# Jewel UK Midco Limited

## Preliminary financial statements
## For the period ended 28 April 2019

17 July 2019

**Continued strong progress driven by luxury watches on debut results**

### Group financial highlights – for Jewel UK Midco Limited

Revenue and profit given below are shown on a continuing basis[1].

- Group revenue +22.5% to £773.5 million
  - Luxury watch[2] revenue +28.3% to £631.4 million (82% of total revenue, +4ppts)
  - Luxury jewellery[2] like for like sales +3%
  - UK like for like sales[2] +10.0%
  - US like for like sales[2] (pro-forma) +7.0%
- Adjusted EBITDA[2] +17.6% to £68.8 million
- Adjusted operating profit[2] +33.2% to £51.8 million
- Operating profit +21.6% to £45.5 million
- Profit before tax +181% to £20.1 million
- Balance sheet restructured post-IPO with high yield bonds retired using proceeds of IPO; pro-forma net debt[2]: Adjusted EBITDA[2] pre-opening and closing costs 1.8x

**Operational highlights**

- £33.8m of expansionary capex[2] in the year, delivering seven new showrooms including 2 flagship showrooms, 11 refurbished, one expanded and two relocated showrooms
- Continued strong growth in UK and US luxury watch markets
- Expansion into underdeveloped luxury watch market in the US on track
- Growing multi-channel offering and e-commerce growth (revenue +18%)
- Actions to reduce incentives on products positively impacted margin
- Celebrated 100 years of partnership with Rolex
- Launched national partnership with the Prince’s Trust and a school reach-out programme (“Little Acorns”)

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[1] During the year the Watch Shop and Watch Lab businesses were carved-out of the Group, these P&L results reflect the continuing business only
[2] Refer to the glossary for definition

**Outlook and guidance**

Current trading in the first eleven weeks of FY20 is encouraging.

In line with pre-IPO communications, there is a strong pipeline of projects in both the UK and US, including expansions and refurbishments of existing showrooms and the continued roll out of new showrooms.

The market for luxury watches remains robust in our opinion, in line with recent trends in FY19 and continues to be impacted by supply constraints.

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

**The Watches of Switzerland Group CEO, Brian Duffy, said:**

*"I am delighted that the Group's five-year transformation has culminated in a successful IPO on the London Stock Exchange in June this year and I would like to thank all our colleagues for their huge contribution to that achievement.*

*FY19 has been a fantastic year for The Watches of Switzerland Group. We have continued our trajectory of strong, profitable growth in our core markets of the UK and the US with an increase in sales of 23% during the year. Current trading remains encouraging and we are confident of meeting the Board's expectations for the financial year ending April 2020.*

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

**About The Watches of Switzerland Group**

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

The Watches of Switzerland Group has 128 core showrooms across the UK and US (which includes 20 dedicated mono-brand stores in partnership with Rolex, TAG Heuer, Omega and Breitling) and has a leading presence in Heathrow Airport with representation in Terminals 2, 3, 4 and 5 as well as five online transactional websites.

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

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

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**Introduction**
It has been an exciting year for the Watches of Switzerland Group, culminating in our admission to the London Stock Exchange on 4 June 2019. Our business has been transformed over the last five years, through significant investment in our showrooms and technology infrastructure and a sharp focus on our customer and supplier relationships, together with continued impactful marketing initiatives, all resulting in a market leading proposition. Revenue has more than doubled over the five-year period and grown at a Compound Annual Growth Rate[2] (CAGR) of 19.8%. This has translated to strong growth in profits and profitability and a unique platform for future growth; Adjusted EBITDA has grown at a CAGR of 30.1% over the same period.

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

**Group strategy**

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

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

This strategy is at the heart of everything we do and we believe it will allow us to continue to achieve sustainable profitable growth into FY20 and beyond.
Our strategy, as outlined above, has allowed us to continue to grow and develop our business, with each of the pillars delivering proven success in FY19.

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

All revenue and profit results are shown on a continuing basis.

