terms and conditions of the one-off award are set out on pages 75 and 76 of the 2019 Annual Report. Where appropriate and to enable meaningful comparison, parts of this report provide details of Brian Duffy's single total figure of remuneration with and without the one-off IPO award.

HOW DOES THE TOTAL REMUNERATION FOR FY20 COMPARE TO OUR POLICY?



Notes

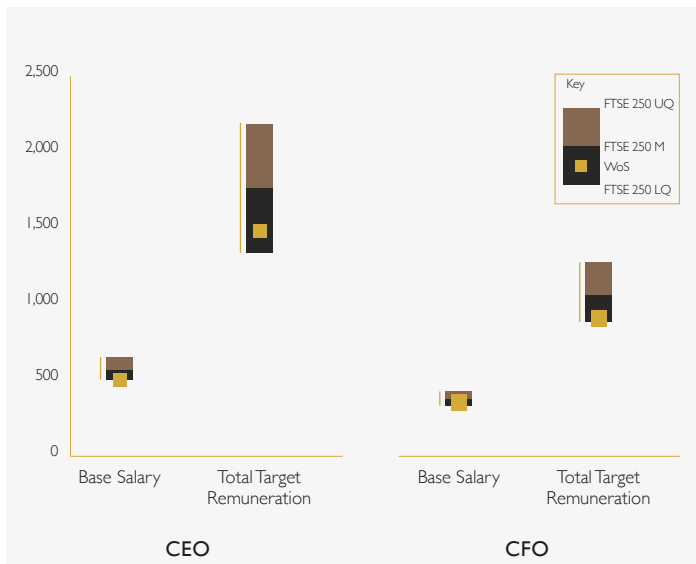
- As the purpose of this chart is to illustrate outcomes against the Remuneration Policy, we have shown Brian Duffy's total remuneration for FY2020 without the one-off IPO award. See above for further detail on the one-off award.
- Assumptions for the scenario charts are as follows:

ELEMENT	MINIMUM	ON-TARGET	MAXIMUM
Fixed pay	Base salary of £500,000 for CEO and £350,000 for CFO. Pension of 0% for CEO and 3% for CFO.		
Annual bonus	None	50% of maximum award	100% of maximum award
LTIP	None	60% of maximum award	100% of maximum award

DIRECTORS' REMUNERATION REPORT CONTINUED

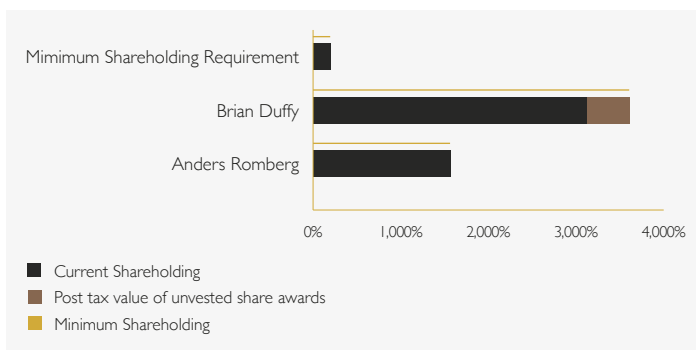
HOW DOES OUR REMUNERATION COMPARE TO OUR PEERS?

The following chart shows the relative position of salary and target total remuneration for our Executive Directors in comparison to our peers in the FTSE 250. Both salary and target total remuneration for our two Executive Directors fall below the median of the peer group. This is in line with the Committee's policy to set salaries at the lower quartile of the FTSE 250, with incentives being more competitive.



WHAT IS THE CURRENT SHAREHOLDING OF OUR EXECUTIVE DIRECTORS?

The following chart shows the Executive Directors' shareholdings against their shareholding requirements. Both Executives already exceed the shareholding requirement of 200% of salary. The shareholding numbers are calculated using the share price as at 24 April 2020 of £2.12. For the Executive Directors' current holdings, this includes all beneficially owned shares and the net of tax value of the IPO award (see page 112 for full details of shareholdings).



WHAT IS THE IMPACT OF SHARE PRICE ON THE OVERALL WEALTH OF EXECUTIVES LINKED TO THE COMPANY?

The table below sets out, for each Executive Director, the single figure for FY2020, the number of shares held by the Director at the beginning and end of the financial year and the impact on the value of these shares taking the opening price and closing price for the year. We note that both Executive Directors have material shareholdings in the Company and hence, the impact of share price movements on Executive Directors' wealth is more impactful on a long term basis than the single figure of remuneration for a particular year:

	FY2020 Single Figure (£000s)	Shares held at start of year ¹	Shares held at end of year	Value of shares at start of year (£000s) ¹	Value of shares at end of year (£000s) ²	Difference (£000s)
Brian Duffy ³ (CEO)	£6,512	7,474,777	7,474,777	£20,182	£15,847	(£4,335)
Anders Romberg (CFO)	£411	2,624,999	2,624,999	£7,087	£5,564	(£1,523)

Notes

1. The Company's shares were admitted to trading on the London Stock Exchange on 4 June 2019, therefore for the start of the year we have used the offer price of 270 pence per ordinary share.
2. The closing market price of the Company's shares as at 24 April 2020, being the last trading day in the period ended 26 April 2020, was 212 pence per ordinary share.
3. The single figure stated for Brian Duffy includes the one-off IPO award which is yet to vest.

WHAT IS THE RATIONALE BEHIND OUR REMUNERATION POLICY?

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

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

In determining the Remuneration Policy, the Committee paid particular attention to Provision 40 of the Code. On pages 82-83 of the 2019 Annual Report we set out how the Policy complies with Provision 40.

Remuneration positioning rationale

The Remuneration Committee adopted a post-IPO remuneration policy positioning taking into account the size of the Group (based on market capitalisation) and practice in the retail sector. The Remuneration Committee's policy positioning is set out in detail below.

- As a principle, the Remuneration Committee and the current Executive Directors felt that it was necessary to have a total remuneration package which was more heavily weighted towards variable pay to preserve the performance-based culture of the organisation and to ensure sufficient focus on the Company's performance post-Admission. This also complements the material shareholding, which both incumbents will hold following Admission;
- The base salary for the CEO has been set at the lower quartile of the FTSE 250 and between the lower quartile and median of the FTSE General Retailers;
- The base salary for the CFO has been set between the lower quartile and median of the FTSE 250 and at the median of the FTSE General Retailers;
- In line with the UK Corporate Governance Code, the Remuneration Committee has set pension contributions for the CFO in line with the Company's pension provision for its wider workforce. The CEO has elected to receive no pension contributions; and
- The Remuneration Committee broadly applied its desired policy position to target variable incentives at median to upper quartile levels of the relevant peer groups.

Desired Remuneration Policy Position




The Remuneration Committee felt that it was necessary to have a specific policy position for new joiners and also as the Company matures. The desired policy position for remuneration is as follows. The Company is currently positioned below the median in terms of market capitalisation of the FTSE 250 (excluding financial services) and FTSE General Retailers. For the Executive Directors, the desired policy position as the Company establishes itself following admission will be as follows:

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

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

HOW IS THE POLICY GOING TO BE IMPLEMENTED IN FY2021?

The following table summarises how the Remuneration Policy will be operated in FY2021. The decisions made took into account both internal and external conditions. The full Remuneration Policy is available on the website: www.thewosgroupplc.com and can be found in the 2019 Annual Report and Accounts on pages 82 to 91.

ELEMENT	FY21	FY22	FY23	FY24	FY25	SUMMARY
Base salary ☆						<ul style="list-style-type: none"> – Set at a level which is market competitive to attract and retain Executives and at a level which reflects an individual's experience, role, competency and performance. – As noted earlier, the CEO and CFO took a voluntary temporary reduction of 25% to their salary as part of specific arrangements that were implemented in response to COVID-19. This was effective from 1 April 2020 for a period of three months and is reflected in the total single figure for this year. It is also noted that the CEO and CFO deferred payment of the remaining 75% of their salary until July 2020. – Decisions on future salary increases have been deferred until October, when there will be more clarity on the impact of COVID-19 on trading and the budget. <p>Base salary levels for FY21</p> <ul style="list-style-type: none"> – The salaries have been reduced to take into account the voluntary temporary reduction of 25% that was in place for the months of May and June 2020. The salaries below reflect the reductions that have been applied. – CEO: £479,167 (Salary prior to voluntary temporary reduction was £500,000) – CFO: £335,417 (Salary prior to voluntary temporary reduction was £350,000)
Benefits †						<ul style="list-style-type: none"> – Market standard benefits including (but not limited to) company car, private health insurance and life insurance.
Pension ○						<ul style="list-style-type: none"> – The maximum value of the employer pension contribution allowance is in line with the majority employee contribution (currently this is 3% of salary). – The CEO, Brian Duffy, has continued to waive his employer pension contribution.

DIRECTORS' REMUNERATION REPORT CONTINUED

ELEMENT	FY21	FY22	FY23	FY24	FY25	SUMMARY						
Bonus Plan ✱						– Maximum opportunity of 150% of salary.						
Cash						– Two-thirds of the bonus award will be paid out in cash with the remaining one-third deferred into shares and subject to a three-year vesting period.						
Deferred shares						Annual bonus for FY21 – CEO: 150% of salary. – CFO: 100% of salary. – The payouts under the bonus for levels of performance will be as follows:						
						<table><tr><th>Threshold (20% of Bonus)*</th><th>Target (50% of Bonus)*</th><th>Maximum (100% of Bonus)*</th></tr><tr><td colspan="3">*Straight line between these points.</td></tr></table>	Threshold (20% of Bonus)*	Target (50% of Bonus)*	Maximum (100% of Bonus)*	*Straight line between these points.		
Threshold (20% of Bonus)*	Target (50% of Bonus)*	Maximum (100% of Bonus)*										
*Straight line between these points.												
						– Due to commercial sensitivity the targets will be retrospectively disclosed at the end of the financial year.						
LTIP △						– Maximum opportunity of 200% of salary.						
Vesting period						– A two-year holding period will apply following the three-year vesting period.						
Holding period						LTIP awards for FY21 – CEO: 200% of salary. – CFO: 175% of salary. – The LTIP awards will be granted in August/September 2020. However, the Committee will determine measures and targets within the following six month period, in line with Investment Association guidance, once we have had a period of sustained trading and further information is known.						
Shareholding requirements						– The minimum shareholding requirement for Executive Directors is 200% of salary. – A post-cessation minimum shareholding requirement will apply to Executive Directors, such that leavers will have a requirement to hold 100% of their pre-cessation shareholding requirement for 12 months from their leaving date.						
Company Chair and Non-Executive Director Fees						– As noted earlier, the Company Chair and the NEDs took a voluntary temporary reduction of 25% to their fees as part of specific arrangements that were implemented in response to COVID-19. This was effective from 1 April 2020 for a period of three months and is reflected in the total single figure for this year. The Chairman and the NEDs also deferred the remainder of their fees for this period. Fees for FY21 – The fees for FY21 have been reduced to take into account the voluntary temporary reduction of 25% that was in place for the months of May and June 2020. The fees below reflect the reductions that have been applied. – Chairman: £182,083 pa (normal fee is £190,000) – NED base fee: £47,917 pa (normal fee is £50,000) – Senior Independent Director fee: £9,583 pa (normal fee is £10,000) – Committee Chair fee: £9,583 pa (normal fee is £10,000) – Audit Committee or Remuneration Committee membership fee: £4,792 pa (normal fee is £5,000) – Nomination Committee membership fee: £2,396 pa (normal fee is £2,500)						

FAIRNESS, DIVERSITY AND WIDER WORKFORCE CONSIDERATIONS

WORKING AT THE WATCHES OF SWITZERLAND GROUP

The Watches of Switzerland Group has always placed an emphasis on making the Company a great place to work through a culture of fairness, openness and inclusivity. We are committed to providing our employees with an open and dynamic workplace and to ensuring they are equipped with the most comprehensive tools to develop their full potential. This applies to colleagues both in offices and stores who are vital in offering our customers an unrivalled experience. Our vision and embedded values system enable us to celebrate and reward the achievements of our colleagues every day.

This report aims to demonstrate these values not only through our reward offering but also through the overall employee experience. In making decisions on executive reward, the Committee considers the remuneration and conditions for the wider workforce and we believe that it is important to be transparent about the link between the two.

As part of our commitment to fairness, we have included this dedicated section to provide more information on our communication with employees, remuneration principles, wider workforce pay conditions, the Committee's remit, our Gender Pay statistics, how remuneration aligns with Group performance and the Group's fairness, diversity and inclusion initiatives.

The Committee seeks to ensure that pay is fair throughout the Company and makes decisions in relation to the structure of executive pay in the context of the wider workforce remuneration and the cascade of incentives throughout the business.

The Committee's remit extends down to Executives and Senior Management for which it recommends and monitors the level and structure of remuneration. In addition, in this section, we provide context to our Executive pay by explaining our employee policies and our approach to fairness, including whether the approach to Executive remuneration is consistent and whether the incentives operated by the Company align with its culture and strategy.

COMMUNICATIONS WITH EMPLOYEES

In 2020, we worked to give our employees a greater voice in terms of their ability to interact with our Directors. As such we have designated Rosa Monckton to be the Non-Executive Director who will be charged with gathering our employees' views and presenting these to the Board.

The plan is for Rosa to have regular face to face sessions with elected representatives of our employees, in order to gain a better understanding of the challenges and issues that are most pressing for our people. It was intended that the first forum would occur in the first half of 2020. However, we have had to put this on hold temporarily whilst we deal with the impact of COVID-19. Once normal business activity resumes, a forum will be arranged, and Rosa will be presenting back her findings periodically so that the results of this exercise can be factored into the Remuneration Committee's future decision making.

One of the matters we will cover will be to explain how executive remuneration aligns with wider Company pay policy. We will provide more details in next year's Remuneration Report once the meetings of this forum have begun.

In January 2020 we launched How Are We Doing?, our first Company-wide engagement survey. A How Are We Doing? colleague forum will follow in FY2021 with plans to further develop the programme in the future. As part of these initiatives we will seek feedback and questions on the Remuneration Committee Report, and views on Executive remuneration in general.

You can also find more information on the activities that the Group undertook around well-being and employee engagement during the store closure and lockdown period on page 56 of the Annual Report and Accounts in the section titled "People, Culture and Community."

REMUNERATION PRINCIPLES

Our reward strategy is designed to support and reinforce the Company's purpose, vision and values, and to reward all of our employees for delivering against our strategic objectives. The remuneration principles that we have developed apply across the Group and are cascaded throughout the organisation.

COMMITTEE REPORT PROCESS

The Committee carried out its first oversight review of key remuneration elements, policies and processes by employee group during FY20. This process was introduced in order for the Committee to carry out its oversight and review of wider workforce pay and policies and to ensure they are designed to support the Company's desired culture and values.

A process was adopted whereby the Committee receives a report periodically from the Company setting out key details of remuneration throughout the Company. Clearly the levels of remuneration and the types offered will vary across the Company depending on the employee's level of seniority and role, and also the employee's location. The Committee is not looking for a homogeneous approach; however, when conducting its review it is paying particular attention to:

- Whether the element of remuneration is consistent with the Company's Remuneration Principles;
- If there are differences, whether they are objectively justifiable; and
- Whether the approach seems fair and equitable in the context of other employees.

Once the Committee has conducted its review of the wider workforce remuneration and incentives, it will consider the approach applied to the remuneration of the Executive Directors and Senior Management. In particular, the Committee is focused on whether, within the framework set out above, the approach to the remuneration of the Executive Directors and Senior Management is consistent with that applied to the wider workforce.

DIRECTORS' REMUNERATION REPORT CONTINUED

The following table sets out a summary of the information received by the Committee.

ELEMENT OF REMUNERATION	OVERVIEW OF PRACTICE AT WATCHES OF SWITZERLAND GROUP PLC												
Alignment with Remuneration Principles	The Watches of Switzerland Group's reward principles are designed to enable fair and flexible reward structures to be developed and implemented across the entire organisation. Following on from our IPO we continue to review and redesign our policies in line with this principle.												
Salary	<p>Salaries are set to reflect the market value of the role, and to aid recruitment and retention. Remuneration for all employees exceeds the National Living Wage. We also monitor closely the rates of pay of people who are training with us to make sure they remain fair and competitive.</p> <p>Salary increases are awarded annually following the Company's main pay review and are typically between 2% and 3%.</p> <p>From time to time ad hoc pay reviews are conducted in order to:</p> <ul style="list-style-type: none">– make market adjustments, where necessary; and– ensure the Company's targeted National Living Wage differential is maintained (e.g. in December 2019 an off-cycle pay review was conducted to review UK employees' wages in light of recent changes to National Living Wage requirements). <p>Pay reviews ordinarily occur in October each year.</p>												
Annual variable pay	<p>All Watches of Switzerland Group employees are entitled to earn variable pay linked to stretching performance targets.</p> <p>Bonus</p> <p>Subject to service and eligibility, our colleagues in support functions participate in the Company's annual bonus plan and are rewarded based on financial performance measured using EBIT.</p> <p>Bonuses typically operate in one of three formats depending on the level of seniority and line-of-sight to performance:</p> <ul style="list-style-type: none">– For roles with a global remit, bonuses are based 100% on Group performance;– For roles that wholly or mainly concentrate on either our UK or the US operation, bonuses are based 100% on the performance of the business in the relevant country; and– For certain business unit roles or regional roles, 50% of bonus is based on local performance (e.g. UK/US) and 50% is based on the performance of the relevant Business Unit. <p>In line with market practice, the bonus quantum and the question of whether it is paid solely in cash or in a mixture of cash and deferred shares depends on the level of seniority of the employee.</p> <p>Bonuses to eligible employees are normally paid in June.</p> <p>Sales Commission plans</p> <p>A range of plans exist for our retail team members which reflect the size and complexity of the stores. Targets can be based on individual objectives for larger stores or team-based objectives for smaller stores. The majority of these plans are paid monthly, sometimes quarterly.</p> <p>We review these schemes periodically to ensure they adhere to our reward principles and support good customer outcomes.</p>												
LTIP	<p>The LTIP is currently available to Executive Directors, members of the Trading Board and a limited number of senior managers. LTIP awards are granted annually. Malus and clawback provisions are in place.</p> <p>The vesting period is three years and all LTIP participants are subject to an additional two-year holding period.</p> <p>Eligible employees and details of award opportunity are set out below:</p> <table><tr><th>LEVEL</th><th>NO. OF ELIGIBLE EMPLOYEES</th><th>TARGETED RANGES (% OF SALARY)</th></tr><tr><td>Group CEO</td><td>1</td><td>200%</td></tr><tr><td>Group CFO</td><td>1</td><td>175%</td></tr><tr><td>Senior leaders</td><td>10</td><td>50%-80%</td></tr></table>	LEVEL	NO. OF ELIGIBLE EMPLOYEES	TARGETED RANGES (% OF SALARY)	Group CEO	1	200%	Group CFO	1	175%	Senior leaders	10	50%-80%
LEVEL	NO. OF ELIGIBLE EMPLOYEES	TARGETED RANGES (% OF SALARY)											
Group CEO	1	200%											
Group CFO	1	175%											
Senior leaders	10	50%-80%											

ELEMENT OF REMUNERATION	OVERVIEW OF PRACTICE AT WATCHES OF SWITZERLAND GROUP PLC
Pension	<p>The Company operates a defined contribution pension arrangement, which all UK employees are entitled to participate in.</p> <p>The Executive Directors are entitled to receive an employer pension contribution of 3% of salary, which is aligned with the level available to the majority of the wider workforce in the UK.</p> <p>Arrangements for US employees vary depending on territory. In some locations the Section 401k offers a 3% employer match and in other locations a 1% match is offered.</p>
Benefits	<p>We offer a suite of benefits across the Group, which are designed to be appropriate for different roles and functions. These include health insurance (for all US staff and some UK staff), and in the UK, season ticket loans and a cycle to work scheme. Life cover is offered to varying degrees depending on grade.</p> <p>We operate an Employee Assistance Programme (EAP) in the UK. This is intended to help employees deal with any personal problems that may adversely impact their work performance, health and/or well-being.</p> <p>All of our employees are entitled to staff discounts, subject to the rules of the relevant schemes.</p>

Key findings:

In summary:

- The Committee notes that there are some differences in pay practices between the UK and US businesses, which reflects the need to satisfy local market practices in order to attract and retain the right calibre staff in the relevant territories. The Committee is satisfied that the approach to remuneration across the Group is consistent with our values and principles of remuneration. The Committee recognises that there are differences in pay practices in some of our recently acquired businesses and that there are differences in pay between the UK and US operations, but considers that these are necessary and reasonable.
- Salary increases for employees across the Company are being applied on an equitable basis, and average employee increases are considered when setting pay increases for both the Executive Directors and fee increases for Non-Executive Directors.
- Variable pay for all employees is linked to the achievement of stretching performance targets and underpinned by a strong governance framework for all.
- The incentive approach applied to the Executive Directors and senior executives aligns with the wider Company remuneration philosophy. As our employees' seniority increases, they have a higher percentage of at risk performance pay. An increased proportion of their incentive is also deferred, provided in equity and/or measured over the longer term.
- This is the first year of reporting under the new Code and the Committee intends to build on this reporting process in the future, providing additional detail where appropriate.

A summary of the Company's general policies is as follows:

POLICY	DESCRIPTION
Reward	We have an ethical pay policy, whereby we ensure that our pay rates are ahead of the National Living Wage. As indicated above, we have implemented interim reviews for relevant groups of employees when deemed necessary to guarantee compliance with the legislation, and to ensure that our pay rates remain competitive with those of our main competitors. The Group has recently undergone a National Living Wage audit from HM Revenue & Customs, with a very positive result.
Recognition and celebration	Our award-winning recognition programme VibE provides all colleagues with the ability to recognise and celebrate achievements across the employee population instantly via a digital platform. We celebrate these achievements in style at our annual award ceremonies. Clarity, our bi-monthly internal magazine, is another platform through which we engage with our colleagues, provide company news, and recognise and celebrate achievements across the workforce.
Development opportunities	We are proud of our wide range of training and development programmes both in the UK and USA, and we work closely with our brand partners to ensure that our colleagues are true experts in our category. Our e-learning modules make learning and personal development accessible to all.
Equal opportunities and diversity initiatives	The Company is committed to an active Equal Opportunities Policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community. We are an organisation that seeks to make use of everyone's talents and abilities, and where diversity is valued. The Company ensures that its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all colleagues. Further details of this are shown on page 56.

See Environment report for more information on pages 60 to 61.

GENDER PAY

UK legislation requires employers with more than 250 employees to disclose information on their gender pay gap on an annual basis. Although the Government has suspended the requirement to submit data due to COVID-19, we provided our third disclosure of the pay gap based on amounts paid in the April 2019 payroll. The bonus gap was based on incentives paid in the year to 31 March 2019. The mean gender pay gap at Watches of Switzerland Group is 29% and the mean bonus gap is 46%. More detailed information on the actions we are taking towards closing the gap can be found in our gender pay gap report, which is available here: www.thewosgroupplc.com

REMUNERATION AND ALIGNMENT WITH PERFORMANCE CEO pay ratio

The table below sets out the Company's first CEO pay ratio disclosure. For FY2020, we have set out the CEO pay ratio on the following basis:

- Total single figure for FY2020; and
- Total single figure for FY2020 excluding the CEO's one-off IPO award.

As we explained earlier in this report on page 99, although the terms of the one-off IPO award to the CEO were agreed in FY2019, the award itself was not finalised by the selling shareholder until just after the financial year end. As a result, it is included in the FY2020 single total figure of remuneration. The one-off nature of this award (which is contingent upon continued employment until June 2021) means that the CEO pay ratio for FY2020, when calculated under the regulations, is particularly high. To enable more meaningful comparison we have therefore presented the pay ratio on both a reported basis and excluding the one-off IPO award. We believe the latter is a more accurate reflection of the levels of remuneration the CEO can receive under the Remuneration Policy.

Our CEO to employee pay ratios for FY2020 are set out in the table below:

FINANCIAL YEAR	Method Used	25 th percentile pay ratio	50 th percentile pay ratio	75 th percentile pay ratio
FY2020 (reported)	Option A	317:1	262:1	179:1
FY2020 (excluding one-off IPO award)	Option A	25:1	21:1	14:1

The Company has used Option A to calculate the CEO pay ratio. The Company feels that using comparable single figure data ensures the most like for like comparison of CEO pay against the pay levels of employees at the 25th, 50th and 75th percentiles. We have determined the individuals at the 25th, 50th and 75th percentiles as at 26 April 2020, the last day of the financial year.

As this year will be the first in which the Company is presenting its CEO pay ratio, we do not have historical numbers with which we can provide context to the current numbers. However, in the future as further data is built up, we will introduce a chart tracking CEO to employee pay ratios alongside the Group's Total Shareholder Return (TSR) performance from this year onwards being the first year we disclose these ratios.

The first LTIP award is due to vest in 2022 (subject to performance outcomes), meaning that the 2020 ratio does not include a value in respect of the LTIP. To the extent that LTIP awards vest, the value of these awards will be included from 2022 onwards. This will introduce a further degree of variability to the ratio, because the LTIP is provided in shares, and therefore movements in the share price over the three-year performance period will affect the vesting value of the LTIP and the resulting CEO pay ratio.

In addition, we expect the ratios could be fairly volatile for the following reasons:

- The CEO's pay is made up of a greater proportion of incentive pay than for employees generally, and this leads to a higher degree of variability in his overall pay each year; and
- LTIPs are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long term incentive award vesting in any given year.

We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees generally, as well as the make-up of our workforce. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce. The Committee reviews information about employee pay, reward and progression policies of the Company and is comfortable that the median pay ratio is consistent with these policies.

Notes on methodology

In determining the quartile figures, the hourly rates were annualised using the same number of contractual hours as the CEO. One employee with the relevant annual salary was then chosen for each quartile and the single total remuneration figure was calculated for them to compare to the CEO. For the purpose of the calculations the following elements of pay were included (if applicable) for all employees:

- Annual basic salary;
- Private medical insurance value;
- Car/car allowance;
- Employer pension contribution;
- Bonus earned in the year in question;
- LTIP value;
- Management incentive plan value.

No annual bonuses were payable to the CEO or the wider workforce in respect of FY2020, and therefore the amounts shown do not include a value in respect of this element of pay. In future years, wider workforce bonuses may be finalised at the time of producing this report and therefore, to the extent that this is not zero, an estimate of the outcome may be needed. The approach taken will be disclosed in next year's report. No elements of pay have been omitted. Where required, remuneration was approximately adjusted to be full-time and full-year equivalent basis based on the employee's contracted hours and the proportion of the year they were employed.

Details of salary and total pay and benefits as required under the regulations are set out below:

- CEO base salary (£'000): 489.6 (includes voluntary 25% reduction in April)
- CEO total pay and benefits (£'000): 6,512.4 (includes one-off IPO award)

EMPLOYEE FIGURES (£'000)	Salary	Total pay and benefits
25 th percentile employee	33.0	36.3
50 th percentile employee	24.9	24.9
75 th percentile employee	18.7	20.5

CEO remuneration since Admission

The Committee does not believe that the remuneration paid whilst the Company was private is relevant to the remuneration following admission. FY2020 was the first full financial year where the Company was listed. Currently the table shows the remuneration solely for FY2020; we will add to this each year until a full ten-year history is shown.

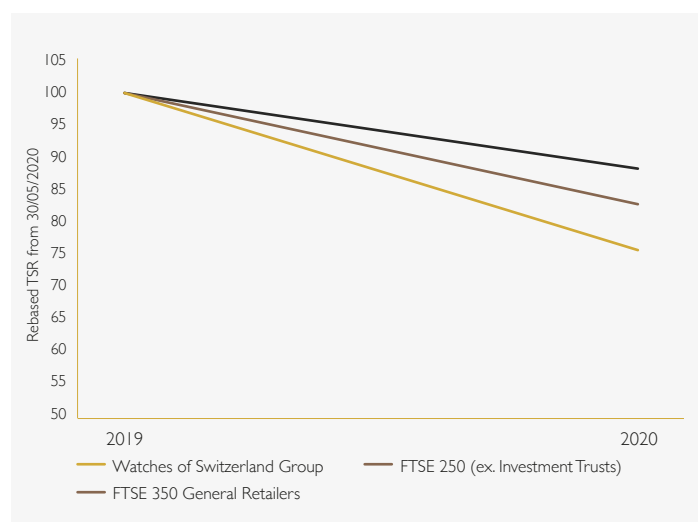
YEAR	2020
Incumbent	B. Duffy
Single figure of remuneration (excluding one-off IPO award)	£6,512,387 (£512,388)
% of max annual bonus earned	0%
% of max LTIP awards vesting	n/a

Notes

- I. The CEO single figure of remuneration for FY2020 includes the one-off IPO award (£5,999,999) granted by the principal selling shareholder to the CEO, in recognition of his contribution to the Company up to Admission. This one-off award was part of the remuneration agreed whilst the Company was private and therefore is not part of the remuneration provided as a listed company. However, from a reporting perspective it must be included in the FY2020 single total figure of remuneration.

Total Shareholder Return

The graph below shows the Group's TSR performance (share price plus dividends paid) compared with the performance of the FTSE 250 (excluding Investment Trusts) index and the FTSE 350 General Retailers since the Company's IPO in May 2019. These indices have been selected because the Company believes that the constituent companies are the most appropriate for this comparison for the Group. This chart will be built out in future reports until it provides a picture of performance over 10 years.



Percentage change in Executive Director's remuneration

The Committee will provide this disclosure in the FY2021 Remuneration Committee Report, at which point there will have been two years of remuneration following Admission. As stated above, the Committee does not feel that the remuneration paid whilst the Company was private is comparable to the remuneration paid as a listed company.

ANNUAL REPORT ON REMUNERATION

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of FY2020. Given that Watches of Switzerland Group PLC was only listed for a portion of FY2019, no prior year data has been provided. From FY2021 onwards we will provide prior year figures for comparison. Figures provided have been calculated in accordance with the UK disclosure requirements: The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2019 (Schedule 8 to the Regulations).

AUDITED

NAME	Period	Salary/ fees £	Taxable benefits ² £	Bonus ³ £	LTIP ⁴ £	Pension ⁵ £	Other ⁶ £	Total £	Fixed remuneration £	Variable remuneration £
Executive Directors¹										
Brian Duffy	FY2020	489,583	22,805	0	0	0	5,999,999	6,512,387	6,512,387	0
Anders Romberg	FY2020	338,926	58,722	0	0	13,156	0	410,804	410,804	0
Non-Executive Directors¹										
Tea Colaïanni	FY2020	74,504	823	n/a	n/a	n/a	n/a	75,327	75,327	n/a
Dennis Millard	FY2020	186,042	617	n/a	n/a	n/a	n/a	186,659	186,659	n/a
Robert Moorhead	FY2020	66,094	0	n/a	n/a	n/a	n/a	66,094	66,094	n/a
Rosa Monckton	FY2020	61,198	0	n/a	n/a	n/a	n/a	61,198	61,198	n/a
Fabrice Nottin ⁷	FY2020	—	—	—	—	—	—	—	—	—

Notes

- 1 The salary/fees for the Executive Directors and Non-Executive Directors reflects the voluntary temporary reduction of 25% that was effective from 1 April 2020.
- 2 Taxable benefits for Executive Directors includes one or more of: private healthcare; accommodation when attending different offices; company car (including private fuel); or a car allowance. Taxable benefits for Non-Executive Directors includes reimbursement for travel and accommodation costs.
- 3 The annual bonus is paid one third in cash and two thirds in shares, with the portion deferred into shares subject to continued employment for three years but with no further performance conditions attached. This year there was no bonus payable.
- 4 No LTIP award was eligible to vest in in FY2020 with the first grant under the LTIP being made in FY2020.
- 5 No Director has a prospective entitlement to receive a defined benefit pension.
- 6 Whilst the majority of the terms of this one-off award were agreed in FY2019 the award was not finalised by the selling shareholder until after the financial year end and therefore from a reporting perspective it is included in the FY2020 single total figure of remuneration alongside the other elements of the remuneration package provided in the Remuneration Policy as a listed company. Full details of the terms and conditions of the one-off award are set out on pages 75 and 76 of the 2019 Annual Report. This figure was calculated using the IPO price of £2.70.
- 7 Fabrice Nottin was appointed on 20 February 2019 and represents AIF VII Euro Holdings, L.P. He is not remunerated for being a Director as a shareholder representative.

KEY ELEMENTS OF DISCLOSURE AND PAGE REFERENCES / STATEMENTS

CEO pay ratio	See page 108
CEO remuneration since Admission	See page 109
Total Shareholder Return Graph	See page 109
Percentage change in CEO remuneration	Will be disclosed next year when two years listed data available
Relative importance of spend on pay	Will be disclosed next year when two years listed data available
Taxable Benefits	See page 110
Pension	See page 110
Bonus for FY2020	See page 110
LTIP Awards vesting during FY2020	None
Payments to past Directors	None
Payments for loss of office	None
External Directorships	None
Statement of implementation of Policy for FY2021	See page 103
Consideration by the Directors of matters relating to Directors' remuneration	See page 113
Statement of shareholder voting	See page 99

LONG TERM INCENTIVES AWARDED IN FY2020

The table below sets out the details of the long term incentive awards granted in FY2020, where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods:

NAME	Award type	Basis on which award made	Face value of award	Shares awarded	Percentage of award vesting at threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
Brian Duffy	Nil Cost Options	Annual – % of salary	£999,999	370,370	20%	100%	EPS
Anders Romberg	Nil Cost Options	Annual – % of salary	£612,500	226,852	20%	100%	EPS

The awards were granted on 22 July 2019; the face value is calculated with reference to the IPO share price of £2.70. The awards will vest, subject to the level of performance achieved, on 22 July 2023.

The award is subject to a cumulative EPS target with 20% of the award vesting at a cumulative EPS of 62.11p and 100% of the award vesting at a cumulative EPS of 68.65p. Nil cost options vest on a straight-line basis between those targets.

DIRECTORS' REMUNERATION REPORT CONTINUED

ONE-OFF AWARD IN FY2020

The table below sets out the details of the one-off IPO award granted to Brian Duffy in FY2020.

NAME	Award	Basis on which award made	Face value of award	Shares awarded	Performance conditions
Brian Duffy	Nil Cost Options	One-off for IPO	£5,999,999	2,222,222	None

The award was granted on 31 May 2019 and the face value was calculated in accordance with the IPO offer price of £2.70. Full details of the terms and conditions of the one-off award are set out on pages 75 and 76 of the 2019 Annual Report.

DIRECTOR'S SHARE INTERESTS

NAME	Shares held directly			Other shares held		Options		Shareholding Requirement	
	Current Shareholding	Beneficially Owned	Deferred shares not subject to performance conditions ¹	LTIP interests subject to performance conditions	One-off IPO award	Vested but unexercised	Unvested	% Salary	Shareholding requirement met?
Executive Directors									
Brian Duffy	7,474,777	7,474,777		370,370	2,222,222			200%	Yes (3,169%)
Anders Romberg	2,624,999	2,624,999		226,852				200%	Yes (1,590%)
Non-Executive Directors									
Tea Colaïanni	11,111	11,111						n/a	n/a
Dennis Millard	18,518	18,518						n/a	n/a
Robert Moorhead	11,111	11,111						n/a	n/a
Rosa Monckton	7,407	7,407						n/a	n/a
Fabrice Nottin ²	0	0						n/a	n/a

Notes

- The nil cost option was granted on 31 May 2019 after the end of the financial year ending 28 April 2019, but prior to finalisation of the Annual Report and Accounts
- Fabrice Nottin is a Director appointed as a shareholder representative for AIF VII Euro Holdings, L.P.

There have been no changes to shareholdings between 27 April 2020 and 12 August 2020.

The market price of shares at 26 April 2020 was 212p and the range during FY2020 was 179.4p to 392.8p.

EXECUTIVE DIRECTOR SERVICE CONTRACTS

Executive Directors have service agreements with an indefinite term, and which are terminable by either the Group or the Executive Director with six months' notice.

EXECUTIVE DIRECTOR	DATE OF SERVICE CONTRACT
Brian Duffy (CEO)	28 May 2019
Anders Romberg (CFO)	28 May 2019

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors ('NEDs'), including the Chairman, do not have service contracts. The Company's policy is that NEDs are appointed for specific terms of three years unless otherwise terminated earlier in accordance with the Articles of Association or by, and at the discretion of, either party upon three months' written notice. NED appointments are reviewed at the end of each three-year term. NEDs will normally be expected to serve two three-year terms, although the Board may invite them to serve for an additional period.

NED letters of appointment are available to view at the Company's registered office.

Summary details of terms and notice periods for NEDs are included below

NED	DATE OF CURRENT LETTER OF APPOINTMENT	EXPIRY OF CURRENT TERM	NOTICE PERIOD
Dennis Millard	7 May 2019	7 May 2022	3 months
Tea Colaïanni	7 May 2019	7 May 2022	3 months
Robert Moorhead	7 May 2019	7 May 2022	3 months
Rosa Monckton	7 May 2019	7 May 2022	3 months
Fabrice Nottin	20 February 2019	20 February 2022	n/a ¹

Notes

1. The appointment of Fabrice Nottin is terminable by AIF VII Euro Holdings, L.P. or by the Company in the circumstances summarised at paragraph 18.2 of Part XVII (Additional Information) of the Prospectus.

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report set out on pages 100 to 113 was approved by the Board of Directors on 12 August 2020 and signed on its behalf by Tea Colaïanni, Chair of the Remuneration Committee.

TEA COLAIANNI

CHAIR OF THE REMUNERATION COMMITTEE

12 August 2020

OPINION

In our opinion:

- Watches of Switzerland Group plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 26 April 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Watches of Switzerland Group plc which comprise:

Group	Parent company
Consolidated balance sheet as at 26 April 2020	Company balance sheet as at 26 April 2020
Consolidated income statement for the year ended 26 April 2020	Company statement of changes in equity for the year ended 26 April 2020
Consolidated statement of comprehensive income for the year ended 26 April 2020	Related notes CI to C8 to the company financial statements
Consolidated statement of changes in equity for the year ended 26 April 2020	
Consolidated statement of cash flows for the year ended 26 April 2020	
Related notes I to 29 to the consolidated financial statements	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 66-73 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 66 in the annual report that they have carried out a robust assessment of the emerging and principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 74 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements

- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 74 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

OVERVIEW OF OUR AUDIT APPROACH

First year audit transition	<ul style="list-style-type: none"> – The year ended 26 April 2020 is our first as auditor of the Group. We commenced transition in September 2019, presenting our transition plan to the Audit Committee as well as our initial assessment of risks from the audit tender process and meetings. – Commencing in October 2019, we had interactions with the predecessor auditor and performed a review of the 28 April 2019 audit working papers of the Group in relation to significant audit risk matters, to identify and assess the judgments exercised over these risks and to assess the nature, timing and extent of audit procedures performed in forming the prior year auditor opinion. – Subsequent to our assessment of the predecessor auditor's work we held our first audit team onboarding planning meeting incorporating key team members including tax and IT audit specialists. – Prior to signing the interim review opinion, we had understood and walked through the group's key processes.
Understanding the Watches of Switzerland Business	<ul style="list-style-type: none"> – We have built a team with experience of the luxury retail industry and have gained an understanding of the Group's strategy, business model and operating environment. This was achieved through enquiry, analytical procedures, observation and visiting a number of the Group's operations and stores. – We performed risk assessment procedures, including meetings with management and the board, our observations from the review of predecessor auditor files, half year and interim work to identify risks of material misstatements. – Following the COVID-19 pandemic we have updated our risk assessment and response, the details of which have been included in the key matters section below.
Materiality	<ul style="list-style-type: none"> – Overall Group materiality is £2.4m, which represents 5.1% of Profit before tax and non-recurring exceptional items, as defined in the financial statements.
Audit scope	<ul style="list-style-type: none"> – We performed an audit of the complete financial information of 9 components of which 8 are UK components. – The components where we performed full audit procedures accounted for 95.5% of Profit before tax and exceptional items, 99.6% of Revenue and 90.0% of Total assets.
Key audit matters	<p>We have identified the following key audit matters that, in our professional judgment, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the component audit team's efforts.</p> <ul style="list-style-type: none"> – Impact of COVID-19 on Going Concern – Store impairment – Inventory valuation – IFRS16 Leases standard implementation – Revenue recognition including the risk of management override

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. All work formed on key audit matters was performed by the UK primary audit team.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Impact of COVID-19 on going concern</p> <p>We draw attention to Note 1 (pages 126-127) of the financial statements, which describes the economic disruption the Group is facing as a result of COVID-19 and the going concern assessment performed by the Directors taking into account these circumstances.</p> <p>The Directors' assessment of the going concern basis of preparation requires significant judgment. In addition, the forecasts on which that judgment is made are highly subjective given the increased uncertainty in forecasting cash flows as a result of COVID-19.</p> <p>The risk has increased in the current year and has been included as a key audit matter due to the impact that COVID-19 and the associated store shutdowns has had on the trading activities of the group and therefore on liquidity and on future trading forecasts.</p> <p>We have increased the amount of audit Partner, Director and Senior Manager involvement in the audit work in this area.</p>	<ul style="list-style-type: none"> – We understood and assessed the design effectiveness and implementation of controls over management's forecasting process and the Directors' going concern assessment. – We assessed the Group's downside forecasts that were used for the assessment and factor in the anticipated effect of COVID-19 and mitigating actions. This included the assessment of the security and availability of supply of product. – We obtained and assessed the legal agreements in respect of the Group's financing arrangements, including those clauses relating to maturity and covenants. – We confirmed directly with the bank the amendments made to the covenant arrangements for October 2020 and April 2021. – We assessed the adequacy and appropriateness of the impact of the plausible but severe scenarios and reverse stress tests used by the Directors to assess the risk to liquidity, including the new £20.0m liquidity headroom covenant in place from June 2020 to September 2021. We also performed independent reverse stress tests on the forecasts and assessed the probability of such conditions arising. – We asked the Group to consider the covenant tests in October 2021 and the repayment of any outstanding amount on the £45.0m CLBILS facility in November 2021. We assessed managements' considerations of the extended period including severe but plausible scenario analysis and performed an independent stress test. 	<p>We concur with the appropriateness of the going concern basis of preparation of the financial statements.</p> <p>Management's revised downside forecasts shows reduced sales from the original board approved plan; however assumes:</p> <ul style="list-style-type: none"> – an increase year on year in the supply of key brand product in the UK; and – that there is a continued structural imbalance between supply and demand on key brand product. <p>The forecast assumptions overall are inherently subjective but are considered reasonable based on our understanding of the Group's expectations driven from discussions with key suppliers and trade to date since reopening stores.</p> <p>The Directors' plausible but severe scenarios and reverse stress testing are considered adequate to assess the level of uncertainty in the going concern conclusion.</p> <p>We are satisfied that the additional disclosures in the annual report and accounts are adequate and are consistent with our knowledge from performing the audit.</p>
<p>Store impairment (FY20 impairment charge of £9,389k)</p> <p>Please refer to the Audit Committee report (page 92), Accounting Policies (pages 129 and 136), and Note 12 to the Consolidated financial statements (pages 153-154).</p> <p>Individual stores, including the associated lease right of use assets, are considered to be cash generating units which should be reviewed for indicators of impairment at each reporting period end.</p> <p>Store closures and the associated impact of COVID-19 on trading are indicators of impairment.</p> <p>Forecasts and discount rates used in assessing store impairment are judgmental and involve estimates of future trading which involves uncertainty.</p> <p>As a result of the impact of COVID-19 there is increased subjectivity in forecasts used and therefore greater estimation uncertainty to value store value in use.</p>	<p>As a result of the impact of COVID-19, this risk is elevated and has been included as key audit matter.</p> <ul style="list-style-type: none"> – We understood and assessed the design effectiveness and implementation of and controls over the impairment indicator review and impairment test. – We have assessed the base and downside forecasts used by management in calculating the value in use in the "expected cash flow approach". This approach takes into account expectations in the possible variations in amount or timing of cash flows. – We have assessed the UK and US discount rates used with the assistance of EY internal valuation specialist. – We assessed whether the forecasts used are in line with those approved by the Board in August 2020, including the three-year plan and whether these forecasts and long term growth rates applied are reasonable. – We have validated impairment test input data and arithmetical accuracy. – We have independently stress tested the model's key assumptions. – We have assessed the adequacy of the disclosures in respect of the impairment charge and the associated sensitivity of assumptions. 	<p>Given the uncertainties surrounding the medium and long term impact of COVID-19, the forecast used have a high level of subjectivity and therefore the impairment charge has a high level of estimation uncertainty and has been appropriately disclosed in the financial statements as such.</p> <p>Sales growth in the three-year plan and the gross profit margin achieved on those sales are the most sensitive to a reasonable change in assumptions.</p> <p>Management have appropriately included sensitivity analysis disclosures in the note 12 to the financial statements to reflect this estimation uncertainty.</p> <p>The store impairment charge recognised is materially stated and appropriately disclosed as an exceptional item.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inventory valuation (FY20 Inventories of Finished goods £243,495k)</p> <p>Please refer to the Audit Committee report (page 92), Accounting Policies (pages 130 and 136).</p> <p>There is complexity in the application of supplier price changes and rebates. In addition, there is judgment applied in estimate of the net realisable value ('NRV') provision.</p>	<ul style="list-style-type: none"> – We assessed the design of management's key controls over the inventory valuation and provision calculation process. – We performed analytical review procedures to assess the reasonableness of the inventory valuation as whole. – We assessed the level of inventory sold at less than cost during the period and since the balance sheet date. – We assessed the completeness of inventory items flagged for NRV provision. – We tested on a sample basis inventory cost to third party supplier invoices and independently validated price lists. – We assessed the adjustment of inventories for supplier rebates and price changes. 	<p>Based on our procedures, including assessment of inputs to managements model and trends of actual sales data, we consider the valuation of inventory to be appropriate and that the net realisable value provision is prudent.</p>
<p>IFRS16 leases implementation (FY20 lease liabilities £307,958k)</p> <p>Please refer to the Audit Committee report (page 92), Accounting Policies (pages 131-137), and Note 13 to the Consolidated financial statements (pages 155-156).</p> <p>The implementation of the new leases standard gives rise to risks including judgments and estimates in determining an incremental borrowing rate.</p> <p>Additionally, there is complexity in calculating transition amounts for those leases where under the modified retrospective approach, where the right-of-use asset is measured as if IFRS 16 had been applied since the commencement date.</p>	<ul style="list-style-type: none"> – We assessed the design of management's key controls over the implementation of IFRS 16 and the post-adoption process. – We tested a sample of leases at transition and from post-implementation additions and modifications. For those leases we independently recalculated the lease liability and right-of-use asset from the leases system. – We tested the completeness of the lease portfolio, including whether management has any subleases. – We assessed, with the assistance of our EY Internal treasury specialists, the incremental borrowing rates used in calculating lease obligations at transition and for the post-adoption activity. <p>We compared the disclosures provided in the financial statements on the impact of IFRS 16 to the disclosure requirements of IFRS 16.</p>	<p>The transition accounting for the IFRS16 leases standard has been correctly applied, the judgments made are appropriate and estimates used (including the incremental borrowing rate) are within our independently ascertained acceptable range.</p> <p>The disclosures made in respect of the transition are in line with the requirements of the accounting standard.</p>
<p>Revenue recognition including the risk of management override (FY20 revenue £810,512k)</p> <p>Please refer to the Audit Committee report (page 92), Accounting Policies (pages 127-128), and Note 2 to the Consolidated financial statements (pages 138-139).</p> <p>Our assessment is that the majority of the Group's revenue transactions are non-complex, with no judgment applied over the amount recorded.</p> <p>Revenue recognition is a significant risk by presumption as material misstatements due to fraudulent or erroneous financial reporting often result from an over or under statement of revenue.</p> <p>We assessed the revenue recognition risk in the following key areas:</p> <ul style="list-style-type: none"> – Manual adjustments to revenue – Sales returns provisions – Gift card provisions – Customer third-party financing transactions 	<ul style="list-style-type: none"> – We performed analytical review procedures to assess the revenue trends compared to prior year and budget to identify areas that warrant further investigation. – We assessed the design of management's key controls over the revenue recognition process. – We utilised data analytic procedures to map 100% of the revenue journals to cash, debtors, VAT and other relevant accounts in both the UK and US. – Using data analytical tools, we investigated manual adjustments to revenue that do not follow the core processes such as postings for deferred revenue on deposits. – We assessed the provisions for returns and gift card deferred revenue, specifically by: <ul style="list-style-type: none"> – assessed historical returns and gift card redemption rates including the impact of COVID-19; – assessed the provision calculation basis compared to the prior year; – assessed actual gift card redemption and returns since the period end extending this test due to the COVID-19 store closures; and – validated provision input data. – We obtained contracts in respect of and assessed the accounting transactions relating to customer third-party financing transactions. 	<p>We did not identify any evidence of management override through the use of manual journal entries.</p> <p>Adjustments in respect of returns and gift cards have been appropriately recognised.</p> <p>Management have appropriately adjusted the accounting of the cost of third-party financing transactions and insurance as set out in revenue section of Note 1 to the accounts.</p>

In the prior year, the auditor's report from the predecessor auditor included a key audit matter in relation to the issuance of new parent company share capital. All other key audit matters are new as the company was newly incorporated in the prior and prepared solus entity financial statements and it now prepares consolidated financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 13 reporting components of the Group, we selected 9 components covering entities within the UK and the US, which represent the principal business units within the Group.