**<u>1. Growing revenue and profits through continued investment in and elevation of our showroom portfolio and new showroom opportunities</u>**
In FY19 the Group incurred £33.8m in expansionary capex including, but not limited to, the following projects:

- The opening of flagship showrooms in New York in Greene Street Soho (November 19) and Hudson Yards (March 19)
- The relocation and expansion of the Watches of Switzerland flagship in Wynn Las Vegas
- The opening of Breitling and Omega mono-brand stores in Wynn Las Vegas
- The relocation of Mappin & Webb Fenchurch Street to a new location
- The relocation of Goldsmiths Nottingham to a new location
- The expansion of the Rolex presentation in Mappin & Webb Old Bond Street and Watches of Switzerland Cardiff
- The expansion of the showroom and Rolex presentation in Goldsmiths Bullring, Birmingham
- Expansion of Rolex presentation in Goldsmiths Watford, Merryhill and Newcastle
- The opening of 3 TAG Heuer mono-brand stores

**Showroom / Project pipeline:**

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

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

## 2. Being a strong partner for our luxury watch brands

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

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

## 3. Delivering exceptional customer service

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

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

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

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

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

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

### Merchandising

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

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

Marketing

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

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

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

In addition to the centralised marketing activity, our showroom colleagues in the UK are also focussed on their own direct client reach to drive footfall with over 157,000 CRM activities[2] created at the showroom level as well as over 51,000 prospects[2] added to the customer database for future follow up and contact. To support the showrooms in their outreach to customers over 45 "clientelling" guides were produced in FY19 covering topics such as new product launches, key focus lines or brand guides.

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

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

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

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

Through an increased focus on Marketing, our total brand awareness has increased from 84% to 93% on Goldsmiths, 35% to 66% on M&W and 46% to 70% on Watches of Switzerland since 2012[3].

Retail operations

Throughout our retail network there is a high level of accountability and performance management. We strive to ensure a collective alignment, ownership and understanding at all levels within retail to ensure that we continually drive productivity and profitability. The Group maximises performance through Business Planning Reviews with showroom managers every 4-6 weeks and through the monitoring of operational KPIs.

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[3] Source: Pragma Watch and Jewellery Survey 2012 & Insight Consulting Consumer Brand Research for the Watches of Switzerland Group June 2019

**5. Expanding multi-channel market leadership**

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

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

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

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

| **Continuing basis £m** | **FY19** | **FY18** | **%** |
|---|---|---|---|
| Luxury watches[2] | 631.4 | 492.3 | +28.3% |
| Luxury jewellery[2] | 74.7 | 68.9 | +8.5% |
| Fashion & classic (incl. Jewellery) | 34.6 | 39.5 | (12.4%) |
| Other | 32.8 | 30.5 | +7.5% |
| **Revenue** | **773.5** | **631.2** | **+22.5%** |
| **Adjusted EBITDA pre-exceptional items and non-underlying items[2]** | **78.2** | **65.6** | **+19.1%** |
| Showroom opening and closing costs and other non-recurring items | (9.4) | (7.1) | -32.0% |
| **Adjusted EBITDA[2]** | **68.8** | **58.5** | **+17.6%** |
| **Adjusted operating profit[2]** | **51.8** | **38.9** | **+33.2%** |
| | | | |
| Exceptional items | (6.3) | (1.5) | (321.6%) |
| **Operating profit** | **45.5** | **37.4** | **+21.6%** |
| Net finance cost | (25.4) | (30.2) | +16.1% |
| **Profit before tax** | **20.1** | **7.2** | **+180.8%** |

**Revenue**

Revenues grew strongly in FY 2019 to £773.5m, up 22.5% on the prior year and like for like growth was 10.0%. Our revenues are spread geographically across our portfolio of showrooms and online as can be seen in the table below:

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

UK revenue has grown by 8.7% to £588.2m, driven by like for like sales growth of +10% (FY18 4.0%). The like for like sales growth contributed £50.8m of revenue in the year. The additional revenue from new showrooms of £1.9m was offset by the loss of revenue from closed showrooms of £5.7m.

US revenue has increased by 106% in the year to £185.3m and, on a pro-forma basis, like for like growth is 7.0%. The annualisation of the Mayors and Wynn showrooms acquired in 2017 contributed an additional £86.8m to revenue in FY19. In FY19, we opened four new showrooms, including two flagship Watches of Switzerland showrooms in New York, which increased revenue by £8.6m.

**Revenue by category**

The Group continues to increase revenue in the luxury watch sector, with an increase in revenue of 28% in the year. The split of revenue by type is shown below:

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

| 2018 £m | UK | US | Total | Mix % |
|---|---|---|---|---|
| Luxury watches | 418.0 | 74.4 | 492.4 | 78.0% |
| Luxury jewellery | 57.0 | 11.9 | 68.9 | 10.9% |
| Fashion & classic | 38.6 | 0.8 | 39.4 | 6.2% |
| Other | 27.6 | 2.9 | 30.5 | 4.9% |
| **Total revenue** | **541.2** | **90.0** | **631.2** | **100%** |

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

Sales of Fashion & Classic watches reduced in line with our strategy to focus on luxury watches. Other revenue, primarily servicing and insurance, rose by 7.5%.