We performed an audit of the complete financial information of all 9 of the principal business units ("full scope components") which were selected based on their size or risk characteristics.

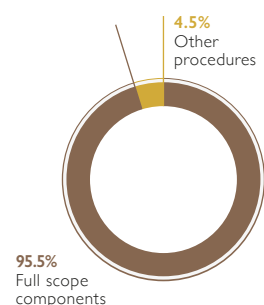
The reporting components where we performed full scope audit procedures accounted for 95.5% of the Group's Profit before tax before non-recurring exceptional items used to calculate materiality, 99.6% of the Group's Revenue and 90.0% of the Group's Total assets.

Of the remaining 4 components that together represent 4.5% of the Group's Profit before tax and exceptional items, 1 relates to consolidation components that eliminate intercompany transactions, accounts, investments and equity that should not be present in the consolidated results. For these components we perform procedures to ensure that the elimination entries are complete and accurate, including the testing journal entries.

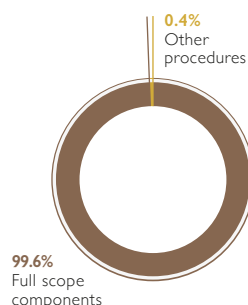
Of the remaining 3 components none are individually greater than 5% of the Group's Profit before tax and exceptional items. For these components, we performed other procedures, including analytical review and enquiry to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit team.

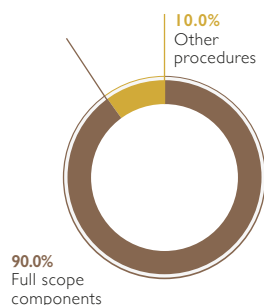
Profit before tax and exceptional items



Revenue



Total assets



US COMPONENT AUDIT

All our audit procedures were performed by the UK primary audit team, including the US component where financial reporting control and oversight is managed directly by management in the UK.

During the current year's audit cycle, planning visits were undertaken by the primary audit team to the US component head office and stores. These visits involved touring the distribution centre and meeting with the US finance and operations employees to understand the results and risks of the US business. Due to the impact of the COVID-19 pandemic, meetings with US finance and operations employees during the year end audit were held by conference call. In addition, US distribution centre and store physical inventory count tests were performed by the UK team using mobile video technology.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.4 million, which is 5.1% of Profit before tax and non-recurring exceptional items. We believe that Profit before tax and exceptional items provides us with an appropriate basis for setting materiality as it is a measure which is key to the users of the financial statements and is not distorted by exceptional items (such as IPO and refinancing costs) which may fluctuate from year to year.

We determined materiality for the Parent Company to be £9.4 million, which is 2% of equity. As the parent company materiality is greater than that of the Group we have performed our work on the parent company using the performance materiality of the Group.

STARTING BASIS	Profit before tax – £1.5m
ADJUSTMENTS	<ul style="list-style-type: none"> – IPO related costs – £36.5m – COVID-19 linked impairment and expected credit losses – £9.2m – Acquisition related costs – £0.3m
MATERIALITY	<ul style="list-style-type: none"> – Totals £47.5m profit before tax and non-recurring exceptional items – Materiality of £2.4m (5.1%)

During the course of our audit, we reassessed initial materiality and decreased it due to the impact of COVID-19 on the trading results of the business.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 50% of our planning materiality, namely £1.2m. We have set performance materiality at this percentage due to the fact that we are performing a first year audit as well as the level of adjustments identified in relation to the prior period.

Audit work in components for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. The range of performance materiality allocated to components was £0.24m to £1.20m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.12m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 95 and 180 to 182, including the Strategic Report, the Governance Report, Glossary and Shareholder Information, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 88** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on pages 91 to 95** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee is materially inconsistent with our knowledge obtained in the audit; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 78** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 87, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those which are directly relevant to specific assertions in the financial statements (IFRS, FRS102, the Companies Act 2006 and the UK Corporate Governance Code). In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to subsidiary FCA registrations, health and safety and employee matters.
- We understood how Watches of Switzerland Group plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management and internal audit to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts.
- In addition, we observed and understood the oversight of those charged with governance over the financial reporting process, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention and fraud deterrence.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, internal audit, and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the company on 17 October 2019 by shareholder vote and we signed an engagement letter on 12 November 2019.
- The period of total uninterrupted engagement including previous renewals and reappointments is less than one year, covering the audit of the year ending 26 April 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

JULIE CARLYLE (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP,
STATUTORY AUDITOR

London

12 August 2020

Notes

- 1 The maintenance and integrity of the Watches of Switzerland Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT

	Note	52 week period ended 26 April 2020			52 week period ended 28 April 2019		
		Underlying operations IFRS 16 £'000	Exceptional items* IFRS 16 £'000	Total IFRS 16 £'000	Underlying operations IAS 17 £'000	Exceptional items* IAS 17 £'000	Total IAS 17 £'000
Revenue	3	810,512	–	810,512	773,518	–	773,518
Cost of sales		(720,169)	(695)	(720,864)	(700,945)	–	(700,945)
Gross profit/(loss)		90,343	(695)	89,648	72,573	–	72,573
Impairment of assets	5	(863)	(8,526)	(9,389)	–	–	–
Administrative expenses		(20,520)	(8,330)	(28,850)	(19,414)	(6,350)	(25,764)
Loss on disposal of leases, property, plant and equipment		(3,123)	–	(3,123)	(1,324)	–	(1,324)
Operating profit/(loss)	5	65,837	(17,551)	48,286	51,835	(6,350)	45,485
Finance costs	7	(19,589)	(28,490)	(48,079)	(26,413)	–	(26,413)
Finance income	8	1,280	–	1,280	1,048	–	1,048
Net finance cost		(18,309)	(28,490)	(46,799)	(25,365)	–	(25,365)
Profit/(loss) before taxation from continuing operations		47,528	(46,041)	1,487	26,470	(6,350)	20,120
Taxation	9	(9,327)	8,347	(980)	(6,298)	77	(6,221)
Profit/(loss) for the financial period from continuing operations		38,201	(37,694)	507	20,172	(6,273)	13,899
Profit/(loss) after taxation for the period from discontinued operations	27	–	–	–	1,261	(16,929)	(15,668)
Profit/(loss) for the financial period		38,201	(37,694)	507	21,433	(23,202)	(1,769)
EARNINGS PER SHARE	10						
Basic and diluted		16.3p		0.2p	11.8p		(1.0)p
EARNINGS PER SHARE – CONTINUING OPERATIONS							
Basic and diluted		16.3p		0.2p	11.1p		7.6p

* Exceptional items have been further described in note 4.

The Group has undertaken a group reorganisation exercise in the 52 week period ended 26 April 2020 and also initially applied IFRS 16 'Leases'. See Consolidated Statement of Comprehensive Income for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
Profit/(loss) for the financial period		507	(1,769)
Other comprehensive income/(expense):			
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
Foreign exchange gain on translation of foreign operations		3,644	5,252
Related tax movements		(245)	(832)
		3,399	4,420
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Actuarial losses on defined benefit pension scheme	20	(152)	(1,797)
Related tax movements		29	273
		(123)	(1,524)
Other comprehensive income for the period, net of tax		3,276	2,896
Total comprehensive profit for the period, net of tax		3,783	1,127

As described in note 1, Watches of Switzerland Group PLC (the 'Company') (formerly Watches of Switzerland Group Limited) and its subsidiaries (collectively the 'Group') have undertaken a group reorganisation exercise during the period to 26 April 2020. As part of this process, the Company was inserted above Jewel UK Midco Limited in the group structure and merger accounting used to account for the transaction. The insertion of the Company as the new parent company of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead, has been accounted for as a group reorganisation.

These financial statements are the first set of annual financial statements presented for the newly formed group and the prior period comparison for the Group is that of the former Jewel UK Midco Limited group. The underlying structure of the Group is unchanged and as such the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been presented on a consistent basis as if the group reorganisation had taken place at the start of the earliest period presented.

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application, 29 April 2019 (see note 1). The prior period is presented under the previous accounting standard, IAS 17 'Leases'. As such, the results for the 52 week period ended 26 April 2020 are not directly comparable with those reported in the prior period. See note 1 for a reconciliation of the IFRS 16 impact on the financial statements.

The notes on pages 126 to 173 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

	Note	26 April 2020 IFRS 16 £'000	28 April 2019 IAS 17 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	136,557	109,666
Intangible assets	11	17,726	18,063
Property, plant and equipment	12	101,390	101,268
Right-of-use assets	13	251,642	–
Deferred tax assets	9	12,264	8,727
Trade and other receivables	14	1,325	4,544
		520,904	242,268
CURRENT ASSETS			
Inventories – finished goods		243,495	200,271
Current tax asset		3,659	–
Government grants	17	2,575	–
Trade and other receivables	14	8,229	35,638
Cash and cash equivalents	15	72,927	34,538
		330,885	270,447
Total assets		851,789	512,715
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	(136,057)	(137,344)
Lease liabilities	13	(46,205)	–
Current tax liabilities		–	(2,759)
Government grants	17	(1,186)	–
Borrowings	19	(82,649)	(27,213)
Provisions	18	(764)	(3,312)
		(266,861)	(170,628)
NON-CURRENT LIABILITIES			
Trade and other payables	16	(2,636)	(20,318)
Lease liabilities	13	(261,753)	–
Borrowings	19	(117,072)	(239,884)
Post-employment benefit obligations	20	(2,714)	(3,051)
Provisions	18	(1,212)	(2,275)
		(385,387)	(265,528)
Total liabilities		(652,248)	(436,156)
Net assets		199,541	76,559
EQUITY			
Share capital	21	2,993	66
Share premium	21	147,122	–
Merger reserve	21	(2,209)	–
Retained earnings		47,438	75,695
Foreign exchange reserve		4,197	798
Total equity		199,541	76,559

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application, 29 April 2019 (see note 1).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

LA ROMBERG
CHIEF FINANCIAL OFFICER
12 August 2020

The notes on pages 126 to 173 form part of these financial statements.

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 2018	66	—	—	88,613	(3,622)	85,057
Profit for the financial period – continuing operations	—	—	—	13,899	—	13,899
Loss for the financial period – discontinued operations	—	—	—	(15,668)	—	(15,668)
Other comprehensive income for the period net of tax	—	—	—	(1,524)	4,420	2,896
Share-based payment charge	—	—	—	375	—	375
Dividends paid*	—	—	—	(10,000)	—	(10,000)
Balance at 28 April 2019	66	—	—	75,695	798	76,559
Impact of change in accounting policy (IFRS 16)	—	—	—	(20,336)	—	(20,336)
Adjusted Balance at 29 April 2019**	66	—	—	55,359	798	56,223
Profit for the financial period	—	—	—	507	—	507
Other comprehensive income for the period net of tax	—	—	—	(123)	3,399	3,276
Share-based payment charge (note 22)	—	—	—	3,196	—	3,196
Group restructure (note 21)	2,209	—	(2,209)	—	—	—
Distribution in law (note 21)	—	—	—	(11,501)	—	(11,501)
Share issue on IPO (note 21)	718	154,412	—	—	—	155,130
Costs directly attributable to primary issue (note 21)	—	(7,290)	—	—	—	(7,290)
Balance at 26 April 2020	2,993	147,122	(2,209)	47,438	4,197	199,541

* Dividends paid in specie relating to the carve out of the Watch Shop and The Watch Lab businesses (see note 24).

** The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application, 29 April 2019 (see note 1).

As noted in the Consolidated Statement of Comprehensive Income, the insertion of the Company as the new parent company of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting was used to account for the insertion of the Company. The effect was an increase in share capital, to reflect the underlying capital structure of the Company, with the offset posted to a newly created merger reserve. The reorganisation was undertaken as part of the Initial Public Offering ('IPO') with the Company being both created and inserted as part of the process. This has been further described in note 1.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period from continuing operations		507	13,899
Adjustments for:			
Depreciation of property, plant and equipment	5	15,575	11,827
Depreciation of right-of-use assets	5	36,112	–
Amortisation of intangible assets	5	2,394	2,592
Impairment of right-of-use assets	13	5,398	–
Impairment of property, plant and equipment	12	3,991	–
Gain on lease disposal		(658)	–
Loss on disposal of property, plant and equipment		3,781	1,324
Share-based payment charge	22	3,196	375
Guaranteed Minimum Pension equalisation	20	–	450
Finance income	8	(1,280)	(1,048)
Finance costs	7	48,079	26,413
Taxation	9	980	6,221
(Increase)/decrease in inventory		(35,503)	5,803
Decrease in debtors		14,312	2,382
Increase/(decrease) in creditors, provisions, government grants and pensions		5,162	(279)
Cash generated from operations – Continuing operations		102,046	69,959
Pension scheme contributions	20	(705)	(697)
Tax paid		(7,466)	(5,012)
Net cash generated from operating activities – Continuing operations		93,875	64,250
Net cash generated from operating activities – Discontinued operations	27	–	73
Total net cash generated from operating activities		93,875	64,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets:			
Property, plant and equipment additions	12	(22,355)	(35,280)
Add back property, plant and equipment additions – Discontinued operations		–	263
Intangible asset additions	11	(1,651)	(3,275)
Add back intangible asset additions – Discontinued operations		–	253
Movement on capital expenditure accrual		(4,655)	2,505
Cash outflow from purchase of non-current assets		(28,661)	(35,534)
Discontinued operations cash at date of carve out	27	–	(5,659)
Acquisition of subsidiaries net of cash acquired	26	(31,083)	–
Receipt of government grants	17	1,330	–
Interest received		43	80
Net cash outflow from investing activities – Continuing operations		(58,371)	(41,113)
Net cash outflow from investing activities – Discontinued operations	27	–	(516)
Total net cash outflow from investing activities		(58,371)	(41,629)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds raised on Initial Public Offering ("IPO")	21	155,130	–
Costs directly attributable to IPO	21	(7,290)	–
Proceeds from term loan	19	120,000	–
Costs directly attributable to raising new term loan		(2,568)	–
Repayment of capital element of listed bond	19	(247,924)	(17,076)
Fees on early repayment of listed bond	19	(21,738)	(198)
Net borrowing/(repayment) of short term loans	19	53,923	(2,817)
Payment of capital element of leases (IFRS 16)	13	(24,586)	–
Payment of interest element of leases (IFRS 16)	13	(11,782)	–
Payment of capital element of finance leases		–	(199)
Interest paid		(11,646)	(17,399)
Net cash inflow/(outflow) from financing activities		1,519	(37,689)
Net increase/(decrease) in cash and cash equivalents		37,023	(14,995)
Cash and cash equivalents at the beginning of the period		34,538	49,222
Exchange gains on cash and cash equivalents		1,366	311
Cash and cash equivalents at the end of period – Continuing operations		72,927	34,538
Comprised of:			
Cash at bank and in hand	15	70,850	26,960
Cash in transit	15	2,077	7,578
Cash and cash equivalents at end of period		72,927	34,538

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

1. ACCOUNTING POLICIES

GENERAL INFORMATION

The Company is a public limited company, limited by shares, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The address of the registered office is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT. The Company and its subsidiaries together form the 'Group'.

The principal activity of the Group is the retailing of luxury jewellery and watches, both online and in stores. The Group has 124 UK based stores and 22 US based stores and operates under the trading brands of Goldsmiths, Mappin & Webb, Watches of Switzerland and Mayors Jewelers.

GROUP REORGANISATION

The Group has undertaken a group reorganisation exercise during the period to 26 April 2020. As part of this process, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was inserted above Jewel UK Midco Limited in the Group's structure.

On 24 May 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) (the 'Company') acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries, by a way of a share for share exchange with Jewel Holdco S.à r.l., becoming the Group's immediate parent company. The insertion of the Company on top of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting has been used to account for this transaction.

On 30 May 2019, the Company was re-registered as a public limited company under the Companies Act 2006. On 4 June 2019, the Company was admitted for listing on the London Stock Exchange. The Company issued 57,455,554 shares for £2.70 each with a nominal value of £0.0125 recognising additional share capital of £718,000 and share premium of £154,412,000.

This Annual Report and Accounts is the first set of annual financial statements presented for the newly formed Group and the prior period comparison is that of the former Jewel UK Midco Limited group. The underlying structure of the Group is unchanged and as such the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been presented on a consistent basis as if the group reorganisation had taken place at the start of the earliest period presented.

BASIS OF PREPARATION

The Consolidated Financial Statements include the financial statements of the Company and its subsidiary undertakings made up to 26 April 2020. A subsidiary is an entity that is controlled by the parent.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Consolidated Financial Statements have been prepared under the historical cost convention except for pension assets and liabilities which are measured at fair value.

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 the COVID-19 pandemic on the Group's operations is discussed within the principal risks and uncertainties on page 66 of the Annual Report 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 financial statements, a number of balances have been impacted. 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 debtors and the recoverable value of store assets.

GOING CONCERN

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

At the balance sheet date, the Group had a total of £218,974,000 in available committed facilities, of which £202,649,000 was drawn down. Net debt at this date was £129,722,000 with liquidity headroom (defined as unrestricted cash plus undrawn available facilities) of £82,860,000. This funding matures in 2023/24. 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. The total available committed facilities in place as of 12 August 2020 were £261,800,000 of which £150,300,000 was drawn.

The key covenant tests attached to the Group's facilities are a measure of net debt to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October. 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 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 Directors' best estimate of the impact of COVID-19 in August 2020, taking into account trading post year end once lockdown had ended.

In assessing whether the going concern basis of accounting is appropriate, the Directors have reviewed various trading scenarios for the 12-month period from the date of this report. These included:

- The Budget approved by the Board in August 2020, which included the following key assumptions:
 - A continued strong luxury watch market in the UK and US
 - Anticipation of some localised disruption due to COVID-19 but assumes no further national-scale lockdowns in either the US or UK during the period
 - Lower levels of tourism in the US and UK and reduced travel impacting our airport stores
 - Sufficient luxury watch supply to support the revenue forecast

The budget aligns to the Guidance given on page 34. Under this budget all covenant tests to October 2021 are comfortably complied with and there is sufficient liquidity to repay the £45,000,000 CLBILS facility in November 2021.

- We have reverse stress-tested this budget to determine what level of reduced EBITDA and other possible cash outflows would result in a breach of the £20,000,000 liquidity headroom covenant. The likelihood of this level of reduced EBITDA and cash outflows are considered remote. Neither a full 12-month store lockdown nor a Christmas store closure period with an additional reduced demand during the 12-month period, would result in a breach of the £20,000,000 minimum headroom covenant.
- Severe but plausible scenarios of a full store closure at Christmas or a 20% reduction in sales to budget 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 debt to EBITDA ratio and the £45,000,000 CLBILS loan repayment in November 2021 all being complied with.

These scenarios reflect the following:

- Cost-saving initiatives, such as reduced marketing and other operating costs
- Reduced capital expenditure of £18,000,000
- Benefit of £13,300,000 of business rates relief in FY21
- Income from the US and UK Government payroll support schemes of £7,700,000 to October 2021

The Board extended the going concern review period to include the covenant tests at October 2021, when the covenant waiver ends, and the CLBILS £45,000,000 repayment in November 2021. In the budget, the October 2021 debt to EBITDA covenant is comfortably satisfied and there is sufficient liquidity available to repay the CLBILS facility. Significant sales reduction against the budget such as a lockdown in the peak trading months of November and December or a further full store lockdown of three to four months could be endured without breaching the October 2021 covenant. The Board considers that a further sales reduction beyond these scenarios is remote.

Should trading in November and December be below expectation, the Group has ten months to take mitigating actions to rectify any potential breach of covenants. Mitigating actions, which are not reflected in the scenario analysis 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 operational savings
- Other activities:
 - Renegotiations with suppliers and landlords
 - Pursuance of additional financing including equity
 - A covenant waiver request to the lenders

As a result of the above analysis, including potential severe but plausible scenarios, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the period to November 2021. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the financial statements.

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 Alternative Performance Measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures.

The key APMs that the Group uses include: Net margin, Adjusted EBITDA, Adjusted EBIT and Adjusted EPS. These APMs are set out in the Glossary on page 180 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.

FOREIGN CURRENCIES

The Consolidated Financial Statements are presented in Pounds Sterling (£), which is the Group's presentational currency. The Group includes foreign entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of those entities are translated at the exchange rates at the balance sheet date and income and expenses are translated at average rates during the period. Translation differences are recognised in other comprehensive income.

Transactions in currencies other than an entity's functional currency are recorded at the exchange rate on the transaction date, whilst assets and liabilities are translated at exchange rates at the balance sheet date. Exchange differences are recognised in the Income Statement.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers (CODMs), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and Chief Financial Officer of the Group. The CODMs review the key profit measures Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Adjusted Earnings Before Interest and Tax (EBIT), both shown pre-exceptional items and IFRS 16.

In the current period, the operating segments presented differ from those presented in the 28 April 2019 statutory financial statements. The segment reporting adopted for the period ended 26 April 2020 has been changed to show the new Group's Key Performance Indicator (KPI) of Adjusted EBIT pre-exceptional items and IFRS 16, as this KPI is linked to executive remuneration for the 52 week period ended 26 April 2020. This presentation reflects the reporting to the CODMs and the Board.

REVENUE

The Group is in the business of selling luxury watches and jewellery and providing ongoing services to our customers, such as repairs and servicing. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

In determining the transaction price for the sale of goods, the Group considers the existence of significant financing components.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Sale of goods – retail

Sales of goods are recognised when a Group entity sells a product to the customer and control of the goods is transferred to the customer. Retail sales are usually settled in cash or by card. It is the Group's policy to sell its products to the retail customer with a right to return within 14 days for a cash refund and 30 days for a product exchange. The Group does not operate any loyalty programmes.

Where sales are made on credit provided by a third party, revenue is recognised immediately on sale of the product and control has been passed to the customer.

1. ACCOUNTING POLICIES

REVENUE (CONTINUED)

Change in accounting – retail

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 net within 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 within 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 to be 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:

	52 week period ended 28 April 2019			
	As presented within the financial statements £'000	Impact of accounting change £'000	Impacted results £'000	Impact of accounting change %
Revenue	773,518	(10,661)	762,857	(1.4)
Cost of sales	(700,945)	12,574	(688,371)	1.8
Gross profit	72,573	1,913	74,486	2.6
Administrative expenses	(27,088)	(1,913)	(29,001)	(7.1)
Operating profit	45,485	–	45,485	–
Profit for the financial period from continuing operations	13,899	–	13,899	–

Sale of goods – online

Revenue from the sale of goods on the internet is recognised at the point that control has passed to the customer, which is the point of delivery. Transactions are settled by credit or payment card. Where sales are made on credit provided by a third party, revenue is recognised when control has been passed to the customer, on delivery.

Rendering of services

Revenue from a contract to provide services, such as product repairs and servicing, is recognised in the period in which the services are provided. Revenue is recognised when the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the Group will receive the consideration due under the contract;
- The service has been completed; and
- Control of the good is passed back to the customer.

Contract balances – Customer deposits and gift cards

A customer deposit or gift card liability is the obligation to transfer goods or services to a customer for which the Group has received consideration. If consideration is received before the Group transfers goods or services to the customer, revenue is deferred and a customer deposit or gift card liability is recognised. Customer deposits and gift cards are recognised as revenue when the customer is passed control of the goods.

Gift card redemptions are estimated on the basis of historical redemptions and are reviewed regularly and updated to reflect management's best estimate of patterns of redemption. The estimated non-redemption is recognised in revenue based on historical redemptions.

Cost of sales

Included within cost of sales are any items which are directly attributable to the sale of goods and services. This includes the cost of bringing inventory into a condition to sell, wages and salaries, depreciation on land and buildings and fittings and equipment and other costs directly attributable to the cost of selling goods and services.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The fair value of the equity-settled awards is calculated at grant date using a Monte Carlo or Black-Scholes model. The resulting cost is charged in the Income Statement over the vesting period of the option or award and is regularly reviewed and adjusted for the expected and actual number of options or awards vesting.

Service and non-service performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest because of non-market performance and/or service conditions that have not been met.

The social security contributions payable in connection with the grant of the share options is determined at each balance sheet date as a liability with the total cost recognised in the Consolidated Income Statement over the vesting period.

Taxation

Taxation, comprised of current and deferred tax, is charged or credited to the Income Statement unless it relates to items recognised in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of investments in subsidiaries where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Intangible assets

Research and development

Expenditure on research activities is recognised in the Consolidated Income Statement as an expense as incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the Income Statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination is capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software	3 to 5 years
Brands	10 to 30 years
Technology	7 years
Agency agreements	10 years

The bases for choosing these useful lives are:

- Brand longevity considering brand history and market awareness;
- Technology is based on the expected period to replacement based on technical robustness and the rate of technology change in the market; and
- Agency agreements considering the longevity of the agreements in place with a major supplier

Change in estimate

During the 52 week period ended 26 April 2020, the Group has revised the useful economic life attributed to the brand recognised on the acquisition of Mayors Jewelers in October 2017. Since the acquisition, the Group's strategy has developed to reflect the successful dual branding in the US with the Mayors brand name being considered a key element of the US growth strategy. This is evidenced by the significant capital expenditure on refurbishing existing stores as well as relocating Mayors stores and keeping the Mayors branding. Based on this change in brand strategy, the Group has changed the estimate of the useful life of the brand to a more relevant period which reflects the history, investment and long term plan for the Mayors brand – from 10 years to 30 years. The Group will account for this prospectively and as such the comparative results have not been restated, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The impact to the Income Statement for the 52 week period ended 26 April 2020 was a £1,025,000 reduction in amortisation.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Property, plant and equipment

Management accounts for property, plant and equipment under the cost basis of IAS 16 'Property, plant and equipment', rather than applying the alternative (revaluation) treatment. The cost of property, plant and equipment includes directly attributable costs.

Depreciation is provided on the cost of all other assets (except assets in the course of construction), so as to write off the cost, less residual value, on a straight-line basis over the expected useful economic life of the assets concerned, as follows:

Land and buildings	10 to 15 years
Fittings and equipment	3 to 10 years

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset is adjusted to its estimated recoverable amount and the difference is recognised in the Income Statement.

Property, plant and equipment and other non-current assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash-generating unit is not recoverable. A cash-generating unit (CGU) is an individual store which is the smallest identifiable group of assets that generate independent cash flows which are monitored by management and the CODMs. CGUs are grouped for the purposes of allocating goodwill where the CGU group is expected to benefit from synergies, such as sharing of centralised functions and management. Goodwill allocated to groups of CGUs is tested annually for impairment and whenever there is an indication that the goodwill may be impaired.

Impairment testing is performed at several levels and applied in the order set out by IAS 36 'Impairment of assets'. Impairment testing is first applied to the assets within a CGU where the value of assets held by the CGU are compared to the recoverable value. Impairment testing is then performed at a higher level which compares the value of goodwill to the recoverable value of the associated group of CGUs.

Trade and other receivables

Trade receivables represent outstanding customer balances less an allowance for expected credit losses. Trade receivables are recognised when the Group becomes party to the contract which happens when the goods are received and controlled by the end user. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Group has transferred substantially all the risks and rewards associated with that contract. Other receivables are stated at invoice value less an allowance for Expected Credit Losses (ECLs). Trade and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the Solely Payment of Principal and Interest (SPPI) criterion.

1. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables (continued)

Expected credit losses

The Group recognises an allowance for ECLs for customer and other receivables. IFRS 9 'Financial instruments' requires a provision to be recognised on origination of a customer advance, based on its ECL.

The Directors have taken the simplification available under IFRS 9 5.5.15 which allows the loss amount in relation to a trade receivable to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This simplification is permitted where there is either no significant financing component (such as customer receivables where the customer is expected to repay the balance in full prior to interest accruing) or where there is a significant financing component (such as where the customer expects to repay only the minimum amount each month), but the Directors make an accounting policy choice to adopt the simplification. Adoption of this approach means that Significant Increase in Credit Risk (SICR) and Date of Initial Recognition (DOIR) concepts are not applicable to the Group's ECL calculations.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires considerable judgement as to how changes in economic factors affect ECLs.

ECL charges in respect of customer receivables are recognised in the Consolidated Income Statement within cost of sales.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

In the Consolidated Balance Sheet, cash and cash equivalents includes cash in hand, cash in transit, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Cash in transit largely comprises amounts receivable on credit cards where the transaction has been authorised but the funds have yet to clear the bank. These balances are considered to be highly liquid, with minimal risk of default, and are typically received in less than three days.

Government grants

Government grants are recognised where there is assurance that the grant will be received and that all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a deduction from the related expense. Grants are recognised on a systematic basis over the periods that the related costs are intended to compensate.

Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated. Provisions are not recognised for future operating losses

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

Post-employment benefit obligations

The Group operates various post-employment schemes, including both defined benefit schemes and defined contribution pension plans. Typically, defined benefit schemes define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Consolidated Balance Sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the end of the reporting period less the fair value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit scheme, recognised in the Consolidated Income Statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current period, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the Consolidated Income Statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of scheme assets. This cost is included in employee benefit expense in the Consolidated Income Statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The Group does not hold any derivative instruments in either the current or prior period.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'Solely Payments of Principal and Interest' on the principal amount outstanding (the 'SPPI criterion')

A summary of the Group's financial assets is as follows:

Financial assets	Classification under IFRS 9
Trade and other receivables (excluding prepayments)	Amortised cost – held to collect as business model and SPPI met
Cash and short term deposits	Amortised cost

Under IFRS 9 the Group initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the Income Statement.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

Derecognition

A financial asset is derecognised primarily when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either a) the Group has transferred substantially all the risks and rewards of the asset, or b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Group are its trade receivables. ECLs are calculated in accordance with the accounting policies set out above.

The Group has classified its financial liabilities as follows:

Financial liabilities	Classification under IFRS 9
Interest-bearing loans and borrowings	Amortised cost
Trade and other payables (excluding accrued income)	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

A summary of the subsequent measurement of financial liabilities is set out below:

Financial liabilities at FVPL	Subsequently measured at fair value. Gains and losses are recognised in the Income Statement
Interest-bearing loans and borrowings	Subsequently measured at amortised cost using the effective interest rate ('EIR') method. The EIR amortisation is included in finance costs in the Income Statement
Trade and other payables (excluding accrued income)	Subsequently measured at amortised cost

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Group has adopted IFRS 16 'Leases' from the start of the Group's financial period, 29 April 2019. A number of other new standards are effective from 29 April 2019, including IFRIC 23 'Uncertainty over income tax treatments', but they do not have a material effect on the Group's financial statements.

IFRS 16 'Leases' specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The Group adopted IFRS 16 from 29 April 2019 using a modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 29 April 2019. The comparative information presented for the year ended 28 April 2019 has not been restated and therefore continues to be shown under IAS 17. For all periods prior to 29 April 2019, the Group classified the majority of its property leases as operating leases under IAS 17. Operating lease rental payments were recognised as an expense in the Income Statement on a straight-line basis over the lease term.

IFRS 16 'Leases', applicable from 29 April 2019

The main impact of IFRS 16 for the Group is the recognition of right-of-use assets and lease liabilities for those leases previously classified as operating leases. Right-of-use assets have been recognised on the Balance Sheet representing the economic benefits of the Group's right to use the underlying leased assets. The impact upon the Income Statement will be to derecognise operating lease costs and to recognise depreciation of the right-of-use assets and interest costs on the lease liabilities. The Group's activities as a lessor are not material and therefore the Group has not recognised any changes to lessor accounting as a result of the transition to IFRS 16.

The Group's lease portfolio is principally comprised of property leases in relation to Watches of Switzerland, Mappin & Webb, Goldsmiths and Mayors stores, mono-brand boutiques and central offices. The leases typically run for terms between five and 20 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Group's lease payments are subject to market review, usually every five years, with a number of leases which have annual increases dependent on economic indices. Some lease agreements include rental payments which are contingent on the turnover of the property to which it relates. These payments are excluded from the calculation of the lease liabilities under IFRS 16.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an arrangement contains a lease'. Under IAS 17 'Leases', classification of leases between operating or finance leases was determined based on an assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group did not elect to apply the practical expedient to grandfather the assessment of which contracts are leases. As such, on transition the Group has assessed on a lease by lease basis whether they meet the criteria as set out under IFRS 16. As part of the exercise, a number of properties have been identified as not meeting the criteria set out and as such will continue to be accounted for on a straight-line basis. This is considered a significant judgement as disclosed below. A reconciliation from operating lease commitments to the lease liability presented under IFRS 16 has been formed within this note.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

1. ACCOUNTING POLICIES (CONTINUED)**New standards, amendments and interpretations (continued)****IFRS 16 'Leases', applicable from 29 April 2019 (continued)****Accounting policy – applicable from 29 April 2019****Lease liability – initial recognition**

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, less any incentives receivable, discounted using the determined incremental borrowing rate applicable to the lease.

Lease payments in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date; and
- Penalty payments for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liability – subsequent measurement

Lease liabilities are subsequently measured at amortised cost and are increased to reflect interest on the lease liability (using the effective interest method) and decreased by the lease payments made.

Lease liability – remeasurement

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or market rental review, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal option is reasonably certain to be exercised or a break clause is reasonably certain to be exercised.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset, unless its carrying amount is reduced to £nil, in which case any remaining amount is recognised in profit or loss.

The Group has applied judgement to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether the Group is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the Balance Sheet and Income Statement.

Right-of-use assets – initial recognition

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The Group has elected to apply the exemption for short term leases (leases with a term of less than one year) and low value assets under IFRS 16, as such not recognising a right-of-use asset and lease liability on the Balance Sheet, but recognising lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Where the Group has an obligation for costs to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 'Provisions, contingent liabilities and contingent assets'. The estimated costs are included in the related right-of-use asset.

Right-of-use assets – subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liabilities. Depreciation is calculated on a straight-line basis over the expected useful economic life of a lease which is taken as the lease term.

Transition**Leases previously classified as financing leases**

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Group has applied the modified retrospective approach and recognised the lease liability on transition as the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, 29 April 2019.

When measuring lease liabilities on transition to IFRS 16, the Group discounted lease payments using its incremental borrowing rate at 29 April 2019. The Incremental Borrowing Rate (IBR) applied to each lease was determined by taking into account the risk free rate, adjusted for factors such as country risk and the credit rating linked to the underlying lease agreement. The weighted average IBR applied by the Group at the date of initial application was 4.73% with individual leases ranged from 3.13% to 5.92%.

The Group has chosen on a lease-by-lease basis to measure the right-of-use asset as either:

- The carrying amount as if IFRS 16 had been applied since the commencement date, but discounting using the incremental borrowing rate at the date of initial application. The Group has applied this to a small number of property leases where it was possible to ascertain sufficient historical data; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of initial application. The Group has applied this methodology to the majority of its property leases and all its other leases.

The Group has not restated comparatives and the cumulative effect of £20,336,000 of initially applying IFRS 16 was recognised as an adjustment to the opening balance of retained earnings.

Exemptions and practical expedients on transition to IFRS 16

The Group has elected to apply the following:

- To exclude long term leases with less than one year remaining at the date of initial application;
- To exclude initial direct costs from the measurement of the right-of-use assets on transition; and
- To apply hindsight, where appropriate, for instance in determining the lease term.

Initial direct costs (lease acquisition costs), incurred subsequently to the initial date of application, have been included within the right-of-use asset.

The opening Balance Sheet position as at 29 April 2019 has been restated on transition to IFRS 16. The Group recognised additional right-of-use assets, lease liabilities and deferred tax assets as well as a reduction in prepayments, provisions and liabilities, recognising the difference in retained earnings. The impact on transition is summarised below. Prior periods have not been restated.

	28 April 2019 IAS 17 £'000	IFRS 16 adjustments £'000	29 April 2019 IFRS 16 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	109,666	–	109,666
Intangible assets ⁽ⁱ⁾	18,063	(277)	17,786
Property, plant and equipment ⁽ⁱⁱ⁾	101,268	(1,586)	99,682
Right-of-use assets	–	244,989	244,989
Deferred tax ⁽ⁱⁱⁱ⁾	8,727	3,447	12,174
Trade and other receivables	4,544	–	4,544
	242,268	246,573	488,841
CURRENT ASSETS			
Inventories	200,271	–	200,271
Trade and other receivables ^(iv)	35,638	(5,521)	30,117
Cash and cash equivalents	34,538	–	34,538
	270,447	(5,521)	264,926
Total assets	512,715	241,052	753,767
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables ^(v)	(137,344)	2,017	(135,327)
Lease liabilities	–	(45,992)	(45,992)
Current tax liabilities	(2,759)	–	(2,759)
Borrowings ⁽ⁱ⁾	(27,213)	110	(27,103)
Provisions ^(vi)	(3,312)	2,151	(1,161)
	(170,628)	(41,714)	(212,342)
NON-CURRENT LIABILITIES			
Trade and other payables ^(v)	(20,318)	16,597	(3,721)
Lease liabilities	–	(238,546)	(238,546)
Borrowings	(239,884)	–	(239,884)
Post-employment benefit obligations	(3,051)	–	(3,051)
Provisions ^(vi)	(2,275)	2,275	–
	(265,528)	(219,674)	(485,202)
Total liabilities	(436,156)	(261,388)	(697,544)
Net assets	76,559	(20,336)	56,223
EQUITY			
Share capital	66	–	66
Retained earnings	75,695	(20,336)	55,359
Foreign exchange reserve	798	–	798
Total equity	76,559	(20,336)	56,223

(i) In respect of transfer of former finance leases.

(ii) In respect of the date of initial application impairment review.

(iii) Deferred tax recognised on transition to IFRS 16.

(iv) Mainly in respect of prepaid rent.

(v) Mainly in respect of lease incentive creditors.

(vi) Mainly in respect of onerous lease provisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations (continued)

IFRS 16 'Leases', applicable from 29 April 2019 (continued)

A reconciliation from the commitments under non-cancellable operating leases as at 28 April 2019, as presented within the Group's Annual Report and Accounts for the 52 weeks to 28 April 2019, to the lease liabilities recognised as at the date of initial application, 29 April 2019, is presented below:

	29 April 2019 £'000
Commitments under non-cancellable operating leases as at 28 April 2019	322,463
Contracts not in scope of IFRS 16 ⁽ⁱ⁾	(21,176)
Effect of discounting ⁽ⁱⁱ⁾	(57,260)
Long term leases expiring before 26 April 2020 ⁽ⁱⁱⁱ⁾	(926)
Lease extension options ^(iv)	39,945
Leases identified under IFRS 16 not identified under IAS 17	1,236
Leases previously accounted for as finance leases	110
Other	146
Lease liabilities recognised at 29 April 2019	284,538

(i) Contracts that were considered to be leases under IAS 17 which do not meet the definition under IFRS 16, principally because the supplier is considered to have substantive substitution rights over the associated assets.

(ii) The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 obligations have been discounted based on an applicable incremental borrowing rate depending on the location of the asset and lease term.

(iii) The Group has applied the practical expedient to classify leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 as short term leases. The Group has also applied the recognition exception for short term leases.

(iv) Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes periods covered by options to break the lease where the Group is reasonably certain that such options will not be exercised.

Impact for the period

The impact on the Income Statement was as follows:

	52 week period ended 26 April 2020		
	Presented under IAS 17 £'000	Impact of IFRS 16 £'000	Presented under IFRS 16 £'000
Revenue	810,512	—	810,512
Cost of sales	(736,277)	15,413	(720,864)
Gross profit	74,235	15,413	89,648
Impairment of assets	(7,056)	(2,333)	(9,389)
Administrative expenses	(29,142)	292	(28,850)
Loss on disposal of property, plant and equipment	(3,781)	658	(3,123)
Operating profit	34,256	14,030	48,286
Finance costs	(36,293)	(11,786)	(48,079)
Finance income	1,280	—	1,280
Net finance cost	(35,013)	(11,786)	(46,799)
Profit before taxation	(757)	2,244	1,487
Taxation	(1,248)	268	(980)
Profit for the financial period	(2,005)	2,512	507
Earnings per share			
Basic and diluted	(0.9)p		0.2p

Impact on closing Balance Sheet

	26 April 2020 IAS 17 £'000	Impact of IFRS 16 £'000	26 April 2020 IFRS 16 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	136,557	–	136,557
Intangible assets ⁽ⁱ⁾	17,934	(208)	17,726
Property, plant and equipment ⁽ⁱⁱ⁾	99,758	1,632	101,390
Right-of-use assets	–	251,642	251,642
Deferred tax ⁽ⁱⁱⁱ⁾	8,535	3,729	12,264
Trade and other receivables	1,325	–	1,325
	264,109	256,795	520,904
CURRENT ASSETS			
Inventories	243,495	–	243,495
Current tax asset	3,659	–	3,659
Government grants	2,575	–	2,575
Trade and other receivables ^(iv)	8,952	(723)	8,229
Cash and cash equivalents	72,927	–	72,927
	331,608	(723)	330,885
Total assets	595,717	256,072	851,789
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables ^(v)	(142,421)	6,364	(136,057)
Lease liabilities	–	(46,205)	(46,205)
Government grants	(1,186)	–	(1,186)
Borrowings ⁽ⁱ⁾	(82,678)	29	(82,649)
Provisions ^(vi)	(3,042)	2,278	(764)
	(229,327)	(37,534)	(266,861)
NON-CURRENT LIABILITIES			
Trade and other payables ^(v)	(21,739)	19,103	(2,636)
Lease liabilities	–	(261,753)	(261,753)
Borrowings	(117,072)	–	(117,072)
Post-employment benefit obligations	(2,714)	–	(2,714)
Provisions ^(vi)	(7,409)	6,197	(1,212)
	(148,934)	(236,453)	(385,387)
Total liabilities	(378,261)	(273,987)	(652,248)
Net assets	217,456	(17,915)	199,541
EQUITY			
Share capital	2,993	–	2,993
Share premium	147,122	–	147,122
Merger reserve	(2,209)	–	(2,209)
Retained earnings	65,262	(17,824)	47,438
Foreign exchange reserve	4,288	(91)	4,197
Total equity	217,456	(17,915)	199,541

(i) In respect of transfer of former finance leases.

(ii) In respect of the date of initial application impairment review.

(iii) Deferred tax recognised on transition to IFRS 16.

(iv) Mainly in respect of prepaid rent.

(v) Mainly in respect of lease incentive creditors.

(vi) Mainly in respect of onerous lease provisions.

1. ACCOUNTING POLICIES (CONTINUED)

New standards, amendments and interpretations (continued)

IFRS 16 'Leases', applicable from 29 April 2019 (continued)

Significant areas of judgement and estimation (IFRS 16)

The application of IFRS 16 requires significant estimation and judgement, particularly around the calculation of the incremental borrowing rate and determining the lease term when there are options to extend or terminate early. Each of these have been determined on a lease-by-lease basis on transition. High levels of judgement are also involved in determining whether leases contain 'substantive substitution rights' and therefore whether they meet the definition of a lease under IFRS 16. See below for full disclosure of all the major sources of estimation uncertainty and judgement applicable to the Group.

Other new standards, amendments and interpretations

The following standards, amendments and interpretations were applicable for the period beginning 29 April 2019 and were adopted by the Group for the year ended 26 April 2020. They have not had a significant impact on the Group's profit for the year, equity or disclosures:

- Amendments to IFRS 9 'Prepayment features with negative compensation'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IAS 28 'Long term interests in associates and joint ventures'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Annual Improvements to IFRS Standards 2015-2017 Cycle

The following are new accounting standards and amendments to existing standards that have been published and are applicable for the Group's accounting periods beginning 27 April 2020 onwards, which the Group has not adopted early:

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

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

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

- IFRS 17 'Insurance Contracts' (applicable for the period beginning 31 January 2021)

Major sources of estimation uncertainty and judgement

The preparation of consolidated financial information requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Actual results may differ from these estimates.

Significant estimates

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future period affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

Post-employment benefit obligations

The Group's accounting policy for the defined benefit pension scheme requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For the defined benefit scheme, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees and the determination of the pension cost and defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of these assumptions. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. Sensitivity of the Group's defined benefit scheme to movements in key assumptions is set out in note 20.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value, on a weighted average cost basis. Provisions are recognised where the net realisable value is assessed to be lower than cost. The calculation of this provision requires estimation of the eventual sales price and sell-through of goods to customers in the future. A 20% reduction in the store sell-through of slow moving stock would impact the net realisable value by c.£3,100,000.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. For the impairment test, the value in use method requires the Group to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections over the three-year strategic plan period, the long term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount those cash flows. The key assumptions relate to sales growth rates and discount rates used to discount the cash flows. Store related property, plant and equipment and right-of-use assets are tested for impairment at a store-by-store level, including an allocation of overheads related to store operations. Sensitivity of the key assumptions in relation to impairment are included in note 12.

Significant judgements

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Classification of exceptional items and presentation of non-GAAP measures

The Directors exercise their judgement in the classification of certain items as exceptional and outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item, non-underlying or non-trading requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance. In exercising this judgement, the Directors take appropriate regard of IAS 1 'Presentation of financial statements' as well as guidance from the Financial Reporting Council and the European Securities Market Authority on the reporting of exceptional items and APMs.

The overall goal of the Directors is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they be favourable or unfavourable to the underlying result. Further details on exceptional items are provided in note 4.

Lease term (IFRS 16)

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

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

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

The lease term of each lease is reassessed if there is specific evidence of a change in circumstance such as:

- A decision has been made by the business to exercise a break or option
- The trading performance significantly changes
- Planned future capital expenditure suggests that the option to extend will be taken

Discount rates (IFRS 16)

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

Incremental borrowing rates are determined on entering a lease and depend on the term, country, currency and start date of the lease. The incremental borrowing rate used is calculated based on a series of inputs including:

- the risk-free rate based on country specific swap markets
- a credit risk adjustment based on country specific corporate indices
- a Group specific adjustment to reflect the Group's specific borrowing conditions

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

Substantive substitution rights (IFRS 16)

The Group has applied judgement to a number of leases and has judged that they do not meet the definition of a lease under IFRS 16. In these cases, the Group has judged that the lessor has a substantive right to substitute the asset and as such, there is no asset identified within the contract. If the Group judges that the lessor has the practical ability to substitute, the Group cannot prevent the lessor from proposing the substitution, and the costs of substitution are assessed to be low. As a result, the Group does not recognise lease liabilities or right-of-use assets in relation to these leases and continues to account for these on a straight-line basis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SEGMENT REPORTING

The key Group performance measures are Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Adjusted Earnings Before Interest and Tax (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.

Adjusted EBITDA represents profit for the period before finance costs, finance income, taxation, depreciation, amortisation, exceptional items presented in the Group's Income Statement (consisting of exceptional administrative expenses, exceptional cost of sales and exceptional impairment), professional costs for non-trading activities and management fees paid to the Group's ultimate controlling party.

The segment reporting adopted for the 52 week period ended 26 April 2020 has been changed to show the new Group's Key Performance Indicator (KPI) of Adjusted EBIT pre-exceptional items, as this KPI is linked to executive remuneration for the 52 weeks ended 26 April 2020. This presentation reflects the reporting to the CODMs and the Board.

	52 week period ended 26 April 2020		
	UK £'000	US £'000	Total continuing operations £'000
Revenue	585,473	225,039	810,512
Net margin	221,328	83,378	304,706
Less:			
Store costs	(126,373)	(51,821)	(178,194)
Overheads	(34,175)	(10,405)	(44,580)
Store opening and closing costs	(2,185)	(1,635)	(3,820)
Intra-group management charge	3,607	(3,607)	–
Adjusted EBITDA	62,202	15,910	78,112
Depreciation, amortisation, impairment and loss on disposal of assets	(16,186)	(6,041)	(22,227)
Segment profit*	46,016	9,869	55,885
Exceptional cost of sales – pre-IFRS 16 (note 4)			(6,243)
Exceptional impairment of assets – pre-IFRS 16 (note 4)			(7,056)
Exceptional administrative costs (note 4)			(8,330)
Exceptional finance costs (note 4)			(28,490)
Net other finance costs			(6,523)
IFRS 16 adjustments			2,244
Profit before taxation for the financial period for continuing operations			1,487

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

52 week period ended 28 April 2019			
	UK £'000	US £'000	Total continuing operations £'000
Revenue	588,224	185,294	773,518
Net margin	220,047	70,195	290,242
Less:			
Store costs	(127,922)	(44,529)	(172,451)
Overheads	(30,507)	(9,136)	(39,643)
Store opening and closing costs	(1,805)	(5,655)	(7,460)
Other non-underlying costs	(1,490)	(437)	(1,927)
Intra-group management charge	1,885	(1,885)	–
Adjusted EBITDA	60,208	8,553	68,761
Depreciation, amortisation, impairment and loss on disposal of assets	(12,526)	(3,217)	(15,743)
Other non-trading fees ⁽ⁱ⁾	(942)	(241)	(1,183)
Segment profit*	46,740	5,095	51,835
Exceptional administrative costs (note 4)			(6,350)
Net other finance costs			(25,365)
Profit before taxation for the financial period for continuing operations			20,120

(i) Other non-trading fees relates principally to legacy share-based payment charges and non-recurring professional and legal fees and management fees paid to the Group's former ultimate parent company. Non-trading fees are not adjusted from segment profit for the financial year 26 April 2020 onwards.