By focusing on the luxury end of the watch market, the average selling price (ASP)[2] of luxury watches in the UK has increased by 9.9% in the year.

| Average selling price £ | FY19 | FY18 | % |
|---|---|---|---|
| UK luxury watches | 3,858 | 3,509 | 9.9% |
| US luxury watches | 8,638 | 8,223 | 5.0% |

**Focus on profitable growth**

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

| Continuing operations £m | FY19 | FY18 | % |
|---|---|---|---|
| Net margin[2] | 290.2 | 239.5 | +21.1% |
| *as % of revenue* | *37.5%* | *37.9%* | *(40bps)* |
| Showroom costs | (172.4) | (145.2) | (18.7%) |
| *as % of revenue* | *22.3%* | *23.0%* | *(70bps)* |
| **4-Wall EBITDA[2]** | **117.8** | **94.3** | **+24.9%** |
| *as % of revenue* | *15.2%* | *14.9%* | *+30bps* |
| Overheads | (39.6) | (28.7) | (38.2%) |
| *as % of revenue* | *5.1%* | *4.5%* | *+60bps* |
| Showroom opening and closing costs | (7.5) | (5.2) | (44.2%) |
| Other non-trading items | (1.9) | (1.9) | - |
| **Adjusted EBITDA** | **68.8** | **58.5** | +17.6% |
| *EBITDA margin %[2]* | *8.9%* | *9.3%* | *(40bps)* |

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

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

Our 4-Wall EBITDA in the UK have benefited from the extensive refurbishment programme we have undertaken over the last 5 years. As a result, we have gained share in the luxury watch segment with substantial productivity gains and leverage of our showroom costs. In the US we are in the process of implementing a similar programme for our acquired Mayors and Wynn businesses.

Net margin

Net margin grew in absolute terms by £50.7m in the year, however in relative terms, net margin % decreased by 40bps, principally driven by the increase in mix towards luxury watches along with the effects of a competitive market in jewellery.
The impact of product mix on margin has been mitigated by actions taken by management in relation to the Group's credit offer and a reduction in incentives as discussed in the table below:

| | |
|---|---|
| Credit offering | In the UK we offer interest-free and interest-bearing credit to our customers, which is provided through a third-party. In the US we also offer both interest-free and interest-bearing credit. 94% of credit is provided by a US based third party with 6% provided internally via a Mayors and Watches of Switzerland proprietary credit card. By switching more customer purchases onto interest bearing credit, we have reduced the costs with our external providers. |
| Incentives | The luxury products we showcase are in high demand, therefore we have focused on the reduction of incentives to a low level. This not only improves margin, but better represents the prestige of the brands we offer. |

Showroom costs

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

Overheads

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

Showroom opening and closure costs

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

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

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

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

Other non-trading items

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

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

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

**Exceptional items**

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

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

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

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

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

**Carve-out of Watch Shop and The Watch Lab**

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

**Leases and lease length**

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

Only eight of our leases expire in more than 10 years at April 2019, the longest expiry being 12.4 years. Our three UK Golden Triangle showrooms have an average of 10.7 years remaining on the lease. We have 14 showrooms in the UK and 4 showrooms in the US where a large proportion[4] of the rent is variable to revenue, in FY19 we paid £19.8m in turnover linked rent (FY18: £18.9m).

[4] Where turnover linked rent is greater than £100,000.

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

**Net debt[2] and financing**
Year-end net debt, excluding capitalised transaction costs, was £240.6m, which was £4.5m lower than the prior year. (Refer to Cash flow below)

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

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

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

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

*Post year-end refinancing*
The net proceeds of the IPO of £139.5m 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 were repaid, including an early redemption premium of £21.7m.