Entity-wide revenue disclosures

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
UK		
Luxury watches	475,870	471,717
Luxury jewellery	54,130	55,827
Fashion & classic (incl. jewellery)	29,911	33,614
Other	25,562	27,066
Total	585,473	588,224
US		
Luxury watches	203,998	159,729
Luxury jewellery	14,967	18,906
Fashion & classic (incl. jewellery)	538	953
Other	5,536	5,706
Total	225,039	185,294
GROUP – CONTINUING OPERATIONS		
Luxury watches	679,868	631,446
Luxury jewellery	69,097	74,733
Fashion & classic (incl. jewellery)	30,449	34,567
Other	31,098	32,772
Total	810,512	773,518

'Other' consists of the sales 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. REVENUE

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

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

	52 week period ended 28 April 2019		
	Sale of goods £'000	Rendering of services £'000	Total £'000
UK	564,926	23,298	588,224
US	179,692	5,602	185,294
Total – Continuing operations	744,618	28,900	773,518

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 net 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 to be 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 further discussed within note 1.

4.EXCEPTIONAL ITEMS

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

	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
Exceptional cost of sales		
Expected credit losses ⁽ⁱ⁾	(695)	–
Total exceptional cost of sales	(695)	–
Exceptional impairment of assets		
Impairment of property, plant and equipment ⁽ⁱⁱ⁾	(3,764)	–
Impairment of right-of-use assets (IFRS 16) ⁽ⁱⁱ⁾	(4,762)	–
Total exceptional impairment of assets	(8,526)	–
Exceptional administrative expenses		
Professional and legal expenses on business combinations ⁽ⁱⁱⁱ⁾	(310)	–
Guaranteed Minimum Pension (GMP) equalisation ^(iv)	–	(450)
Revision of estimates of payments to former owners	–	22
Exceptional items for Initial Public Offering ^(v)		
Share-based payment in respect of the Chief Executive Officer and legacy arrangements	(3,314)	–
Bonus paid to employees on IPO	(2,071)	–
Professional and legal fees	(2,635)	(5,922)
Total exceptional administrative costs	(8,330)	(6,350)
Exceptional finance costs		
Early redemption fees (note 7)	(21,738)	–
Write off capitalised transaction costs on bond redemption (note 7)	(6,752)	–
Total exceptional finance costs	(28,490)	–
Total exceptional items – Continuing operations	(46,041)	(6,350)
Tax impact of exceptional cost of sales	180	–
Tax impact of exceptional impairment of assets	1,829	–
Tax impact of exceptional administrative costs	1,138	77
Tax impact of exceptional finance costs	5,200	–
Tax impact of exceptional items	8,347	77

(i) Expected credit losses

Linked to the exceptional circumstances caused by the global COVID-19 pandemic, the Group has identified an increase in the expected credit losses relating to trade receivables, linked to the financial issues which the pandemic has presented to individuals. The Group calculates the allowance for expected credit losses using the simplified approach which estimates the lifetime expected credit losses. Based on the Group's assessment of the future worsening economic environment in the US as a result of COVID-19, the Group has specifically increased the provision against in-house credit debtors by a further £695,000, which, when considered with the impairment to property, plant and equipment and right-of-use assets, is considered exceptional by its nature.

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

£3,764,000 of the impairment to property, plant and equipment and £4,762,000 of the impairment to right-of-use assets have been classified as exceptional expenses due to the materiality and exceptional nature of these impairments. The COVID-19 pandemic and associated lockdown has significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand resulting in the impairments to property, plant and equipment as well as the right-of-use assets. These stores were impaired to their 'value in use' recoverable amount of property, plant and equipment of £101,390,000, and right-of-use assets of £251,642,000 which is their respective carrying values at the year-end.

(iii) Professional and legal expenses on business combinations

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

(iv) Guaranteed Minimum Pension (GMP) equalisation

On 1 November 2018, the High Court ruled that companies are required to amend the defined benefit pension obligations in order to equalise the GMP obligation for men and women. As such, during the period to 28 April 2019, the Group incurred an additional one-off charge in relation to this ruling. This is regarded as an exceptional expense as it does not form part of the underlying trading costs and is not expected to re-occur.

(v) Exceptional items for Initial Public Offering

The Group incurred costs in relation to the IPO, which included a one-off discretionary IPO bonus to employees and legal and professional costs. These costs will not re-occur in the future years and are linked to a significant one-off transaction (see note 21). Also included in exceptional IPO costs are share-based payments linked to the successful IPO process. £3,041,000 will be incurred in the 53 week period to 2 May 2021 in relation to these share-based payments. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. EXCEPTIONAL ITEMS (CONTINUED)

For internal monitoring purposes, management and the CODMs review the results of the business on a pre-IFRS 16 basis and pre-exceptional basis (as noted within the segment reporting in note 2). As such, the following pre-IFRS 16 exceptional costs have been reported on an internal basis:

	52 week period ended 26 April 2020 IAS 17 £'000	52 week period ended 28 April 2019 IAS 17 £'000
Total Exceptional cost of sales	(695)	–
Onerous leases (pre-IFRS 16) ^(vi)	(5,548)	–
Exceptional cost of sales (pre-IFRS 16)	(6,243)	–
Total exceptional impairment of assets	(8,526)	–
Impairment of property, plant and equipment – IFRS 16 impact	(3,292)	–
Impairment of right-of-use assets – (IFRS 16)	4,762	–
Exceptional impairment of assets (pre-IFRS 16)	(7,056)	–
Total exceptional administrative costs	(8,330)	(6,350)
Total exceptional finance costs	(28,490)	–
Total exceptional items – Continuing operations (pre-IFRS 16)	(50,119)	(6,350)
Tax impact of exceptional cost of sales (pre-IFRS 16)	1,438	–
Tax impact of exceptional impairment of assets (pre-IFRS 16)	1,512	–
Tax impact of exceptional administrative costs	1,138	77
Tax impact of exceptional finance costs	5,200	–
Tax impact of exceptional items	9,288	77

(vi) Onerous leases

On a pre-IFRS 16 basis, the Group has recognised an exceptional expense of £5,548,000 relating to onerous leases linked to the COVID-19 pandemic and associated lockdown which has significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand resulting in a number of stores being identified as loss making and, as such, an onerous lease provision has been put in place to provide for the future costs of fulfilling these contracts.

Exceptional items – Discontinued operations

During the prior period, the Group incurred an impairment on intangible assets and goodwill relating to the businesses carved out of £16,929,000. The impairment charge is regarded as a non-trading, non-underlying cost.

5. OPERATING PROFIT

Group operating profit for continuing operations is stated after charging the below items:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Depreciation on tangible assets (note 12)	15,575	12,026
Less depreciation on tangible assets – Discontinued operations	–	(199)
Depreciation on tangible assets – Continuing operations	15,575	11,827
Amortisation of intangible assets (note 11)	2,394	4,246
Less amortisation of intangible assets – Discontinued operations	–	(1,654)
Amortisation of intangible assets – Continuing operations	2,394	2,592
Depreciation of right-of-use assets (note 13)	36,112	–
Impairment of property, plant and equipment – exceptional items (note 12)	3,764	–
Impairment of property, plant and equipment (note 12)	227	–
Impairment of right-of-use assets – exceptional items (note 13)	4,762	–
Impairment of right-of-use assets (note 13)	636	–
Inventory recognised as an expense – Continuing operations	512,419	487,162
Write down of inventories to net realisable value – Continuing operations	2,354	537
Impairment loss on trade receivables – Continuing operations	4,147	1,017
FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:		
Audit of these financial statements	370	5
Audit of the financial statements of subsidiaries of the Company	45	306
Other assurance related services ⁽ⁱ⁾	52	652
Other tax services	–	357
	467	1,320

(i) Other assurance related services in the prior period were in relation to reporting accountant services for the premium listing on the London Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. EMPLOYEES AND DIRECTORS

Staff costs for continuing operations recognised in operating profit for the Group during the period:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Wages and salaries	71,828	69,978
Social security costs	6,536	5,728
Share-based payments (note 22)	3,196	375
Pensions costs – defined contribution plans (note 20)	1,779	1,436
Pensions costs – defined benefit scheme (note 20)	146	575*
Total – Continuing operations	83,485	78,092

* Includes £450,000 of exceptional costs in relation to GMP equalisation.

Average number of people (including Executive Directors) employed for continuing operations:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Retail staff	1,592	1,522
Services staff	68	51
Administrative staff	534	523
Total – Continuing operations	2,194	2,096

Average Full Time Equivalents ('FTE') (including Executive Directors) employed for continuing operations:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Retail staff	1,392	1,313
Services staff	66	51
Administrative staff	505	496
Total – Continuing operations	1,963	1,860

For the 52 week period ended 26 April, the Group has redefined key management personnel to be the Executive Directors of the Company. Further disclosure of the amounts paid to key management is included within note 24.

7. FINANCE COSTS

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
FINANCE COSTS		
Interest payable on long term borrowings	5,373	22,443
Interest payable on short term borrowings	1,350	681
Amortisation and write off of issue costs	814	2,302
Other interest payable	10	108
Unwinding of discount on deferred consideration	190	239
Interest on lease liabilities (note 13)	11,782	–
Loss on repurchase of listed bonds	–	198
Unwinding of discount on provisions (note 18)	–	84
Net foreign exchange loss on financing activities	–	327
Net interest expense on net defined benefit liabilities (note 20)	70	31
	19,589	26,413
EXCEPTIONAL FINANCE COSTS		
Early redemption fees	21,738	–
Write off of capitalised transaction costs on bond redemption	6,752	–
	28,490	–
Total finance costs – Continuing operations	48,079	26,413

On 18 April 2018, Jewel UK Bondco PLC, a subsidiary of Jewel UK Midco Limited, issued a listed bond note on The International Stock Exchange for a principal value of £265,000,000. Interest was payable at 8.5% with the notes maturing in 2023.

During the period to 28 April 2019, the Group repurchased the principal value of £17,076,000 of the listed bond note. Fees on early repayment of the listed bond of £198,000 were recognised within Finance costs.

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 2.00% on the term loan and LIBOR plus 1.75% 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 4 June 2019, Jewel UK Bondco PLC repaid the outstanding principal of £247,924,000, accumulated associated interest of £8,229,000 and early redemption premiums of £21,738,000 in relation to the listed bond notes. The early redemption premium has been treated as an exceptional expense in the financial period ending 26 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. FINANCE INCOME

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Interest receivable from related undertakings	79	422
Interest income on trade receivables	388	531
Net foreign exchange gain on financing activities	617	–
Other interest receivable	196	95
Total	1,280	1,048

9. TAXATION

Tax charge for the period

The tax charge for the period is shown below. Tax is made up of current and deferred tax. Current tax is the amount payable on the taxable income in the period and any adjustments to tax payable in previous periods.

	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
Current tax:		
Current UK tax on profits for the period	1,803	5,087
Current overseas tax on profits for the period	323	80
Adjustments in respect of prior periods	(1,569)	(118)
Total current tax	557	5,049
Deferred tax:		
Origination and reversal of temporary differences	(218)	846
Impact of change in tax rate	(828)	(34)
Adjustments in respect of prior periods	1,469	360
Total deferred tax	423	1,172
Tax expense reported in the Income Statement – Continuing operations	980	6,221

Factors affecting the tax charge in the period

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

	52 week period ended 26 April 2020		
	Underlying operations IFRS 16 £'000	Exceptional items IFRS 16 £'000	Total IFRS 16 £'000
Profit before taxation from continuing operations	47,528	(46,041)	1,487
Notional taxation at standard UK corporation tax rate of 19%	9,030	(8,748)	282
Non-deductible expenses	1,026	651	1,677
Other differences	(491)	167	(324)
Overseas tax differentials	690	(417)	273
Effect of rate change	(828)	–	(828)
Adjustments in respect of prior periods	(100)	–	(100)
Tax expense reported in the Income Statement – Continuing operations	9,327	(8,347)	980

	52 week period ended 28 April 2019		
	Underlying operations IAS 17 £'000	Exceptional items IAS 17 £'000	Total IAS 17 £'000
Profit before taxation from continuing operations	26,470	(6,350)	20,120
Notional taxation at standard UK corporation tax rate of 19%	5,029	(1,206)	3,823
Non-deductible expenses	250	1,129	1,379
Depreciation and amortisation on non-qualifying assets	578	–	578
Group relief	165	–	165
Impact of change in tax rates	(34)	–	(34)
Other	68	–	68
Adjustments in respect of prior periods	242	–	242
Tax expense reported in the Income Statement – Continuing operations	6,298	(77)	6,221

During the period ended 26 April 2020, the Group received corporation tax group relief of £nil (2019: received £408,000 (£77,000 net)) relating to the tax position of the Jewel UK Topco Limited group, a related party.

Tax recognised in other comprehensive income

In addition to the amount charged to the Income Statement, tax movements recognised in other comprehensive income were as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Current tax:		
Foreign exchange difference on translation of foreign operations	(127)	832
Deferred tax:		
Foreign exchange difference on translation of foreign operations	372	–
Pension benefit obligation	(29)	(273)
Tax charge in other comprehensive income	216	559

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences that arise when the carrying value of assets and liabilities differ between accounting and tax treatments. Deferred tax assets represent the amounts of income taxes recoverable in the future in respect of those differences, while deferred tax liabilities represent the amounts of income taxes payable in the future in respect of those differences.

The deferred tax asset is made up of:

	2020 IFRS 16 £'000	2019 IAS 17 £'000
Accelerated capital allowances	(5,332)	(4,240)
Unused interest	4,252	4,707
Pension benefit obligations	516	519
Unused tax losses	8,419	8,641
Deferred tax on leases (IFRS 16)	3,729	–
Other temporary difference	680	(900)
	12,264	8,727

9. TAXATION (CONTINUED)

The deferred tax movement in the period is as follows:

	2020 IFRS 16 £'000	2019 IAS 17 £'000
Balance at the beginning of the period – Continuing operations	8,727	9,203
Impact of change in accounting policy (IFRS 16)	3,447	–
Adjusted balance at the beginning of the period – Continuing operations	12,174	9,203
Arising on business combinations	112	–
Recognised in the Income Statement:		
Accelerated capital allowances	(1,061)	(6,563)
Arising on business combinations	15	414
Pension benefit obligations	(32)	16
Unused tax losses	(431)	3,953
Deferred tax on leases (IFRS 16)	268	–
Other temporary differences	818	1,008
Recognised in other comprehensive income:		
Pension benefit obligations	29	273
Foreign exchange differences	372	423
At the end of the period	12,264	8,727

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £10,753,000 (2019: £10,753,000). These are unrecognised as the Group does not believe that the losses held in a subsidiary entity will be able to be utilised due to the nature of the subsidiary entity.

10. EARNINGS PER SHARE (EPS)

	52 week period ended 26 April 2020	52 week period ended 28 April 2019
BASIC AND DILUTED		
EPS	0.2p	(1.0)p
EPS – Continuing operations	0.2p	7.6p
EPS adjusted for exceptional items – Continuing operations	16.3p	11.1p
EPS adjusted for exceptional items and pre-IFRS 16 – Continuing operations (Adjusted EBITDA)	16.6p	–
EPS (Discontinued operations)	–	(8.6)p

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

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

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Profit/(loss) after tax attributable to equity holders of the parent company		
Continuing operations	507	13,899
Discontinued operations	–	(15,668)
Profit/(loss) attributable to ordinary equity holders of the parent for basic earnings	507	(1,769)
Profit after tax attributable to equity holders of the parent company – Continuing operations	507	13,899
Add back:		
Exceptional cost of sales – Continuing operations, net of tax	515	–
Exceptional impairment of assets – Continuing operations, net of tax	6,697	–
Exceptional administrative expenses – Continuing operations, net of tax	7,192	6,273
Exceptional finance costs – Continuing operations, net of tax	23,290	–
Profit adjusted for exceptional items for continuing operations	38,201	20,172
Pre-exceptional IFRS 16 adjustments, net of tax	625	–
Profit adjusted for exceptional items and IFRS 16 for continuing operations	38,826	20,172

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

	52 week period ended 26 April 2020 '000	52 week period ended 28 April 2019 '000
WEIGHTED AVERAGE NUMBER OF SHARES:		
Weighted average number of ordinary shares in issue	233,773	182,000
Weighted average shares for basic and diluted EPS	233,773	182,000

As discussed in note 1, the Group performed a group reorganisation. As part of this process, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was inserted above Jewel UK Midco Limited in the Group's structure. As at 26 April 2020, the share capital presented in the Consolidated Balance Sheet reflects that of the company Watches of Switzerland Group PLC.

As at the prior period, 28 April 2019, Watches of Switzerland Group PLC only had 1 share in issue. As such, for comparative purposes, we have presented the weighted average number of shares for the prior period as being the number of shares in Watches of Switzerland Group PLC immediately prior to the IPO, occurring on 4 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

II. INTANGIBLE ASSETS

	26 April 2020					
	Goodwill £'000	Brands £'000	Technology £'000	Agency agreement £'000	Computer software £'000	Total £'000
COST						
At 29 April 2019	109,666	11,310	–	2,643	8,827	132,446
Impact of IFRS 16	–	–	–	–	(346)	(346)
At 29 April 2019*	109,666	11,310	–	2,643	8,481	132,100
Additions	–	–	–	–	1,651	1,651
Acquired on business acquisition (note 26)	26,092	–	–	–	–	26,092
Foreign exchange differences	799	611	–	142	78	1,630
At 26 April 2020	136,557	11,921	–	2,785	10,210	161,473
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 29 April 2019	–	1,697	–	362	2,658	4,717
Impact of IFRS 16	–	–	–	–	(69)	(69)
At 29 April 2019*	–	1,697	–	362	2,589	4,648
Charge for the period	–	343	–	268	1,783	2,394
Foreign exchange differences	–	104	–	29	15	148
At 26 April 2020	–	2,144	–	659	4,387	7,190
NET BOOK VALUE						
At 26 April 2020	136,557	9,777	–	2,126	5,823	154,283
At 28 April 2019	109,666	9,613	–	2,281	6,169	127,729

* The Group has initially applied IFRS 16 'Leases' at 29 April 2019, which requires the recognition of right-of-use assets for lease contracts that were previously classified as operating leases. As at the date of initial application, assets under finance leases, with a net book value of £277,000, were transferred to right-of-use assets. These assets continued to be depreciated and incurred depreciation of £69,000 in the 52 week period to 26 April 2020.

	28 April 2019					
	Goodwill £'000	Brands £'000	Technology £'000	Agency agreement £'000	Computer software £'000	Total £'000
COST						
At 30 April 2018	118,581	26,914	6,200	2,464	6,548	160,707
Additions	–	–	–	–	3,275	3,275
Transfer from property, plant and equipment	–	–	–	–	185	185
Carve out of discontinued operations (note 27)	(9,872)	(16,300)	(6,200)	–	(1,223)	(33,595)
Foreign exchange differences	957	696	–	179	42	1,874
At 28 April 2019	109,666	11,310	–	2,643	8,827	132,446
ACCUMULATED AMORTISATION AND IMPAIRMENT						
At 30 April 2018	–	6,513	3,248	93	1,924	11,778
Charge for the period	–	2,084	515	264	1,383	4,246
Impairment	6,922	7,942	2,065	–	–	16,929
Carve out of discontinued operations (note 27)	(6,922)	(14,870)	(5,828)	–	(649)	(28,269)
Foreign exchange differences	–	28	–	5	–	33
At 28 April 2019	–	1,697	–	362	2,658	4,717
NET BOOK VALUE						
At 28 April 2019	109,666	9,613	–	2,281	6,169	127,729
At 29 April 2018	118,581	20,401	2,952	2,371	4,624	148,929

Amortisation is recognised wholly within cost of sales.

In the current year, the Group acquired Macrocom (1077) Limited, a business consisting of four stores based within the UK, and recognised goodwill of £26,092,000 as part of the transaction (note 26). The Group identified no additional intangible assets on the acquisition of this business.

The Brand category is formed of intangible assets recognised on the business combination of Mayors Jewelers, acquired in a previous reporting period. As at 26 April 2020, the Mayors Jewelers' brand had a remaining useful economic life of 330 (2019: 102) months.

During the 52 week period ended 26 April 2020, the Group has revised the useful economic life attributed to the brand recognised on the acquisition of Mayors Jewelers in October 2017. Since the acquisition, the Group's strategy has developed to reflect the successful dual branding in the US with the Mayors brand name being considered a key element of the US growth strategy. This is evidenced by the significant capital expenditure on refurbishing existing stores as well as relocating Mayors stores and keeping the Mayors branding. Based on this change in brand strategy, the Group has changed the estimate of the useful life of the brand to a more relevant period which reflects the history, investment and long term plan for the Mayors brand – from 10 years to 30 years. The Group will account for this prospectively and as such the comparative results have not been restated, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The impact to the Income Statement for the 52 week period ended 26 April 2020 was a £1,025,000 reduction in amortisation.

The Agency agreement category is solely formed of the intangible assets recognised on the business combination in relation to the stores within the Wynn Hotel, acquired in a previous reporting period. As at 26 April 2020, the Agency agreements had a remaining useful economic life of 92 (2019: 104) months.

In the prior year, the Group also owned brand and technology intangible assets associated with the Watch Shop. These assets were carved out of the business as part of the business reorganisation prior to the IPO of the Group. This has been further described within note 27.

Impairment tests for goodwill

The Group defines a Cash Generating Unit (CGU) as an individual store. As noted within the accounting policies, goodwill is allocated between groups of CGUs for the purposes of impairment testing. CGUs are grouped due to sharing centralised functions and management and this represents the smallest identifiable group of assets that generate independent cash flows that are monitored by management and the CODMs. Subsequent acquisitions generate independent cash flows and are monitored separately, hence goodwill has been allocated to groups of CGUs on that basis.

Goodwill is monitored by management based on the categories set out below. Goodwill relating to the Heritage consists of the Goldsmiths, Mappin & Webb and Watches of Switzerland businesses (included in the UK segment) which were purchased as part of the acquisition of The Watches of Switzerland Group Limited (formerly Aurum Holdings Limited) in the period to 4 May 2014.

During the period to 26 April 2020, the Group purchased the share capital of Macrocom (1077) Limited, as set out in note 26, and recognised goodwill on the transaction of £26,092,000. As part of the strategic aims of the purchase, the Group has re-branded the stores as Watches of Switzerland and Mappin & Webb stores. The stores will be regionally managed in line with the existing portfolio and supported by the centralised functions of the Group. As such, the value of goodwill acquired has been added to the historic Heritage goodwill and the results for the acquired stores grouped with the CGUs which have historically been allocated to the Heritage goodwill.

A summary of the groups of CGUs and allocation of goodwill held by the Group is presented below:

	26 April 2020 £'000	28 April 2019 £'000
Heritage	121,071	94,979
Mayors Jewelers	12,402	11,766
Wynn Hotel	3,084	2,921
Total	136,557	109,666

As at each period end, the recoverable amount of all groups of CGUs has been determined based on value in use calculations. Value in use calculations are underpinned by the Group's budgets and strategic plans covering a three-year period, which have regard to historical performance and knowledge of the current market, together with management's view on the future achievable growth and committed initiatives. The cash flows which derive from the budgets and strategic plans are pre-tax and include ongoing maintenance capital expenditure. Cash flows beyond the three-year period are extrapolated using the estimated long term growth rates. Other than detailed strategic plans, the key assumptions for the value in use calculations are the long term growth rates and the pre-tax discount rate. The long term growth rates are management's expected long term growth rates.

	52 week period ended 26 April 2020			52 week period ended 28 April 2019		
	Heritage	Mayors Jewelers	Wynn Hotel	Heritage	Mayors Jewelers	Wynn Hotel
Sales growth (% annual growth rate)	10.6%	7.8%	5.5%	7.3%	8.4%	6.2%
Long term growth rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pre-tax discount rate	7.6%	6.5%	6.5%	10.0%	8.8%	8.8%

Sensitivity analysis

Whilst management believes the assumptions are realistic, it is possible that an impairment would be identified if any of the above key assumptions were changed significantly. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Given the significant uncertainty regarding the impact of COVID-19 on the Group's operations and on the global economy, management have considered increased sensitivities as a result of changes to the estimate of future revenues achieved by the stores. Despite this, management have concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

II. INTANGIBLE ASSETS (CONTINUED)

Impairment of intangibles (discontinued operations)

During the prior period ended 28 April 2019, management identified that the recoverable amount of the Watch Shop, Watch Hut and The Watch Lab had declined due to increasingly difficult market climates. As part of a group reconstruction, prior to the IPO, these CGUs were carved out of the Group and passed to a related undertaking outside of the Group.

Management contracted independent third party valuers to value these CGUs. The combined value of the group of Watch Shop and Watch Hut CGUs was valued at £16,562,000 and the group of The Watch Lab CGUs at £4,450,000. The independent valuers used a 'fair value less costs to sell' methodology and the market approach to value the businesses. This methodology takes the earnings of the group of CGUs and capitalises this at a multiple that reflects the risks of the group of CGUs and the stream of earnings which it expects to generate in the future. The fair value of the CGUs was determined using level 2 and level 3 inputs (as defined in note 23). The multiple used to value the Watch Shop and Watch Hut combined business, x5.5, was based upon quoted comparable companies, notably within the watch and jewellery market sectors, and adjusted to consider variations in operations, size, profitability and diversity. For The Watch Lab, comparable transactions in private companies which are broadly similar to The Watch Lab in terms of factors including trading activities, margins and geographic spread (where possible) were used to determine the appropriate multiple of x4.0.

A total impairment of £16,929,000 was recognised within the financial statements for the 52 week period ended to 28 April 2019. This consisted of:

	Impairment recognised £'000
Recognised in Exceptional administrative expenses	
GOODWILL	
Watch Hut	1,175
Watch Shop	4,824
The Watch Lab	923
	6,922
Recognised in Exceptional cost of sales	
BRAND	
Watch Shop	7,942
TECHNOLOGY	
Watch Shop	2,065
	10,007
Total	16,929

12. PROPERTY, PLANT AND EQUIPMENT

	26 April 2020		
	Land and buildings £'000	Fittings and equipment £'000	Total £'000
COST			
At 28 April 2019	3,567	141,235	144,802
Impact of IFRS 16	–	–	–
At 29 April 2019*	3,567	141,235	144,802
Additions	613	21,742	22,355
Disposals	(269)	(14,489)	(14,758)
Arising on business combinations (note 26)	–	980	980
Foreign exchange differences	7	2,140	2,147
At 26 April 2020	3,918	151,608	155,526
ACCUMULATED DEPRECIATION			
At 28 April 2019	1,662	41,872	43,534
Impact of IFRS 16	–	1,586	1,586
At 29 April 2019*	1,662	43,458	45,120
Charge for the period	327	15,248	15,575
Impairment	–	227	227
Impairment – exceptional items	95	3,669	3,764
Disposals	(214)	(10,763)	(10,977)
Foreign exchange differences	–	427	427
At 26 April 2020	1,870	52,266	54,136
NET BOOK VALUE			
At 26 April 2020	2,048	99,342	101,390
At 28 April 2019	1,905	99,363	101,268

* As part of the transition to IFRS 16, the Group has not applied the practical expedient noted within paragraph C10(b) of the standard but has performed an impairment assessment on initial application. As part of this assessment, the Group has calculated the valuation by performing a discounted cash flow for each CGU (being individual stores) and therefore determining the recoverable value for each CGU. The Group has then compared the recoverable value to the net book value of the property, plant and equipment and right-of-use asset associated with that CGU and recognised an impairment on initial application.

In line with IAS 36 'Impairment of assets', the impairment identified has been apportioned on a weighted basis between the non-current assets associated with the CGU. The impairment has been recognised under IFRS 16 when this would not have been recognised under the previous standard due to differences in the discount rates used to calculate the right-of-use assets on transition (weighted average rate of 4.73%) and the discount rate used to discount future cash flows. This has been treated as an IFRS 16 adjustment.

Despite impairments being recognised on assets held by CGUs, no impairment has been recognised on goodwill or other intangible assets. As explained within the accounting policies and note 11, CGUs are grouped together for the purposes of testing goodwill and other intangible assets for impairment. As such, impairments have been recognised at the lowest level of testing but there is no indication of goodwill or other intangible assets being impaired.

As the Group has applied the modified retrospective transition methodology, prior period balances have not been restated for the purposes of IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	28 April 2019		
	Land and buildings £'000	Fittings and equipment £'000	Total £'000
COST			
At 30 April 2018	3,484	110,017	113,501
Additions	435	34,845	35,280
Disposals	(96)	(2,351)	(2,447)
Transfer to intangible assets	–	(185)	(185)
Carve out of discontinued operations (note 27)	(256)	(1,929)	(2,185)
Foreign exchange differences	–	838	838
At 28 April 2019	3,567	141,235	144,802
ACCUMULATED DEPRECIATION			
At 30 April 2018	1,593	32,136	33,729
Charge for the period	298	11,728	12,026
Disposals	(87)	(1,036)	(1,123)
Carve out of discontinued operations (note 27)	(142)	(956)	(1,098)
At 28 April 2019	1,662	41,872	43,534
NET BOOK VALUE			
At 28 April 2019	1,905	99,363	101,268
At 29 April 2018	1,891	77,881	79,772

Expenditure on assets in the course of construction at 26 April 2020 was £6,023,000 relating to new store developments (2019: £5,897,000). The cost of assets which continue to be used that have a nil net book value total £3,737,000 (2019: £5,237,000).

Impairment of property, plant and equipment and right-of-use assets

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

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a three-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth. Cash flows beyond this three-year period are extrapolated using a long term growth rate based on management's future expectations, with reference to forecast GDP growth.

These growth rates do not exceed the long term growth rate for the Group's operations in the relevant territory. The forecasts used to calculate the value in use have been updated to take into consideration the Board-approved COVID-19 scenario, taking into account the impact on the Group's revenues and profits.

The key assumptions in the value in use calculations are the growth rates of sales and gross profit margins, long term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium and a risk adjustment (beta). The pre-tax discount rates range from 6.5% to 7.6%. Pre-tax tax discount rates are used to discount pre-tax cash flows. The post-tax discount rates, calculated in the same manner as the pre-tax discount rates, range from 5.4% to 6.5%.

During the period, the Group has recognised an impairment charge of £3,991,000 (2019: £nil) relating to property, plant and equipment and £5,398,000 relating to right-of-use assets as a result of store impairment testing. £3,764,000 of the impairment to property, plant and equipment and £4,762,000 of the impairment to right-of-use assets have been classified as exceptional expenses due to the materiality and exceptional nature of these impairments. The COVID-19 pandemic and associated lockdown has significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand resulting in the impairments to property, plant and equipment as well as the right-of-use assets. These stores were impaired to their 'value in use' recoverable amount of property, plant and equipment of £101,390,000, and right-of-use assets of £251,642,000 which is their respective carrying values at the year-end.

For UK stores, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long term growth of 2% and the rate used to discount the forecast pre-tax cash flows for UK stores is 7.6%. For US stores, cash flows beyond the three-year period are extrapolated using the Group's current view of achievable long term growth of 2% and the rate used to discount the forecast pre-tax cash flows for US stores is 6.5%.

As disclosed in the accounting policies (note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions across the store portfolio.

Sales growth rates are in line with the growth rate in the guidance issued. Reducing sales growth by 5% in years 2 and 3 from the three-year plan would result in an increase in the impairment charge of £598,000. A 2% increase in the discount rate would increase the impairment charge by £224,000. In combination, a 5% fall in sales growth from the three-year plan and a 2% increase in discount rate would increase the impairment charge by £815,000. Reasonably possible changes of the other assumptions would have no further significant impact on the impairment charge.

13. LEASES

Group as a lessee

IFRS 16 'Leases' has been applied for the first time in the 52 week period to 26 April 2020. The modified retrospective transition methodology has been applied as at the initial date of application, 29 April 2019, and prior period comparative results have not been adjusted. As such, the tables below are solely for the 52 week period to 26 April 2020.

Right-of-use assets have been grouped into two groups being 'Properties' and 'Other'. Properties are defined as land and buildings leased for our stores and offices which are generally leased for between 5 and 20 years with some office buildings leased for longer. Other leases are mainly motor vehicles which are in general taken out for 4 years. There are several lease contracts that include extension and termination options and variable lease payments. Management assess the lease term at inception based on facts and circumstances applicable to each property including the period over which the investment appraisal was initially considered.

Management reviews the retail lease portfolio on an ongoing basis, taking into account retail performance and future trading expectations. In certain instances, management may exercise break options, negotiate lease reductions or decide not to negotiate a lease extension at the end of the lease term. The most significant factor impacting future lease payments is changes management choose to make to the store portfolio.

A number of the retail property leases incur payments based on a percentage of revenue achieved at the location. Changes in future variable lease payments will typically reflect changes in the Group's retail revenues. In line with IFRS 16, variable lease payments which are not linked to an index are not included in the lease liability.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short term lease' and 'lease of low value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

	26 April 2020		
	Properties £'000	Other £'000	Total £'000
As at date of initial application – 29 April 2019	244,247	742	244,989
Additions	8,041	419	8,460
Leases acquired on business combination (note 26)	14,218	–	14,218
Leases renewed during the period	23,870	–	23,870
Disposals	(2,648)	(14)	(2,662)
Depreciation	(35,828)	(284)	(36,112)
Lease modifications	(219)	–	(219)
Impairment	(636)	–	(636)
Impairment – exceptional items	(4,762)	–	(4,762)
Foreign exchange differences	4,490	6	4,496
At 26 April 2020	250,773	869	251,642

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

Lease liabilities

	26 April 2020		
	Properties £'000	Other £'000	Total £'000
As at date of initial application – 29 April 2019	(283,970)	(568)	(284,538)
Additions	(8,041)	(419)	(8,460)
Leases acquired on business combination (note 26)	(14,034)	–	(14,034)
Leases renewed during the period	(23,870)	–	(23,870)
Disposals	3,306	14	3,320
Interest	(11,756)	(26)	(11,782)
Lease modifications	219	–	219
Payments	36,062	306	36,368
Foreign exchange differences	(5,175)	(6)	(5,181)
At 26 April 2020	(307,259)	(699)	(307,958)

13. LEASES (CONTINUED)

The following are the amounts recognised in Consolidated Income Statement:

	52 week period ended 26 April 2020 £'000
Depreciation expense of right-of-use assets	36,112
Interest expense on lease liabilities	11,782
Gain on lease disposal	(658)
Impairment of right-of-use assets	5,398
Expense relating to short term leases (included within cost of sales)	1,305
Variable lease payments (included within cost of sales)	4,148
Total amount recognised in the Consolidated Income Statement	58,087

Rental expense for contracts not in the scope of IFRS 16 totalled £15,605,000. Contracts not in the scope of IFRS 16 are contracts that were considered to be leases under IAS 17 which do not meet the definition under IFRS 16, principally because the supplier is considered to have substantive substitution rights over the associated assets. A reconciliation from the prior period disclosure for operating lease commitments to lease liabilities has been included within note 1.

Total cash flows in relation to leases, as defined in IFRS 16 'Leases', in the 52 week period ended 26 April 2020 are £40,097,000. This relates to payments of £24,586,000 of lease principal, £11,782,000 of lease interest, £2,782,000 of variable lease payments and £947,000 of other lease payments principally relating to short term leases and leases in holdover.

Future possible cash outflows not included in the lease liability

Some leases contain break clauses to provide operational flexibility. In some instances, the Group has identified certain leases where it is reasonably likely that a break will be served and as such have reflected this in the term of the lease. Potential future undiscounted lease payments not included in the reasonably certain lease term and hence not included in lease liabilities total £1,031,000.

Future increases or decreases in rentals linked to an index or rate, which is applicable to two properties, are not included in the lease liability until the change in cash flows takes effect. Approximately 39.6% will be subject to rent reviews in future periods with rental change linked rent reviews which typically occur on a five-yearly basis. The Group is committed to payments totalling £33,893,000 in relation to leases that have been agreed but have not yet commenced.

Impairment of right-of-use assets

The Group has incurred an impairment charge of £5,398,000 in the 52 week period ended 26 April 2020 in relation to right-of-use assets. See note 12 for further disclosure relating to impairment of non-current assets including right-of-use assets.

14. TRADE AND OTHER RECEIVABLES

	26 April 2020		28 April 2019	
	Current IFRS 16 £'000	Non-current IFRS 16 £'000	Current IAS 17 £'000	Non-current IAS 17 £'000
Trade receivables	8,644	1,977	11,805	5,124
Other receivables	2,052	–	5,379	–
Allowance for expected credit losses	(3,863)	(652)	(2,756)	(580)
	6,833	1,325	14,428	4,544
Prepayments	1,396	–	9,485	–
Amounts owed by related entities	–	–	11,725	–
Total trade and other receivables	8,229	1,325	35,638	4,544

Included within trade receivables are amounts receivable from customers who purchased items on long term credit as well as amounts owed by third parties for incentives offered.

Prepayments relate mainly to insurance prepayments and in the prior period rental prepayments. Other receivables relate mainly to supplier incentives.

The Group has applied IFRS 16 for the first time in the 52 week period to 26 April 2020. As disclosed within note 1, trade and other receivables which have been derecognised and added to the applicable right-of-use assets totalled £5,521,000. These balances were mostly relating to prepaid rent as at the date of initial application.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset. Linked to the exceptional circumstances caused by the global COVID-19 pandemic, the Group has identified an increase in the expected credit losses relating to trade receivables, linked to the financial issues which the pandemic has presented to individuals. The Group calculates the allowance for expected credit losses using the simplified approach which estimates the lifetime expected credit losses. Based on the Group's assessment of the future worsening economic environment in the US as a result of COVID-19, the Group has specifically increased the provision against in-house credit debtors by a further £695,000, which, when considered with the impairment to property, plant and equipment and right-of-use assets, is considered exceptional by its nature. Prepayments do not include impaired assets.

Movements on the allowance for expected credit losses for impairment of trade and other receivables are as follows:

	26 April 2020 £'000	28 April 2019 £'000
At start of period	3,336	3,660
Increase in allowance – cost of sales	3,452	1,017
Increase in allowance – exceptional items (note 4)	695	–
Receivables written off during the period as uncollectable	(3,148)	(1,508)
Foreign exchange differences	180	167
At end of the financial period	4,515	3,336

15. CASH AND CASH EQUIVALENTS

	26 April 2020 £'000	28 April 2019 £'000
Cash at bank and in hand	70,850	26,960
Cash in transit	2,077	7,578
Cash and cash equivalents	72,927	34,538

Included in cash and cash equivalents is restricted cash of £6,391,000 (2019: £7,021,000). Restricted cash is defined as cash controlled by the Group but which is not freely useable by the Group in day to day operations. £1,500,000 (2019: £nil) of the restricted cash is held with a third party on retention subject to the finalisation of the working capital adjustment as set out in the sale and purchase agreement for Macrocom (1077) Limited (see note 26). £4,891,000 (2019: £7,021,000) relates to amounts which are contractually restricted based on third party agreements with regard to the Group's provision of insurance services.

16. TRADE AND OTHER PAYABLES

	26 April 2020		28 April 2019	
	Current IFRS 16 £'000	Non-current IFRS 16 £'000	Current IAS 17 £'000	Non-current IAS 17 £'000
Trade payables	78,413	–	75,320	–
Other taxation and social security	5,604	–	5,178	–
Accruals and deferred income	52,024	2,636	54,572	4,582
Property lease incentives	16	–	2,274	15,736
	136,057	2,636	137,344	20,318

Trade payables do not bear interest and are generally settled within 30 to 60 days. Accruals and deferred income do not bear interest. Property lease incentives are classified as non-current to the extent that they will be credited to the Income Statement more than one year from the balance sheet date.

Included within accruals and deferred income as at 26 April 2020 is one promissory note which part formed the consideration paid for the Wynn Hotel business combination. The total consideration was formed of two notes which had a fair value on issue of £8,572,000 and £5,838,000 and were repayable after one and five years respectively. As at 26 April 2020, the note with the fair value of £8,572,000 had been fully repaid. The notes were both issued interest-free and repayable on a monthly basis in equal instalments. The promissory note with the fair value of £8,572,000 was secured on the assets acquired as part of the Wynn Hotel acquisition and the other note is unsecured.

The Group has applied IFRS 16 for the first time in the 52 week period to 26 April 2020. As disclosed within note 1, trade and other payables which have been derecognised and offset against the applicable right-of-use assets totalled £18,614,000. These balances were mostly relating to lease incentives which were previously being spread across the life of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. GOVERNMENT GRANTS

During the 52 week period to 26 April 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:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Opening balance	–	–
Released to Income Statement	2,575	–
Receivable at period end	2,575	–

Below is the reconciliation of Government grants received:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Opening balance	–	–
Received during the year	(1,330)	–
Released to Income Statement	144	–
Balance at period end	(1,186)	–

18. PROVISIONS

	26 April 2020		28 April 2019	
	Current IFRS 16 £'000	Non-current IFRS 16 £'000	Current IAS 17 £'000	Non-current IAS 17 £'000
Dilapidations	764	1,212	1,317	–
Onerous contracts	–	–	1,995	2,275
	764	1,212	3,312	2,275

Movement of dilapidations provision

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Opening balance	1,317	1,302
Charged to Income Statement	985	500
Utilised	(326)	(485)
Closing balance	1,976	1,317

The dilapidations provision comprises obligations governing store remediation costs to be incurred in compliance with applicable legal and environmental regulations together with constructive obligations stemming from established practice once the property leases have expired. The key estimates associated with calculating the provision relate to the cost of repair or replacement to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated remaining life of leases.

Movement of onerous contracts provision

	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
Opening balance	4,270	5,956
Impact of IFRS 16*	(4,426)	–
	(156)	5,956
Charged to Income Statement	156	619
Unwind of discount rate/change in rate	–	84
Utilised	–	(2,400)
Exchange differences	–	11
Closing balance	–	4,270

The onerous contracts provision is assessed when the leased property becomes vacant and is no longer used in the operations of the business or when the leased property relates to an unprofitable trading store. The amounts provided are based on the Group's best estimate of the likely committed outflow net of anticipated future benefits.

* The Group has applied IFRS 16 for the first time in the 52 week period to 26 April 2020. As disclosed within note 1, provisions which have been derecognised totalled £4,426,000 with these balances relating to onerous lease provisions. Right-of-use assets are now impaired instead of onerous lease provisions being created.

19. BORROWINGS

	26 April 2020 IFRS 16 £'000	28 April 2019 IAS 17 £'000
CURRENT		
Short term borrowings	82,649	27,103
Finance lease liabilities (IAS 17)	–	110
	82,649	27,213
NON-CURRENT		
Listed bond	–	247,924
Term Loan	120,000	–
Associated capitalised transaction costs	(2,928)	(8,040)
	117,072	239,884
Total borrowings	199,721	267,097

Borrowings are secured against the assets held by entities within the Group.

On 18 April 2018, Jewel UK Bondco PLC, a subsidiary of Jewel UK Midco Limited, issued a listed bond note on The International Stock Exchange for a principal value of £265,000,000. Interest was payable at 8.5% with the notes maturing in 2023.

During the period to 28 April 2019, the Group repurchased the principal value of £17,076,000 of the listed bond note. Fees on early repayment of the listed bond of £198,000 were recognised within Finance costs.

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 2.00% on the term loan and LIBOR plus 1.75% 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 4 June 2019, Jewel UK Bondco PLC repaid the outstanding principal of £247,924,000, accumulated associated interest of £8,229,000 and early redemption premiums of £21,738,000 in relation to the listed bond notes. The early redemption premium has been treated as an exceptional expense in the financial period ending 26 April 2020.

The listed bond and term loan are presented net of capitalised transaction costs. Capitalised transaction costs are amortised using the effective interest rate. As at 4 June 2019, the Group had £6,752,000 of capitalised transaction costs relating to the listed bond notes. The repurchase of the listed bond notes is deemed to be an extinguishment of a financial liability and as such, the capitalised transactions costs have been expensed and treated as an exceptional expense in the 52 week period ended 26 April 2020.

Short term borrowings consist of the revolving credit facility noted above and an asset backed lending (ABL) facility held in US Dollars of \$60,000,000. The ABL facility expires in April 2023 and interest is currently charged at US LIBOR plus 1.50%. The margin on the ABL facility ranges from 1.25% to 1.75%. Amounts outstanding on the revolving credit facility totalled £50,000,000 (2019: £nil) and amounts outstanding on the ABL facility totalled £32,649,000 (2019: £27,123,000) – \$40,000,000 (2019: \$35,000,000).

Amounts undrawn on the facilities totalled £16,325,000 (2019: £59,260,000). Borrowing on the US ABL facility is restricted to the lower of \$60,000,000 and the borrowing base which is determined by reference to the assets held by the US entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. BORROWINGS (CONTINUED)

Analysis of net debt

	28 April 2019 £'000	Impact of IFRS 16 ¹ £'000	29 April 2019 £'000	Cash flow £'000	Non-cash changes ² £'000	Foreign exchange £'000	26 April 2020 £'000
Cash and cash equivalents	34,538	–	34,538	37,023	–	1,366	72,927
Short term borrowings	(27,103)	–	(27,103)	(53,923)	–	(1,623)	(82,649)
Listed bonds	(247,924)	–	(247,924)	247,924	–	–	–
Term loan	–	–	–	(120,000)	–	–	(120,000)
Finance lease liabilities	(110)	110	–	–	–	–	–
Net debt excluding capitalised transaction costs (Pre-IFRS 16)	(240,599)	110	(240,489)	111,024	–	(257)	(129,722)
Capitalised transaction costs	8,040	–	8,040	2,568	(7,722)	42	2,928
Net debt (Pre-IFRS 16)	(232,559)	110	(232,449)	113,592	(7,722)	(215)	(126,794)
Current lease liability	–	(45,992)	(45,992)	36,368	(36,107)	(474)	(46,205)
Non-current lease liability	–	(238,546)	(238,546)	–	(18,500)	(4,707)	(261,753)
Total net debt	(232,559)	(284,428)	(516,987)	149,960	(62,329)	(5,396)	(434,752)

1. Refer to note 1 for a full reconciliation of the impact of IFRS 16.

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

Cash and cash equivalents consists of cash at bank and in hand of £70,850,000 (2019: £26,960,000) and cash in transit of £2,077,000 (2019: £7,578,000).

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, which requires the recognition of lease liabilities for lease contracts that were previously classified as operating leases. As part of the transition to IFRS 16, finance lease liabilities have been transferred to lease liabilities and accounted for in line with IFRS 16. The only movement on the former finance lease liability (2019: £110,000) was a £110,000 cash payment. As a result, the Group recognised £284,538,000 of lease liabilities from those lease contracts as at the date of initial application and £307,958,000 as at 26 April 2020.

Covenant calculations are performed before the impact of IFRS 16 and therefore excludes the lease liabilities.

On 14 May 2020, The Group entered into a new £45,000,000 financing facility agreed under the UK governments' CLBILS scheme. Subsequent to this all lenders have agreed an amendment to the banking covenant which applies to the reporting periods of October 2020 and April 2021. For further details refer to note 29.

20. POST-EMPLOYMENT BENEFIT OBLIGATIONS

During the period to 26 April 2020, the Group operated two (2019: two) defined contribution pension schemes and one defined benefit scheme.

Defined contribution schemes

The Group operates two separate defined contribution pension schemes, a defined contribution scheme called The Watches of Switzerland Company Limited Pension Scheme which is a Group Personal Pension (GPP) scheme and second scheme also called The Watches of Switzerland Company Limited Pension Scheme which is a defined contribution multi-employer occupational pension scheme. During the period to 26 April 2020, the pension charge for the period represents contributions payable by the Group to these schemes and amounted to £1,779,000 (2019: £1,436,000 – continuing operations). The Group has no legal or constructive obligation to pay further contributions to the fund once the contributions have been paid. Members' benefits are determined by the amount of contributions paid by the Group and the member, together with investment returns earned on the contributions arising from the performance of each individual's chosen investments and the type of pension the member chooses to buy at retirement. As a result, actuarial risk (that benefits will be lower than expected) and investment risk (that assets invested in will not perform in line with expectations) fall on the employee.

The assets of the schemes are held separately from the assets of the Group in trustee administered funds.

Defined benefit scheme

The Group operates a defined benefit scheme, the Aurum Retirement Benefits Scheme. This is an approved funded pension scheme. Defined benefit arrangements entitle employees to retirement benefits based on their final salary and length of service at the time of leaving the scheme, payable on attainment of retirement ages (or earlier death). The assets of the scheme are held separately from the assets of the Group in trustee administered funds. Contributions to the scheme are assessed in accordance with the advice of a qualified independent actuary. As a result of the valuation at 6 April 2017, contributions of £680,000 per annum were paid to the scheme until 5 April 2020. The Group is expecting to make total contributions of approximately £700,000 in the 53 week period ended 2 May 2021. The most recent actuarial valuation was carried out on 6 April 2017 with a triennial valuation currently in the process of being finalised. It is expected that the triennial valuation will be finalised in the 53 period ended 2 May 2021.

By operating its defined benefit pension scheme, the Group is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons, for example:

- Investment returns on the scheme's assets may be lower than anticipated, especially if falls in asset values are not matched by similar falls in the value of the scheme's liabilities
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme
- Scheme members may live longer than assumed, for example due to unanticipated advances in medical healthcare. Members may also exercise (or not exercise) options in a way that leads to increases in the scheme's liabilities, for example through early retirement or commutation of pension for cash
- Legislative changes could also lead to an increase in the scheme's liabilities
- The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields. If scheme assets underperform this yield, this will create a deficit. The Group believes that due to the long term nature of the scheme liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the scheme efficiently
- A decrease in corporate bond yields will increase scheme liabilities, although that will be partially offset by an increase in the value of the scheme's bond holdings

This scheme was closed on 28 February 2002 to new employees and remains open for one existing employee. The latest full actuarial valuation was carried out at 6 April 2017 and was updated for IAS 19 'Employee benefits' purposes to 26 April 2020 by a qualified independent actuary.