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

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

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

**Finance costs**

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

**Cash flow**

| Reported basis £m | FY19 | FY18 |
|---|---|---|
| EBITDA (continuing operations) | 59.9 | 51.3 |
| EBITDA (discontinued operations) | (16.4) | 2.4 |
| **EBITDA**[2] | **43.5** | **53.7** |
| Non-cash exceptional items | 16.9 | - |
| Working capital and other | 9.6 | (2.7) |
| **Cash generated from operations** | **70.0** | **51.0** |
| Pension contributions | (0.7) | (0.7) |
| Interest | (17.4) | (13.3) |
| Tax | (5.0) | (2.9) |
| Maintenance capital expenditure[2] cash flow | (2.2) | (1.5) |
| **Free cash flow**[2] | **44.7** | **32.6** |
| Expansionary capital expenditure[2] cash flow | (33.8) | (13.3) |
| Carve-out of discontinued operations | (5.7) | - |
| Acquisition of Mayors and Wynn | - | (79.1) |
| Financing activities | (20.2) | 80.8 |
| **Cash flow** | **(15.0)** | **21.0** |

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

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

Following the refinancing in April 18, the interest payable reduced by £0.9m in FY19 but interest paid increased by £3.8m due to an adverse movement in the interest accrual arising from the timing of interest payments.

**Capital expenditure (capex)**

Total capex in the year was £38.0m[5] made up of £35.5m of expansionary capex and £2.5m maintenance capex. As noted above, the investment in our showroom portfolio is paramount to our strategy. Over the last five years the Group has invested £45.2m in refurbishing its existing portfolio in the UK and at April 2019 87% of the UK portfolio (excluding non-core stores) had been refurbished within the last five years. This equated to 93% of showrooms based on revenue contribution of the estate renovated. For major 'gold' refurbishments in FY17-FY18 we typically saw an uplift of approximately 30% of revenue post refurbishment.

| Capex[6] – continuing operations £m | FY19 | FY18 |
|---|---|---|
| Expansionary | 35.5 | 12.7 |
| Showroom maintenance | 2.0 | 1.4 |
| IT and technology | 0.5 | 0.5 |
| **Total capex** | **38.0** | **14.6** |

[5] Capex in this section relates to additions to property, plant and equipment and intangible assets including capital accruals

[6] Capex in this section relates to additions to property, plant and equipment and intangible assets, including capital accruals

**Other Areas**

**Taxation**

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

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

**Pension**

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

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

**Audit tender**

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

**Outlook and guidance**

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

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

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

Guidance for the FY20-22 is as follows:

- Mid-single digit Like for like sales growth in the UK and the US.
- Revenue of £1bn by FY21
- Expansionary capex in the UK of c£10m-12m p.a., falling to £6m-9m p.a. by FY22, based on our current project pipeline
- Expansionary capex in the US of c£15m-17m p.a. falling to £7m-10m p.a. by FY22, based on our current project pipeline
- Other capex at c£5m p.a.
- Broadly stable EBITDA margins, before IFRS 16 adjustments
- Showroom opening and closing costs in line with longer term averages
- Accounting tax rate at around 20%, subject to any changes in corporate tax rates

**Market Briefing**

A presentation for analysts and investors will be held today starting at 9.00am at One Moorgate Place, EC2R 6EA. A live audiocast will be available at the following link:
https://webcasts.eqs.com/register/watchesofswitzerland2019071709_en
The dial-in number is +44 (0)330 336 9411; please state that you wish to join the "Watches of Switzerland Full Year Results" conference call and use the following code: 5228850. An Audio recording of the event will be available on our corporate website shortly afterwards.

**Cautionary Statement**

This announcement contains certain forward-looking statements with respect to the financial condition and operational results of The Watches of Switzerland Group. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, WOS has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

**Registered number: 08306312**

# JEWEL UK MIDCO LIMITED
# CONSOLIDATED INCOME STATEMENT

| | Note | 52 week period ended 28 April 2019 | | | 52 week period ended 29 April 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Continuing operations | Discontinued operations | Total Group | Continuing operations | Discontinued operations | Total Group Restated (note 1) |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Revenue** | 3 | **773,518** | **25,358** | **798,876** | **631,188** | **55,709** | **686,897** |
| Cost of sales before exceptional items | | (700,945) | (25,139) | (726,084) | (573,837) | (53,990) | (627,827) |
| Exceptional cost of sales | 4 | - | (10,007) | (10,007) | - | - | - |
| Cost of sales | | (700,945) | (35,146) | (736,091) | (573,837) | (53,990) | (627,827) |
| Gross profit before exceptional items | | 72,573 | 219 | 72,792 | 57,351 | 1,719 | 59,070 |
| **Gross profit** | | **72,573** | **(9,788)** | **62,785** | **57,351** | **1,719** | **59,070** |
| Administrative expenses before exceptional items | | (19,414) | (1,498) | (20,912) | (17,114) | (2,453) | (19,567) |
| Exceptional administrative expenses | 4 | (6,350) | (6,922) | (13,272) | (1,506) | - | (1,506) |
| Administrative expenses | | (25,764) | (8,420) | (34,184) | (18,620) | (2,453) | (21,073) |
| Loss on disposal of property, plant and equipment | | (1,324) | - | (1,324) | (1,318) | (20) | (1,338) |
| **Operating profit/(loss)** | | **45,485** | **(18,208)** | **27,277** | **37,413** | **(754)** | **36,659** |
| Finance costs | | (26,413) | (2) | (26,415) | (30,603) | 19 | (30,584) |
| Finance income | | 1,048 | - | 1,048 | 354 | - | 354 |
| **Net finance cost** | | **(25,365)** | **(2)** | **(25,367)** | **(30,249)** | **19** | **(30,230)** |
| **Profit/(loss) before taxation** | | **20,120** | **(18,210)** | **1,910** | **7,164** | **(735)** | **6,429** |
| Taxation | 5 | (6,221) | 2,542 | (3,679) | (6,883) | 853 | (6,030) |
| **Profit/(loss) for the financial period** | | **13,899** | **(15,668)** | **(1,769)** | **281** | **118** | **399** |
| **Earnings Per Share** | 6 | | | | | | |
| Basic | | **20.9p** | **(23.6)p** | **(2.7)p** | **0.4p** | **0.2p** | **0.6p** |

# JEWEL UK MIDCO LIMITED
# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 52 week period ended 28 April 2019 | | | 52 week period ended 29 April 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Continuing operations | Discontinued operations | Total Group | Continuing operations | Discontinued operations | Total Group Restated (note 1) |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Profit/(loss) for the financial period** | | **13,899** | **(15,668)** | **(1,769)** | **281** | **118** | **399** |
| *Other comprehensive income/(expense):* | | | | | | | |
| **Items that will be reclassified to profit or loss** | | | | | | | |
| Foreign exchange gain/(loss) on translation of foreign operations | | 5,252 | - | 5,252 | (3,622) | - | (3,622) |
| Related tax movements | | (832) | - | (832) | - | - | - |
| **Items that will not be reclassified to profit or loss** | | | | | | | |
| Actuarial (losses)/gains on defined benefit pension scheme | 10 | (1,797) | - | (1,797) | 978 | - | 978 |
| Related tax movements | | 273 | - | 273 | (166) | - | (166) |
| **Other comprehensive income/(expense) for the period net of tax** | | **2,896** | **-** | **2,896** | **(2,810)** | **-** | **(2,810)** |
| **Total comprehensive profit/(loss) for the period, net of tax** | | **16,795** | **(15,668)** | **1,127** | **(2,529)** | **118** | **(2,411)** |

# JEWEL UK MIDCO LIMITED
# CONSOLIDATED BALANCE SHEET

| | Note | 28 April 2019 | 29 April 2018 Restated (note 1) |
|---|---|---|---|
| | | £'000 | £'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 7 | 109,666 | 118,581 |
| Intangible assets | 7 | 18,063 | 30,348 |
| Property, plant and equipment | 8 | 101,268 | 79,772 |
| Deferred tax assets | | 8,727 | 6,946 |
| Trade and other receivables | | 4,544 | 7,578 |
| | | **242,268** | **243,225** |
| **Current assets** | | | |
| Inventories | | 200,271 | 215,443 |
| Trade and other receivables | | 35,638 | 23,130 |
| Cash and cash equivalents | | 34,538 | 49,222 |
| | | **270,447** | **287,795** |
| **Total assets** | | **512,715** | **531,020** |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | (137,344) | (134,097) |
| Current tax liabilities | | (2,759) | (2,176) |
| Derivative financial instruments | | - | (31) |
| Borrowings | 9 | (27,213) | (29,228) |
| Provisions for other liabilities and charges | | (3,312) | (3,773) |
| | | **(170,628)** | **(169,305)** |
| **Non-current liabilities** | | | |
| Trade and other payables | | (20,318) | (16,298) |
| Borrowings | 9 | (239,884) | (255,530) |
| Post-employment benefit obligations | 10 | (3,051) | (1,345) |
| Provisions for other liabilities and charges | | (2,275) | (3,485) |
| | | **(265,528)** | **(276,658)** |
| **Total Liabilities** | | **(436,156)** | **(445,963)** |
| **Net assets** | | **76,559** | **85,057** |
| | | | |
| **Equity** | | | |
| Share capital | | 66 | 66 |
| Retained earnings | | 75,695 | 88,613 |
| Foreign exchange reserve | | 798 | (3,622) |
| **Total equity** | | **76,559** | **85,057** |