Income Statement

The components of the net defined benefit expense recognised in the Consolidated Income Statement are as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Current service cost	(23)	(23)
Past service costs and curtailments (note 4)	–	(450)
Administrative expenses	(123)	(102)
Charge within labour costs and operating profit	(146)	(575)
Interest expense	(70)	(31)
Defined benefit charge to the Consolidated Income Statement	(216)	(606)
Defined contribution scheme – Continuing operations	(1,779)	(1,436)
Total charge to the Consolidated Income Statement – Continuing operations	(1,995)	(2,042)

Other comprehensive income

The components of the net defined benefit expense recognised in other comprehensive income are as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Actuarial losses due to liability experience	–	(23)
Actuarial gains/(losses) due to liability financial assumption changes	632	(2,100)
Actuarial gains due to liability demographic assumption changes	750	–
	1,382	(2,123)
Return on scheme assets greater than discount rate	(1,534)	326
Actuarial losses recognised in other comprehensive income	(152)	(1,797)

Balance Sheet valuation

The net defined benefit pension liability recognised in the Consolidated Balance Sheet is analysed as follows:

	26 April 2020 £'000	28 April 2019 £'000
Equities	15,270	16,347
Cash	16	2
Fair value of scheme assets	15,286	16,349
Present value of benefit obligations	(18,000)	(19,400)
Net pension liability	(2,714)	(3,051)

20. POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Scheme obligations

Changes in the present value of defined benefit pension obligations are analysed as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Opening obligation	(19,400)	(17,600)
Current service cost	(23)	(23)
Past service costs and curtailments (note 4)	–	(450)
Interest cost	(488)	(492)
Contributions by scheme participants	(3)	(3)
Actuarial gains/(losses) on defined benefit obligation	1,382	(2,123)
Benefits paid	532	1,291
Present value of defined benefit obligation carried forward	(18,000)	(19,400)

Scheme assets

Changes in the fair value of scheme assets were as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Opening assets	16,349	16,255
Expected return on scheme assets	418	461
Actuarial (losses)/gains on pension scheme assets	(1,534)	326
Employer contributions	705	697
Contributions by scheme participants	3	3
Benefits paid	(532)	(1,291)
Administrative expenses	(123)	(102)
Present value of scheme assets carried forward	15,286	16,349

None of the pension arrangements directly invest in any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group. The fair values of the above equity and debt instruments are determined based on quoted prices in active markets.

Principal assumptions

The IAS 19 (accounting) valuation of the defined benefit obligation was undertaken by an external qualified actuary as at April 2020 using the projected unit credit method. The principal actuarial assumptions used in the valuation were as follows:

	26 April 2020	28 April 2019
Discount rate	2.25%	2.55%
Rate of increase in salary	3.85%	4.60%
Rate of future inflation – RPI	2.60%	3.35%
Rate of future inflation – CPI	2.00%	2.55%
Rate of increase in pensions in payment	2.60%	3.15%
Proportion of employees opting for a cash commutation	100.0%	100.0%

	26 April 2020		28 April 2019	
	Pensioner aged 65	Non-pensioner aged 45	Pensioner aged 65	Non-pensioner aged 45
Life expectancy at age 65 (years):				
Male	21	20	22	23
Female	23	23	24	26

The post-retirement mortality assumptions allow for expected increases to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e. 25 years after the balance sheet date).

The discount rate in the current year has been derived using a full yield curve approach. The yield curve is based on iBoxx AA rated GBP Corporate Bond index and considers expected scheme cash flows at each duration. The expected average duration of the scheme's liabilities is 17 years.

The discount rate in the prior year has been derived as the single average discount rate appropriate to the term of the liabilities, based on the yields available on high quality Sterling corporate bonds. The expected average duration of the scheme's liabilities is 17 years. Had the methodology used to derive the discount rate not changed in the current year, this would have increased the net pension liability by c.£200,000.

The rate of retail price inflation (RPI) has been derived in a consistent way to the discount rate, so that it is appropriate to the term of the liabilities. The RPI assumption for the scheme allows for the inflation risk premium of 0.2% per annum.

The rate of consumer price inflation (CPI) is set at 0.6% lower (2019: 0.8% lower) than the assumption for retail price inflation, reflecting the long term expected gap between the two indices.

The base mortality assumptions are in line with the standard S2PA year of birth tables. Future improvement trends have been allowed for in line with the CMI 2018 (2019: CMI 2015) series with a long term trend towards 1.0% (2019: 1.0%) per annum.

Sensitivity analysis

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

	26 April 2020 £'000	28 April 2019 £'000
0.25% increase in discount rate	776	704
0.25% decrease in discount rate	(776)	(704)
0.25% increase in salary growth rate	(19)	(18)
0.25% decrease in salary growth rate	19	18
0.25% increase in pension growth rate	(524)	(475)
0.25% decrease in pension growth rate	524	475
1 year increase in life expectancy	(582)	(528)
1 year decrease in life expectancy	582	528

21. EQUITY

On 24 May 2019, the Company acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by a way of a share for share exchange with Jewel Holdco S.à r.l., becoming the Group's immediate parent company. The insertion of the Company on top of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting was used to account for the insertion of the company. The effect was an increase in share capital, to reflect the underlying capital structure of the Company, with the offset posted to a newly created merger reserve. The reorganisation was undertaken as part of the IPO with the Company being both created and inserted as part of the process. As at 24 May 2019, the Group financial statements were adjusted to include the assets and liabilities as well as reflecting the capital structure of the Company.

On 28 May 2019, the Company waived its right to an amount of £11,501,000 receivable from a related entity, Jewel UK Topco Limited. The waiver has been considered to be a distribution in law and as such has been accounted for directly in equity.

On 30 May 2019, the Company was re-registered as a public limited company under the Companies Act 2006. On the 4 June 2019, the Company was admitted for listing on the London Stock Exchange. The Company issued 57,455,554 shares for £2.70 each with a nominal value of £0.0125 recognising additional share capital of £718,000 and share premium of £154,412,000.

Incremental expenses of £7,290,000 which are directly attributable to the primary issue of shares has been offset against the share premium recognised in line with IAS 32 'Financial instruments: presentation'.

The movement on share capital is reflected as follows:

	Nominal value £	Shares	Share capital £'000	Share premium £'000	Merger reserve £'000
As at 28 April 2019 Per Annual Report and Accounts (Jewel UK Midco Limited)	0.0010	66,308,371	66	–	–
Group reorganisation					
Remove Jewel UK Midco Limited (Nominal value £0.001)	0.0010	(66,308,371)	(66)	–	66
Insert Watches of Switzerland Group PLC (Nominal value £0.0125)	0.0125	182,000,000	2,275	–	(2,275)
Initial public offering					
Raising of shares on IPO	0.0125	57,455,554	718	154,412	–
Directly attributable costs	–	–	–	(7,290)	–
Balance at 26 April 2020	0.0125	239,455,554	2,993	147,122	(2,209)

Share premium account

This reserve represents the amount of proceeds received for shares in excess of their nominal value of 1.25 pence per share.

Merger Reserve

This reserve arose as a consequence of a group reorganisation which inserted the Company as the parent company of the Group.

Foreign exchange reserve

This reserve represents the cumulative effect of foreign exchange differences in relation to the retranslation of the Group's subsidiaries which are denominated in a currency other than the Group's reporting currency of Pounds Sterling (£).

22. SHARE-BASED PAYMENTS

During the period to 26 April 2020, the Group operated four (2019: one) separate share-based payment schemes categorised as one pre-IPO scheme and three post-IPO schemes. Due to the IPO during the period, the pre-IPO schemes crystallised with the IPO being an 'exit event'. The amounts recognised in the Consolidated Income Statement in relation to these schemes were as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
CEO – Exceptional expenses	2,702	–
LTIP – Administrative expenses	175	–
Pre-IPO – Exceptional expenses	319	–
Pre-IPO – Administrative expenses	–	375
	3,196	375

Post-IPO schemes

The Group has granted a number of different equity-based awards to employees which it has determined to be share based payments:

Share options granted at the time of IPO to Chief Executive Officer (CEO)

On 31 May 2019, share options over 2,222,222 shares were granted to the CEO by the former owners with no exercise price and a non-market vesting condition of the IPO. The share options are able to be exercised at any point during a three-year period from the date of grant. The CEO must remain employed for a period of two years unless his employment ends for an excluded reason. There are no cash settlement alternatives. These options will be settled by Jewel Holdco S.à r.l. out of their shareholding in the Company.

Long-Term Incentive Plan (LTIP)

The LTIP is a discretionary executive share plan under which the Board may, subject to EPS performance conditions, grant options over shares in Watches of Switzerland Group PLC. The Group issues annual grants of awards with three-year performance periods. Grants vest and become exercisable after three years and are awarded as Nil-Cost Options. There are no cash settlement alternatives.

Deferred Bonus Plan (DBP)

The DBP is a discretionary bonus plan under which the Board may, subject to applicable performance conditions, issue one third of a bonus in the form of deferred shares in Watches of Switzerland Group PLC. The bonus is linked to annual earnings targets. Two thirds of the bonus is settled in cash after the results of the Group have been approved. The remaining third of the bonus is deferred as shares and accounted for as an equity-settled share-based payment accounted for as per the share-based payment accounting policy. These deferred shares are subject to a three-year vesting period with no additional performance conditions. Deferred shares are awarded as Nil-Cost Options. During the period, the performance conditions on the bonus were not met and as such, no options were awarded.

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	CEO	LTIP	DBP	Total
At 29 April 2019	–	–	–	–
Granted	2,222,222	197,149	–	2,419,371
Forfeited	–	(9,959)	–	(9,959)
At 26 April 2020	2,222,222	187,190	–	2,409,412
Exercisable price	£nil	£nil	£nil	£nil
Exercisable at 26 April 2020	2,222,222	Nil	Nil	2,222,222
Average fair value at grant	£2.70	£2.90	£2.90	£2.75

The following information is relevant in the determination of the fair value of options granted during the period under the equity-settled share-based remuneration schemes operated by the Group:

	CEO	LTIP	DBP
Model used	Black-Scholes	Black-Scholes	Black-Scholes
Dividend yield (%)	0.0%	0.0%	0.0%
Risk-free interest rate (%)	0.78%	0.78%	0.78%
Expected life of share option	2 years	2 years	2 years
Weighted average share price	£2.70	£2.90	£2.90

For future valuations, at a date when sufficient Watches of Switzerland Group PLC share price data becomes available, the Group intends to estimate share price volatility directly from this data.

The total amount charged to the Income Statement in relation to these schemes for the 52 week period ended 26 April 2020 is £2,877,000 (2019: £nil). £175,000 has been charged to Administrative expenses and £2,702,000 to exceptional items as they relate to IPO costs (see note 4).

The Group did not enter into any share-based payment transactions with parties other than employees during the current period.

Prior period pre-IPO schemes

Prior to the IPO, the Group had share-based payment schemes in place for certain members of the Group management team. These schemes remained in place until the date of the IPO which was deemed to be an exit event. The Group recognised a charge of £319,000 in the 52 week period ended 26 April 2020 (2019: £375,000) relating to these pre-IPO schemes, recognised within exceptional items as they relate to IPO costs (see note 4). The remaining charge for the period relates to the new schemes previously described.

Members of the Group management team were granted shares in Jewel Holdco S.à r.l., a related group entity outside of the Group, at various dates in the period since 18 March 2013.

Management were awarded 'Strips' of shares consisting of B Ordinary shares, Preference shares and Preferred Equity Certificates ('PECs') in the ratio 1:49:50. Management were also awarded C, D, E, F and G Ordinary shares.

Share details

- Strips – this category of shares vested entirely on an exit event. For leavers before the first anniversary of their commencement date, it was deemed that 0% had vested. For leavers before the second anniversary but after the first, it was deemed that 25% had vested. For leavers before the third anniversary but after the second, it was deemed that 50% had vested. For leavers after the third anniversary but before the fourth, it was deemed that 75% had vested. For leavers after the fourth anniversary of their commencement date, it was deemed that 100% had vested
- C Ordinary Shares – this category of shares vested entirely on an exit event (i.e. the IPO). For a leaver before the first anniversary of their commencement date, it was deemed that 0% had been vested. For a leaver after the first anniversary but before the fourth anniversary, the vested proportion of the shares was equal to the proportion of completed calendar months post the first anniversary to 36 months. For a leaver after the fourth anniversary but before exit, the vested proportion was equal to 75%. As noted in the assumptions below, the assumed number of years until an exit was five
- D, E and G Ordinary Shares – these categories of shares vested entirely on an exit event. If management left before an exit event then the shares were returned for the value of the subscription price with no proportion being deemed to be vested
- F Ordinary Shares – this category of shares vested entirely on an exit event. If management left before an exit event, the shares were returned for the value of the subscription price with no proportion being deemed to be vested

Additionally, members of the management team were provided with options in the equity of Jewel Holdco S.à r.l. which operated as follows:

- Option 1 entitled the holder to receive 3,750 Strips at an exercise price of £100 per Strip upon an exit event. The options vested over a four year period from the grant date, being 20 May 2013, at which point the vested proportion became 100%
- Option 2 entitled Jewel Holdco S.à r.l. to buy the holder's C Ordinary Shares at the lower of the subscription price and value attributable to these shares, subject to certain conditions. This restriction had the effect of reducing the share-based payment charge

It was the expectation at the grant of all shares and options that an exit event was likely within five years (see assumptions below), and that the majority of the management team would stay until exit. No leaver assumptions were built into the annual share-based payment charge. The charge was recognised in the Consolidated Income Statement within the line item Administrative expenses before exceptional items.

A number of management did leave since the issue of shares. Shares were administered in line with the conditions set out above and the share-based charge in the accounts reflects any changes required.

The table below shows the movement on the shareholdings of management for the financial period:

Number of shares	Strip	C	D	E	F	G
Outstanding as of 28 April 2019	48,227	162,497	1,084	16	11,530,000	500
Vested	(48,227)	(162,497)	(1,084)	(16)	(11,530,000)	(500)
Outstanding as of 26 April 2020	–	–	–	–	–	–

Number of shares	Strip	C	D	E	F	G
Outstanding as of 29 April 2018	48,227	162,497	1,133	17	11,530,000	500
Granted during the period	–	–	–	–	–	–
Forfeited	–	–	(49)	(1)	–	–
Outstanding as of 28 April 2019	48,227	162,497	1,084	16	11,530,000	500

22. SHARE-BASED PAYMENTS (CONTINUED)

Prior period pre-IPO schemes (continued)

Proceeds distributable to the management shares and options were based on a 'waterfall' which operated broadly as follows:

- If there were sufficient reserves, the Preference shares and PECs entitled the holder to a cumulative annual dividend of 12%. The dividend rolled up on a cumulative basis
- Following senior debt, the PECs ranked in priority to all other debt and equity on an exit. The return to the PECs equalled the subscription price plus any compound interest less amounts repaid to the PEC holders
- The Preference shares rank behind the PECs but in priority to the Ordinary shares on an exit. Before any return was paid to the Ordinary shares, the Preference shares were to be paid their subscription price plus any compound dividends
- The F shares ranked behind the Preference shares but in priority to all other classes of share on an exit event. The return to the F shares equalled the subscription price
- Once the returns of the PECs, Preference shares and F shares had been paid, the holders of the A, AI (together, the 'investors'), B and C shares received the balance of the equity proceeds up to and equal to 2.0x the aggregate investment by the investors. The proceeds were split in proportion to the number of shares held
- The holders of the D, E and G shares received, in proportion to their number of shares, between £1m and £2m calculated on a straight-line basis with reference to the amount that the investor return was greater than 2.0x but less than 3.0x
- The return to the D, E and G shares increased in £1m increments as the investor return increased above hurdle thresholds. The mechanism worked on a straight-line basis, as discussed above, capped at the next hurdle threshold
- The allocation to the A, AI, B and C shares was governed by a ratchet mechanism which in simple terms meant that if the equity proceeds received by the investor were less than 3.5x the aggregate investment in Jewel Holdco S.à r.l. by the investors, the proceeds were split amongst the holders of the A, B and C shares after the returns of the PECs and Preference shares had been paid. If the equity proceeds received by the investors exceeded 3.5x the aggregate investment in Jewel Holdco S.à r.l. by the investors, the C shares were entitled to an additional percentage of the exit proceeds in the form of hurdle payments over and above their pari passu share
- To the extent that the C Ordinary shares received a return in excess of 250x the subscription price, then 1% of the proceeds that would otherwise have gone to the C shares instead went to the F shares up to a cap of 5% internal rate of return ('IRR') on the F shares subscription price

The total share-based management charge has been valued using the Monte Carlo model and the resulting share-based payments charge is being spread over the period between the grant date and the vesting date.

Key assumptions used in valuing the share-based management charge were:

Expected exit for each issue	5 years
Expected volatility	30%
Dividend yield	Nil %
Risk-free interest rate	1.50%

Expected volatility is a measure of the amount by which the enterprise value is expected to fluctuate during the period to exit.

On 30 May 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was re-registered as a public limited company under the Companies Act 2006. On 4 June 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was admitted for listing on the London Stock Exchange. This was considered an exit event for the purposes of this scheme.

23. FINANCIAL INSTRUMENTS

Categories

	26 April 2020 IFRS 16 £'000	28 April 2019 IAS 17 £'000
Financial assets – held at amortised cost		
Trade and other receivables*	8,158	30,697
Cash and cash equivalents	72,927	34,538
	81,085	65,235
Financial liabilities – held at amortised cost		
Interest-bearing loans and borrowings:		
Listed bonds (net of capitalised transaction costs)	–	(239,884)
Term loans (net of capitalised transaction costs)	(117,072)	–
Revolving credit facility	(82,649)	(27,103)
Finance lease liability (IAS 17)	–	(110)
Trade and other payables**	(117,228)	(132,523)
	(316,949)	(399,620)
Lease liability (IFRS 16)	(307,958)	–
	(624,907)	(399,620)

*Excludes prepayments of £1,396,000 (2019: £9,485,000) that do not meet the definition of a financial instrument.

**Trade payables excludes property lease incentives of £16,000 (2019: £18,010,000), customer deposits of £17,306,000 (2019: £5,083,000) and deferred income of £4,143,000 (2019: £2,046,000) that do not meet the definition of a financial instrument.

Fair values

At 26 April 2020, the fair values of each category of the Group's financial instruments are materially the same as their carrying values in the Group's Balance Sheet based on either their short maturity or, in respect of long term borrowings, interest being incurred at a floating rate.

The fair value of listed bonds was as follows:

	26 April 2020		28 April 2019	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Listed bonds	–	–	239,884	254,940

Listed bonds were held at amortised cost net of capitalised borrowing costs in the previous financial year.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels under IFRS 13 'Fair value measurement':

Hierarchy level	Inputs	Financial instruments
Level 1	Quoted markets in active markets for identical assets or liabilities	Listed bonds (disclosure)
	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)	
Level 2		Not applicable
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable market data)	Not applicable

23. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and for establishing the Group's risk management policies.

The Group has exposure to the following risks arising from financial instruments:

- Liquidity risk
- Interest rate risk
- Credit risk
- Currency risk
- Capital risk

Liquidity risk

The Group has generated sufficient cash from operations to meet its working capital requirements. Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities.

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including interest) of the Group's financial liabilities:

	26 April 2020 IFRS 16			
	Less than one year £'000	Between one and five years £'000	Greater than five years £'000	Total £'000
Term loan	3,176	131,117	–	134,293
Revolving credit facility	82,649	–	–	82,649
Trade and other payables	114,592	2,636	–	117,228
Lease liability (IFRS 16)	60,063	171,480	145,731	377,274
Total	260,480	305,233	145,731	711,444

	28 April 2019 IAS 17		
	Less than one year £'000	Between one and five years £'000	Total £'000
Listed bond	21,074	316,413	337,487
Revolving credit facility	27,103	–	27,103
Finance lease liabilities (IAS 17)	110	–	110
Trade and other payables	127,940	4,583	132,523
Total	176,227	320,996	497,223

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's policy is to maintain low levels of variable debt by managing the cash position of the business closely and ensuring that the debt position is minimised. The Group regularly refinance in order to obtain better rates for both long term debt and short term debt obligations. The Group uses strong cash positions to pay down long term and short term debt when possible in order to reduce the overall debt position.

Interest rate risk – sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected.

The analysis has been prepared using the assumptions that:

- For floating rate assets and liabilities, the amount of the asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole period;
- Fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Interest rate increase of 0.5%	(1,013)	(41)
Interest rate decrease of 0.5%	949	41

Credit risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks. Credit risk related to the use of treasury instruments is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a group of banks that have secure credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

Management continually review specific balances for potential indicators of impairment. In the instance where an indicator is identified, management will determine overall recovery from a legal perspective and provide for any irrecoverable amounts.

Credit risk also arises from the recoverability of the Group's trade and other receivables. Trade and other receivables are only written off when the Group has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments. An expected credit loss provision is then calculated on the remaining trade and other receivables.

Linked to the exceptional circumstances caused by the global COVID-19 pandemic, the Group has identified an increase in the expected credit losses relating to the trade receivables, linked to the financial issues which the pandemic has presented to individuals. The Group calculates the allowance for expected credit losses using the simplified approach which estimates the lifetime expected credit losses. Based on the Group's assessment of the future worsening economic environment in the US as a result of COVID-19, the Group has specifically increased the provision against in-house credit debtors by a further £695,000, which, when considered with the impairment to property, plant and equipment and right-of-use assets, is considered exceptional by its nature.

The ageing analysis of the trade receivables is as follows:

	26 April 2020 £'000	28 April 2019 £'000
Not past due	6,451	11,758
Less than one month past due	1,053	686
One to two months past due	135	248
More than two months past due	2,982	4,237
	10,621	16,929

The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

The exposure to currency risk is considered below:

	26 April 2020 IFRS 16			
	Sterling £'000	US \$ £'000	Other £'000	Total £'000
Financial assets				
Trade and other receivables	4,260	3,805	93	8,158
Cash and cash equivalents	44,618	28,284	25	72,927
	48,878	32,089	118	81,085
Financial liabilities				
Term loan	(117,072)	–	–	(117,072)
Revolving credit facility	(50,000)	(32,649)	–	(82,649)
Trade and other payables	(88,652)	(28,329)	(247)	(117,228)
Lease liability	(202,662)	(105,296)	–	(307,958)
	(458,386)	(166,274)	(247)	(624,907)

	28 April 2019 IAS 17			
	Sterling £'000	US \$ £'000	Other £'000	Total £'000
Financial assets				
Trade and other receivables	20,652	9,969	76	30,697
Cash and cash equivalents	27,379	7,022	137	34,538
	48,031	16,991	213	65,235
Financial liabilities				
Listed bonds	(239,884)	–	–	(239,884)
Revolving credit facility	–	(27,103)	–	(27,103)
Finance lease liability	(110)	–	–	(110)
Trade and other payables	(97,324)	(35,199)	–	(132,523)
	(337,318)	(62,302)	–	(399,620)

Note that the balances in US \$ are those held in our US segment. These balances are revalued at each period end with the offsetting gain or loss going through other comprehensive income.

Currency risk sensitivity

The following table demonstrates the sensitivity to a change in the US Dollar exchange rate, with all other variables held constant, and the impact upon the Group's profit after tax assuming that none of the US Dollar exposures are used as hedging instruments. Sensitivities have not been performed for any other currencies as the Group has no significant exposure in any other currency.

	(Increase)/ decrease in rate	Effect on profit after tax 52 week period ended 26 April 2020 £'000	Effect on profit after tax 52 week period ended 28 April 2019 £'000
US Dollar	(5%)	(244)	(115)
US Dollar	5%	270	128

Capital risk

The capital structure of the Group consists of debt, as analysed in note 19, and equity attributable to the equity holders of the parent company, comprising issued capital reserves and retained earnings as shown in the Consolidated Statement of Changes in Equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital.

The Directors carefully monitor the Group's long term borrowings including the ability to service debt and long term forecast covenant compliance.

The Group takes a disciplined approach to capital allocation with the objective to deliver long term sustainable earnings growth whilst retaining financial capability to invest in developing the business and to execute the strategic priorities. The Group is well positioned to continue investing in elevating and expanding its existing store portfolio and to make complementary acquisitions which meet strict investment criteria and advance the Group's strategic objectives.

24. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Total compensation of key management personnel in the period to 26 April 2020 amounted to £3,734,000 (2019: £2,728,000).

For the 52 week period ended 26 April 2020, the Group has redefined key management personnel to be the Executive Directors of the Company. The definition of key management personnel and amounts disclosed remain unchanged in relation to the prior period.

Compensation typically include salaries and other short term employee benefits, post-employment benefits and other long term benefits. Key management are eligible to receive discounts on goods purchased from the Group's trading companies. Such discounts are in line with discounts offered to all staff employed by Group companies. In addition to their salaries, the Group also contributes to post-employment defined contribution plans.

	52 week period ended 26 April 2020 £'000	52 week period ended 28 April 2019 £'000
Short term employment benefits	910	2,461
Pension	13	81
Share-based payments	2,811	186
	3,734	2,728

Transactions with subsidiary companies and companies under common control

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

During the 52 week period ended 28 April 2019, the Group made the strategic decision, as part of a group reconstruction, to carve the Watch Shop and The Watch Lab businesses out of the Group and to pass them to a related undertaking outside of the Group. The Group passed up £10,000,000 of the investment as a dividend in specie to Jewel Topco Limited with the remaining £11,012,000 being settled in the form of a loan note.

As part of the restructuring performed in advance of the IPO, the principal amount owed to Jewel UK Bidco Limited (a subsidiary of Jewel UK Midco Limited), of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) in exchange for a receivable from Jewel UK Topco Limited. The loan note incurs interest at a rate of 8.75% per annum.

On 28 May 2019, the Company waived its right to an amount of £11,501,000 receivable from a related entity, Jewel UK Topco Limited. The waiver has been considered to be a distribution in law and as such has been accounted for directly in equity. As at 26 April 2020, there are no amounts owed by Jewel UK Topco Limited to the Group (2019: £11,420,000).

During the period ended 26 April 2020, the Group received corporation tax group relief of £nil (£nil net) (2019: received £408,000 (£77,000 net)) relating to the tax position of the Jewel UK Topco Limited group, a related party.

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 52 week period to 26 April 2020 totalling £1,436,000 (2019: £1,225,000). The Group has an outstanding balance with these entities of £5,000 (2019: £280,000).

In the 52 week period to 26 April 2020, the Group incurred management charges from the former owner of the Group, Jewel Holdco S.à r.l., totalling £165,000 (2019: £1,182,000) relating to fees for the pre-IPO period. The amount outstanding as at the period end totalled £nil (2019: £1,268,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. OPERATING LEASES (PRIOR PERIOD – IAS 17)

The below disclosure is only in relation to the comparative figure for the 52 week period ended 28 April 2019. This disclosure is no longer applicable since the implementation of IFRS 16 'Leases' on the initial date of application, 29 April 2019.

Commitments under non-cancellable operating leases due (to the nearest break clause) are as follows:

	28 April 2019		
	Properties £'000	Other £'000	Total £'000
Within one year	58,080	225	58,305
Between two and five years	152,800	280	153,080
After five years	111,078	–	111,078
	321,958	505	322,463

26. BUSINESS COMBINATIONS

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 for £32,036,000. The business contributed revenue of £897,000 from the date of acquisition to 26 April 2020. These stores were closed temporarily on 23 March 2020 because of COVID-19 resulting in the acquisition contributing a net loss of £387,000 to the Group from the date of acquisition to 26 April 2020. The goodwill arising on the acquisition is attributable to the key strategic locations to improve the Group's UK store portfolio.

The following table summarises the consideration paid for Macrocom (1077) Limited and the fair value of assets acquired and liabilities assumed at the acquisition date for each of the applicable periods:

Consideration at 3 March 2020	£'000
Initial cash consideration	31,083
Deferred consideration	953
Total consideration (100% holding)	32,036

	Initial assessment of values on acquisition £'000
Inventories	4,559
Property, plant and equipment	980
Trade and other receivables	109
Right-of-use assets	14,218
Lease liabilities	(14,034)
Deferred tax	112
Total identifiable net assets	5,944

Goodwill	26,092
Total assets acquired	32,036

As at 12 August 2020 the final consideration payable has not been finalised. An amount £1,500,000 is held with a third party on retention subject to the finalisation of the working capital adjustment as set out in the sale and purchase agreement. This amount is disclosed as restricted cash within note 15.

Fair value adjustments were made to uplift property, plant and equipment to reflect the fair value of the assets acquired. Trade and other receivables relate solely to prepaid expenses and as such, the fair value is equal to that of the gross contractual amount.

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

Acquisition-related costs of £310,000 have been charged to exceptional items in the Consolidated Income Statement for the 52 week period ended 26 April 2020 (see note 4).

Had the acquisition been consolidated from 29 April 2019, the Consolidated Income Statement for the period would show:

	Acquisition 29 April 2019 to 2 March 2020 £'000	Consolidated results for the period 52 week period ended 26 April 2020 £'000	Proforma results £'000
Revenue	21,463	810,512	831,975
Profit for the period	4,371	507	4,878

27. DISCONTINUED OPERATIONS

On 3 December 2018, the Watch Shop and The Watch Lab businesses were carved out of the Group and passed to a related undertaking outside of the Group. A third party, independent valuation of these businesses was obtained immediately prior to disposal, totalling £21,012,000 for the combined businesses. As this transfer was entirely intra-group, no cash proceeds were generated.

The impact upon the Balance Sheet and Statement of Cash Flows for the historic periods have been presented below:

Net cash used in discontinued operations

52 week period ended
28 April 2019
£'000

Net cash from operating activities	73
Net cash used in investing activities	(516)
Net cash used in discontinued operations	(443)

Effect of the disposals on individual assets and liabilities

At date of carve out
(3 December 2018)
£'000

Goodwill	2,950
Intangible assets	2,376
Property, plant and equipment	1,087
Inventories	16,704
Trade and other receivables	780
Cash and cash equivalents	5,659
Trade and other payables	(8,544)
Net identifiable assets and liabilities	21,012

28. CONTINGENT LIABILITIES

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

On 17 March 2019, a claim was brought against 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 by a class who, in the two years prior to filing the complaint, had engaged in debit or credit card transactions with the Group in the United States and who were issued customer receipts that displayed more than the last five digits of the credit or debit card number used in connection with the transaction. The suit alleges violations of the FACTA legislation, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers, as a means of protecting against identity theft and fraud. As the suit is protracted, and no specific monetary amount has been claimed, the potential liability in respect of such claim or any related claims is difficult to quantify. The Company 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 £1,661,000.

29. POST-BALANCE SHEET EVENTS

The following non-adjusting events have occurred since 26 April 2020:

- On 14 May 2020, the Group entered into a new £45,000,000 financing facility which was agreed under the UK 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 12 August 2020, the £22,500,000 term loan was fully drawn down and none of the revolving credit facility was drawn
- All lenders within the existing UK facilities have agreed to an amendment to the banking covenants, as noted within note 1, 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
- The £45,000,000 financing facility contains a restriction on dividends or distributions from Jewel UK Midco 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
- In addition to the year-end receivable, the Group has received a further £5,992,000 of government grants and assistance available after the balance sheet date. These monies have been used to support our colleagues, and certain administrative expenses, during the ongoing COVID-19 pandemic
- The majority of our US stores began to reopen in May 2020, and the majority of our UK store portfolio reopened in June in accordance with government guidelines.

COMPANY BALANCE SHEET

	Note	26 April 2020 £'000	28 April 2019 £'000
FIXED ASSETS			
Investments	C2	471,924	–
CURRENT ASSETS			
Debtors: amounts falling due within one year	C3	390	–
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	C4	(4,689)	–
Net current liabilities		(4,299)	–
Net assets		467,625	–
EQUITY			
Share capital	C6	2,993	–
Share premium	C6	147,122	–
Retained earnings		317,510	–
Total equity		467,625	–

The Company's loss after tax was £431,000 (2019: £nil) which relates solely to recharged management costs from subsidiary entities.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

L A ROMBERG

CHIEF FINANCIAL OFFICER

12 August 2020

The notes on pages 176 to 179 form part of these financial statements.

Company number: 11838443

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity attributable to owners £'000
Share issue	—	—	—	—
Balance at 28 April 2019	—	—	—	—
Share issue	331,542	—	—	331,542
Nominal value reduction	(328,227)	—	328,227	—
Share cancellation	(1,040)	—	1,040	—
Distribution in law	—	—	(11,501)	(11,501)
Share issue on IPO	718	154,412	—	155,130
Costs directly attributable to primary issue	—	(7,290)	—	(7,290)
Loss for the financial period	—	—	(431)	(431)
Share-based payments	—	—	175	175
Balance at 26 April 2020	2,993	147,122	317,510	467,625

The transactions above have been further described within note C6 and C7.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

C1. GENERAL INFORMATION

Watches of Switzerland Group PLC (the 'Company') is a public limited company, limited by shares, which is listed on the London Stock Exchange and incorporated and domiciled in England and Wales. The registered number is 11838443 and the address of the registered office is Aurum House, 2 Elland Road, Braunstone, Leicester, LE3 1TT.

These financial statements present information about the Company as an individual undertaking and not about its Group.

The financial statements of Watches of Switzerland Group PLC have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Accounting policies

The accounting policies set out in the notes below have been applied in preparing the financial statements for the period ended 26 April 2020 and the comparative information presented in these financial statements for the period ended 28 April 2019.

The Company is included within the Consolidated Financial Statements of Watches of Switzerland Group PLC. The Consolidated Financial Statements of Watches of Switzerland Group PLC are prepared in accordance with IFRS and are publicly available. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- The requirement to prepare a statement of cash flows;
- Certain disclosures in relation to share-based payments; and
- Key Management Personnel compensation

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the Company is not presented as part of the financial statements.

The Company's accounting policies are the same as those set out in note 1 of the Group Consolidated Financial Statements, except as noted below.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Impairment

The carrying values of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any impairment loss arises, the asset is adjusted to its estimated recoverable amount and the difference is recognised in the Income Statement.

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The fair value of the equity-settled awards is calculated at grant date using a Monte Carlo or Black-Scholes model. The resulting cost is charged in the Income Statement over the vesting period of the option or award and is regularly reviewed and adjusted for the expected and actual number of options or awards vesting.

Service and non-service performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest because of non-market performance and/or service conditions that have not been met.

The social security contributions payable in connection with the grant of the share options is determined at each balance sheet date as a liability with the total cost recognised in the Consolidated Income Statement over the vesting period.

Financial risk management

The Company's financial risk is managed as part of the Group's strategy and policies as discussed in note 23 of the Group financial statements.

Company result for the period

In accordance with the exemption allowed by Section 408(3) of the Companies Act 2006, the Company has not presented its own Income Statement or Statement of Comprehensive Income.

Directors remuneration and staff numbers

The Company has no employees other than the Directors, who did not receive any remuneration for their services directly from the Company in either the current or preceding period. See note 24 in the Group consolidated accounts for Key Management Personnel compensation.

Auditor's remuneration

The remuneration paid to the auditor in relation to the audit of the Company is disclosed in note 5 of the Consolidated Financial Statements. The fees for the audit of the Company's financial statements are borne by a subsidiary of the Company and are not recharged.

C2. FIXED ASSET INVESTMENTS

The Company had the following subsidiaries as at 26 April 2020:

Entity	Principal activity	Country of incorporation	Registered office	Type of share held by the Group	Proportion of ordinary shares held by the Group Companies
Jewel UK Midco Limited*	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Jewel UK Bondco PLC	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Jewel UK Bidco Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Operations Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Acquisitions Limited	Intermediate holding company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Company Limited	Retail Jewellers	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Goldsmiths Finance Limited	Finance company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Mappin & Webb Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Goldsmiths Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watch Shop Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Insurance (Guernsey) Limited	Captive insurance company	Guernsey	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey GY1 4JH	Ordinary	100%
The Watch Lab Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Limited	Dormant	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary & Redeemable preference	100%
Macrocom (1077) Limited	Holding Company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Aurum Pension Trustees Limited	Pension trustee company	England and Wales	Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT	Ordinary	100%
Watches of Switzerland Group USA Inc	Holding company	USA	108 West 13th Street, Wilmington, County of New Castle, Delaware DE 19801	Ordinary	100%
Watches of Switzerland (Nevada) LLC	Retailer	USA	3131 Las Vegas Boulevard South, Suite #11, Las Vegas NV 89109	Ordinary	100%
Watches of Switzerland LLC	Retailer	USA	187 Wolf Road, Suite 101, Albany, New York NY 12205	Ordinary	100%
Mayor's Jewelers, Inc	Retailer	USA	1209 Orange Street, Wilmington, Delaware DE 19801	Ordinary	100%
Mayor's Jewelers of Florida, Inc	Retailer	USA	1201 Hays Street, Tallahassee, Florida FL 32301	Ordinary	100%

*Investment in Jewel UK Midco is directly held. All other investments are indirectly held.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C2. FIXED ASSET INVESTMENTS (CONTINUED)

All subsidiary undertakings are included in the Group Consolidated Financial Statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Company do not differ from the proportion of ordinary shares held.

On 24 May 2019, the Company acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by a way of a share for share exchange with Jewel Holdco S.à r.l., becoming the Group's immediate parent company.

On 4 June 2019, the Company waived its right to an intercompany receivable from Jewel UK Midco Limited for £140,382,000 which has been treated as a capital contribution and as such an increase in the investment in Jewel UK Midco Limited.

Investment in subsidiaries at the period end was as follows:

	26 April 2020 £'000	29 April 2019 £'000
COST		
At start of period	—	—
Acquisition of Jewel UK Midco Group	331,542	—
Capital contribution	140,382	—
At end of period	471,924	—

Investments in Company undertakings are recorded at cost, which is the fair value of the consideration paid.

C3. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 April 2020 £'000	29 April 2019 £'000
Amounts owed by Group undertakings	366	—
Deferred tax asset	24	—
	390	—

The amounts owed by Group undertakings have been settled subsequent to the year-end date.

C4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 April 2020 £'000	29 April 2019 £'000
Amounts owed to Group undertakings	4,661	—
Other creditors	28	—
	4,689	—

Amounts owed to Group undertakings are unsecured and repayable on demand.

C5. FINANCIAL INSTRUMENTS

	26 April 2020 £'000	29 April 2019 £'000
Financial assets – held at amortised cost		
Amounts owed by Group undertakings	366	—
	366	—
Financial liabilities – held at amortised cost		
Amounts owed to Group undertakings	4,661	—
Other creditors	28	—
	4,689	—

C6. EQUITY

The movement on share capital is reflected as follows:

	Nominal value	Share capital	Share premium	
	£	Shares	£'000	£'000
As at 28 April 2019				
Per Annual Report and Accounts	1.000	1	–	–
Group reorganisation				
Issue to Jewel Holdco S.à r.l. ¹	1.000	4	–	–
	1.000	5	–	–
S618 CA06 share consolidation ²	4.000	(4)	–	–
	5.000	1	–	–
Issue of shares to Jewel Holdco S.à r.l. for investment in Jewel UK Midco Limited ³	5.000	66,308,370	331,542	–
	5.000	66,308,371	331,542	–
Reduction of nominal value ⁴	(4.950)	–	(328,227)	–
	0.050	66,308,371	3,315	–
Cancellation of shares held by Jewel Holdco S.à r.l. ⁵	0.050	(20,808,371)	(1,040)	–
	0.050	45,500,000	2,275	–
Subdivision of shares ⁶	(0.0375)	136,500,000	–	–
	0.0125	182,000,000	2,275	–
Initial public offering				
Issue of shares on IPO ⁷	0.0125	57,455,554	718	154,412
Directly attributable costs ⁸	–	–	–	(7,290)
Balance at 26 April 2020	0.0125	239,455,554	2,993	147,122

1) On 23 May 2019, the Company issued a further four ordinary shares to Jewel Holdco S.à r.l. for cash consideration

2) On 23 May 2019, it was agreed that the five ordinary shares of £1.00 each in the issued share capital of the Company be consolidated into 1 ordinary share of £5.00

3) On 24 May 2019, the Company acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by a way of a share for share exchange with Jewel Holdco S.à r.l., becoming the Group's immediate parent company. The reorganisation was undertaken as part of the IPO with the company being both created and inserted as part of the process

4) On 24 May 2019, it was agreed that the nominal value of the ordinary share capital be reduced from £5.00 to £0.05 with the amount which the share capital is so reduced to be credited to the Company's retained earnings

5) On 29 May 2019, it was agreed that the share capital of the Company be reduced from £3,315,000 to £2,275,000 by cancelling 20,808,371 of the existing ordinary shares of £0.05 each held by Jewel Holdco S.à r.l.

6) On 30 May 2019 the Company subdivided the issued share capital by a factor of four which reduced the nominal value of each share to £0.0125 and increased the number of shares by 136,500,000 to a total of 182,000,000 ordinary shares. The Company was also re-registered as a public limited company under the Companies Act 2006

7) On the 4 June 2019, the Company was admitted for listing on the London Stock Exchange. The Company issued 57,455,554 shares for £2.70 each with a nominal value of £0.0125p recognising additional share capital of £718,000 and share premium of £154,412,000

8) Incremental expenses of £7,290,000 which are directly attributable to the primary issue of shares have been offset against the share premium recognised in line with IAS 32 'Financial instruments: presentation'

C7. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions under FRS 102.33 'Related Party Transactions' for wholly owned subsidiaries not to disclose intra-group transactions.

Transactions with entities under common control

See note 23 in the Group financial statements for transactions with the Company's former parent company, Jewel Holdco S.à r.l. There have been no other related party transactions with this entity.

On 17 May 2019, the Company entered into a loan transfer relating to a loan between Jewel UK Bidco Limited (a subsidiary of the Company) and Jewel UK Topco Limited. The principal amount owed to Jewel UK Bidco Limited of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to the Company.

On 4 June 2019, the Company waived its right to the amounts owed by Jewel UK Topco Limited by way of a formal deed of release and recognised this as a distribution in law totalling £11,501,000.

C8. SHARE-BASED PAYMENTS

Details of the Company's share-based payments are disclosed within note 22 in the Group Consolidated Financial Statements.

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.

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

£m	FY20	FY19
Revenue	810.5	773.5
Cost of inventory expensed	(510.6)	(488.9)
Other	4.8	5.6
Net margin	304.7	290.2
Store costs	(178.2)	(172.4)
4-Wall EBITDA	126.5	117.8

Adjusted EBIT/operating profit

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 activities and management fees. 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 pre-exceptional, store opening and closing costs and other non-underlying items

Adjusted EBITDA adjusted for store opening and closing costs, other non-underlying items and exceptional items. Shown on a continuing basis and before the impact of IFRS 16 'Leases'.

Why used

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

This measure was linked to management incentives in the 2019 financial year.

Reconciliation to IFRS measures

Reconciled in page 27 of the Financial Review.

Adjusted EBITDA margin %

Adjusted EBITDA margin divided by revenue.

Why used

Measure of profitability.

Reconciliation to IFRS measures

Not applicable.

Adjusted basic Earnings Per Share

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 10 of the financial statements.

Adjusted profit before tax

Profit before tax before exceptional items and IFRS 16 impact.

Why used

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

Reconciliation to IFRS measure

£m	FY20	FY19
Profit before taxation from continuing operations	1.5	20.1
Exceptional items	46.0	–
Pre-exceptional IFRS 16 adjustment*	1.9	6.4
Adjusted profit before tax	49.4	26.5

Pre-exceptional IFRS adjustment is made up of:

£m	FY20
IFRS 16 impact on profit before taxation	(2.2)
Onerous lease exceptional item	5.5
Exceptional impairment of property, plant & equipment	3.3
Exceptional impairment of right-of-use assets	(4.7)
Total	1.9

Average selling price (ASP)

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

Why used

Measure of sales performance.

Reconciliation to IFRS measures

Not applicable.

Constant currency basis

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

Why used

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

Reconciliation

£/\$m	
FY20 Group Revenue (£)	810.5
FY20 US Revenue (\$)	286.8
FY20 US Revenue (£) @ FY20 Exchange rate	225.0
FY20 US Revenue (£) @ FY19 Exchange rate	220.4
FY20 Group Revenue (£) @ Constant currency	805.9
FY20 Exchange rate	£1 : \$1.274
FY19 Exchange rate	£1 : \$1.301

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

£m	FY20	FY19
Total net debt – as per note 19 of the financial statements	434.8	232.6
Add back:		
Capitalised borrowing costs	2.9	8.0
Less:		
Lease liabilities (IFRS 16)	(308.0)	–
Net debt excluding capitalised transaction costs	129.7	240.6

Net margin

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

Why used

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

Reconciliation to IFRS measures

£m	FY20	FY19
Revenue	810.5	773.5
Cost of inventory expensed	(510.6)	(488.9)
Other	4.8	5.6
Net margin	304.7	290.2

Net margin %

Net margin % is calculated as net margin as a percentage of revenue.

Why used

Direct indicator of profitability.

Reconciliation to IFRS measures

Net margin £304.7m divided by revenue £810.5m.

Return on Capital Employed (ROCE)

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

Why used

ROCE demonstrates the efficiency with which the Group utilises capital.

Reconciliation to IFRS measures

Adjusted EBIT of £55.9m divided by the average capital employed, which is calculated as follows:

£m	FY20	FY19
Total assets (note 1 to the Consolidated Financial Statements)	595.7	512.7
Current liabilities (note 1 to the Consolidated Financial Statements)	(229.3)	(170.6)
Capital employed	366.4	342.1
Average capital employed	354.2	

OTHER DEFINITIONS**Compound Annual Growth Rate (CAGR)**

CAGR is average increase in annual revenue that revenue would be required to grow from its beginning balance to its ending balance.

Continuing basis

Results exclude the results of discontinued operations as disclosed in the Consolidated Income Statement.

Expansionary capital expenditure/capex

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

Luxury watches

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

Luxury jewellery

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

Non-core stores

These stores are not core to the ongoing strategy of the business and will be closed at the end of their lease term.

Showroom maintenance capital expenditure/capex

Capital expenditure which is not considered expansionary.

COMPANY

Watches of Switzerland Group PLC

Registered office address

Aurum House, 2 Elland Road, Braunstone, Leicester LE3 1TT
Registered in England and Wales

Company Number: 11838443

VAT number: 834 8634 04

ADVISERS

Independent Auditor

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Corporate solicitors

Slaughter and May, One Bunhill Row, London, EC1Y 8YY
Gateley Legal, One Eleven Edmund Street, Birmingham B3 2HJ

Registrars

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Joint brokers

Barclays Bank plc, 5 The North Colonnade, Canary Wharf, London, E14 4BB
Goldman Sachs PLC, Peterborough Court, 133 Fleet Street, London, EC4 2BB

Financial PR

Headland PR Consultancy LLP, Cannon Green, 27 Bush Lane, London, EC4R 0AA

FINANCIAL CALENDAR

Q1 Trading update: 13 August 2020
AGM: 14 October 2020
Half-yearly results: 17 December 2020
Q3 Trading update: 26 February 2021
Financial year end: 2 May 2021

ANNUAL GENERAL MEETING

The AGM will be held at 1pm on Wednesday 14 October 2020 at our offices at 36 North Row, London, W1K 6DH. The Notice of Meeting which accompanies this report and accounts sets out the business to be transacted.

SHAREHOLDING INFORMATION

Registrars

Please contact our registrar Equiniti directly for all enquiries about your shareholding. Visit their website shareview.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or telephone the Registrar direct on +44 (0)371 384 2030. Overseas Shareholder helpline number +44 (0)121 415 7047. Lines are open 8.30am to 5.30pm Monday to Friday.

For more information see www.thewosgroupplc.com/investors/shareholder-contacts

FORWARD LOOKING STATEMENTS

Cautionary statement: The Annual Report and Accounts contains certain forward looking statements with respect to the operations, performance and financial conditions of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward looking statements. Nothing in this Annual Report should be construed as a profit forecast. Certain regulatory performance data contained in this Annual Report is subject to regulatory audit.

TERMS USED IN THIS REPORT

The term "Group" means Watches of Switzerland Group PLC (Company registration number 11838443) and its subsidiaries.

ONLINE ANNUAL REPORT

Our Annual Report is available online. View or download the full Annual Report and Accounts from: www.thewosgroupplc.com/investors/results-centre/year/2020

WARNING TO SHAREHOLDERS

Please be very wary of any unsolicited contact about your investments or offers of free company reports. It may be from an overseas 'broker' who could sell you worthless or high risk shares. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. Further information and a list of unauthorised firms that have targeted UK investors is available from the Financial Conduct Authority at: [fca.org.uk](https://www.fca.org.uk)



Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind

The inks used are HP Indigo ElectroInk which comply with EC Regulation 1907/2006 (REACH), 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Splendorgel Extra White, a paper sourced from well managed, responsible, FSC® certified forests and other controlled sources. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

WATCHES OF SWITZERLAND GROUP PLC

Aurum House
2 Elland Road
Leicester
LE3 1TT

www.thewosgroupplc.com