# JEWEL UK MIDCO LIMITED
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital £'000 | Share Premium £'000 | Accumulated Losses/ (Retained Earnings) £'000 | Foreign Exchange Reserve £'000 | Total Equity Attributable to Owners £'000 |
|---|---|---|---|---|---|
| **Balance at 30 April 2017** | **66,308** | **-** | **(15,262)** | **-** | **51,046** |
| Profit for the financial period – continuing operations | - | - | 281 | - | 281 |
| Profit for the financial period – discontinued operations | - | - | 118 | - | 118 |
| Other comprehensive income for the period net of tax | - | - | 812 | (3,622) | (2,810) |
| Share-based payment charge (restated) | - | - | 482 | - | 482 |
| Share issue | - | 35,940 | - | - | 35,940 |
| Share capital reduction | (66,242) | (35,940) | 102,182 | - | - |
| **Balance at 29 April 2018 (Restated)** | **66** | **-** | **88,613** | **(3,622)** | **85,057** |
| Profit for the financial period – continuing operations | - | - | 13,899 | - | 13,899 |
| Profit for the financial period – discontinued operations | - | - | (15,668) | - | (15,668) |
| Other comprehensive income for the period net of tax | - | - | (1,524) | 4,420 | 2,896 |
| Share-based payment charge | - | - | 375 | - | 375 |
| Dividends paid* | - | - | (10,000) | - | (10,000) |
| **Balance at 28 April 2019** | **66** | **-** | **75,695** | **798** | **76,559** |

*Dividends paid in specie relating to the carve out of the Online & servicing segment (see note 14).

# JEWEL UK MIDCO LIMITED
# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 Restated (note 1) |
|---|---|---|
| | £'000 | £'000 |
| **Cash flows from operating activities** | | |
| (Loss)/profit for the year | (1,769) | 399 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 12,026 | 11,792 |
| Amortisation of intangible assets | 4,246 | 5,253 |
| Impairment of intangible assets | 16,929 | - |
| Share-based payment charge | 375 | 482 |
| Guaranteed Minimum Payment equalisation | 450 | - |
| Finance income | (1,048) | (354) |
| Finance costs | 26,415 | 30,584 |
| Loss on disposal of property, plant and equipment | 1,324 | 1,338 |
| Taxation | 3,679 | 6,030 |
| Decrease/(increase) in inventory | 1,936 | (43) |
| Decrease/(increase) in debtors | 2,658 | (4,785) |
| Increase in creditors | 2,811 | 310 |
| **Cash generated from operations** | **70,032** | **51,006** |
| Pension scheme contributions | (697) | (695) |
| Tax paid | (5,012) | (2,888) |
| **Net cash generated from operating activities** | **64,323** | **47,423** |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (32,775) | (13,322) |
| Purchase of intangible assets | (3,275) | (1,555) |
| Cash disposed following carve out of discontinued operations | (5,659) | - |
| Acquisition of subsidiaries net of cash acquired | - | (79,068) |
| Interest received | 80 | 354 |
| **Net cash outflow from investing activities** | **(41,629)** | **(93,591)** |
| | | |
| **Cash flows from financing activities** | | |
| Net proceeds from listed bond issue | - | 255,438 |
| Repurchase of listed bond principal | (17,076) | - |
| Premium paid on early redemption of listed bond | (198) | - |
| Net proceeds from new loan | - | 107,325 |
| Transaction costs | (718) | - |
| Repayment of shareholder loan | - | (75,000) |
| Net repayment of borrowings | (2,099) | (206,500) |
| Repayment of hire purchase | (199) | (428) |
| Interest paid | (17,399) | (13,647) |
| **Net cash (outflow)/inflow from financing activities** | **(37,689)** | **67,188** |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | **(14,995)** | **21,020** |
| Cash and cash equivalents at the beginning of the period | 49,222 | 28,402 |
| Exchange losses on cash and cash equivalents | 311 | (200) |
| **Cash and cash equivalents at the end of period** | **34,538** | **49,222** |
| | | |
| **Comprised of:** | | |
| Cash at bank and in hand | 34,538 | 49,222 |
| **Cash and cash equivalents at end of period** | **34,538** | **49,222** |

**1. General information and basis of preparation**

The Condensed Consolidated Financial Statements, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, do not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditor has reported on the Group's statutory accounts for each of the financial periods 52 week period ended 28 April 2019 and 52 week period ended 29 April 2018, which do not contain any statement under s498 (2) or (3) of the Companies Act 2006 and were unqualified. The statutory accounts for the 52 week period ended 29 April 2018 have been delivered to the Registrar of Companies and the statutory accounts for the period ended 28 April 2019 will be filed with the Registrar in due course.

This announcement was approved by the Board of Directors on 16 July 2019.

**Accounting policies**

Whilst the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS.

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are the same as those set out in the Group’s annual financial statements for the 52 weeks ended 29 April 2018, except for the adoption of new standards effective as of 30 April 2018 and a change in segmental reporting definitions. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not effective. The changes to segmental reporting and new standards have been set out below.

**Prior period restatement**

*IFRS 15 – Revenue from Contracts with Customers*

The Group has applied a full retrospective transition as part of the application of IFRS 15. We have, therefore, restated all balances which are affected by the full retrospective application - further disclosure on the impact of this on the financial statements is given within 'New standards, amendments and interpretations'.

*Revision of provisional values of assets and liabilities acquired as part of business combinations*

During the measurement period, the Group has revised the provisional values of assets and liabilities acquired as part of the Mayors Jewelers and Wynn acquisitions. In line with IFRS 3 ‘Business Combinations’, we have revised the comparative information for 29 April 2018 as required. The Group is now out of the measurement period for both acquisitions and as such, the values stated within note 13 are stated as final.

*Share-based payments*

The Group has a number of share-based payment arrangements which were not accounted for in prior years. The comparative information has been restated to reflect accounting for these arrangements. Refer to the Consolidated Statement of Changes in Equity for adjustments recognised regarding these arrangements in comparative periods. Recognising these share-based payments increased administration expenses in the Consolidated Income Statement by £482,000 for the period ended 29 April 2018. Consequently, Earnings Per Share reduced from 1.3p to 0.6p in the financial year to 29 April 2018 as a result of this adjustment.

**Going concern**

The Group regularly reviews market and financial forecasts and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance will demonstrate continued improvement in future periods, and that liquidity will remain strong.

**1. General information and basis of preparation (continued)**

On 24 May 2019, Watches of Switzerland Group Limited (formerly Jewel UK Newco Limited) (registered number 11838443) purchased the entire share capital of Jewel UK Midco Limited from Jewel Holdco SARL through a share for share exchange. On 30 May 2019, Watches of Switzerland Group Limited re-registered as a Public Limited Company and on 4 June 2019, its shares were admitted for trading on the main market for listed securities of the London Stock Exchange. On 4 June 2019, the Group entered into a new term loan facility consisting of a term loan for £120,000,000 and a revolving credit facility of £50,000,000. The term loan facility expires on 4 June 2024.

The Board has reviewed the latest forecasts of the newly formed Watches of Switzerland Group PLC group, reflecting the impact of the IPO and refinancing and considered the obligations of those Group's financing arrangements. The Board has specifically considered the potential impact of the UK leaving the European Union and given the continued strong liquidity of the Group, the Board has concluded that a going concern basis of preparation of the Group's financial statements is appropriate.

**Alternative performance measures ('APMs')**

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APMs are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. The Alternative Performance Measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures.

The key APMs that the Group uses include: Adjusted EBITDA, Adjusted EBITDA pre-exceptional costs and non-underlying items and Basic EPS adjusted for exceptional items. These APMs are set out in the Glossary including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant. A reconciliation to statutory measures is included in note 2.

Non-underlying costs

The Group has chosen to present Adjusted EBITDA and Adjusted EBITDA pre-exceptional costs and non-underlying items which excludes certain items, that are considered non-underlying and exceptional due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs may include the financial effect of non-underlying items which are considered exceptional and occur infrequently such as; restructuring costs, management fees paid to the controlling shareholder and professional costs for non-trading activities. The Group believes that the separate disclosure of these costs provides additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance.

**Foreign currencies**

The Consolidated Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency. The Group includes foreign entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of those entities are translated at the exchange rates at the balance sheet date and income and expenses are translated at average rates during the period. Translation differences are recognised in other comprehensive income.

Transactions in currencies other than an entity's functional currency are recorded at the exchange rate on the transaction date, whilst assets and liabilities are translated at exchange rates at the balance sheet date. Exchange differences are recognised in the Income Statement.

**1. General information and basis of preparation (continued)**

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer of the Group. The CODM reviews the key profit measures, 'Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)' and 'Adjusted EBITDA pre-exceptional costs and non-underlying items'.

In the current period, the operating segments presented differ from those presented in the 29 April 2018 statutory financial statements. This presentation of segmental reporting represents a change to our historical presentation which has been based on purely geographical revenue streams. The CODM believes that this new segmental reporting better reflects the operations of the Group and the varying commercial strategies within its businesses. Each of the three segments shown operates within a different commercial market and sells to a different customer base than the other two, and each is governed by a separately identifiable strategic growth plan. The CODM believes that segmentation in this manner allows a reader of our financial accounts to better understand the differing commercial drivers within our overall Group performance. Refer to note 2.

**New standards, amendments and interpretations**

The Group applied IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in the period to 28 April 2019, but do not have an impact on the Consolidated Financial Statements of the Group. The Group has not adopted early any standards, interpretations or amendments that have been issued but are not yet effective.

*IFRS 15 ‘Revenue from Contracts with Customers’*

IFRS 15 supersedes IAS 11 ‘Construction Contracts’, IAS 18 ‘Revenue and Related Interpretations’ and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients.

The effect of adopting IFRS 15 is as follows:

| | 52 week period ended 29 April 2018 |
|---|---:|
| | £’000 |
| Revenue | 1,713 |
| Cost of sales | (1,713) |
| **Gross profit** | - |
| **Profit for the financial period** | - |

The change did not have an impact on total comprehensive loss for the period. There is no impact on the Consolidated Balance Sheet and Consolidated Cash Flow Statement for the periods stated above.

**1. General information and basis of preparation (continued)**
The adjustment above is to recognise certain items of revenue which were previously netted against related costs within cost of sales. Upon application of IFRS 15, these items were identified as separate contracts with customers and as such were required to be shown gross of the related costs. These items related to commissions receivable from suppliers. There is no overall impact on the gross profit, profit for the financial period and no impact upon the total comprehensive profit for the period.

*Revised revenue accounting policy*
The Group is in the business of selling luxury watches and jewellery and providing ongoing services to our customers, such as repairs and servicing. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components.

*Sale of goods*
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

*Sale of goods – retail*
Sales of goods are recognised when a Group entity sells a product to the customer and control of the goods are transferred to the customer. Retail sales are usually settled in cash or by credit card. It is the Group's policy to sell its products to the retail customer with a right to return within 14 days for a cash refund and 30 days for a product exchange. The Group does not operate any loyalty programmes.

Where sales are made on credit provided by a third party, revenue is recognised immediately on sale of the product and control has been passed to the customer.

The Group also offers customers the option to pay for goods over time via credit agreements. This is discounted using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

*Sale of goods – online*
Revenue from the provision of the sale of goods on the internet is recognised at the point that control has passed to the customer, which is the point of delivery. Transactions are settled by credit or payment card. Where sales are made on credit provided by a third party, revenue is recognised when control has been passed to the customer, on delivery.

*Rendering of services*
Revenue from a contract to provide services is recognised in the period in which the services are provided. Revenue is recognised when the following conditions are satisfied:
- The amount of revenue can be measured reliably;
- It is probable that the Group will receive the consideration due under the contract;
- The service has been completed; 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.

**1. General information and basis of preparation (continued)**

*IFRS 9 'Financial instruments'*

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 30 April 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. There have been no differences arising from the adoption of IFRS 9.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ('OCI'). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 30 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

| **Financial assets** | **New classification under IFRS 9** | **Original classification under IAS 39** | **Carrying amount under IAS 39 and IFRS 9 £'000** |
|---|---|---|---|
| Trade and other receivables* | Amortised cost | Loans and receivables | 23,403 |
| Cash and short term deposits | Amortised cost | Loans and receivables | 49,222 |

| **Financial liabilities** | **New classification under IFRS 9** | **Original classification under IAS 39** | **Carrying amount under IAS 39 and IFRS 9 £'000** |
|---|---|---|---|
| Derivatives not designated as hedging instruments | Fair value through profit or loss | Fair value through profit or loss | (31) |
| Interest-bearing loans and borrowings | Amortised cost | Other financial liabilities | (294,309) |
| Trade and other payables** | Amortised cost | Other financial liabilities | (133,074) |

*Excludes prepayments of £7,305,000 that do not meet the definition of a financial instrument.

**Trade payables excludes property lease incentives of £12,911,000, deposits of £2,618,000 and gift card liabilities of £1,792,000 that do not meet the definition of a financial instrument.

Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The new methodology for impairment has not had a material impact on the level of provision held for impairment losses.

**1. General information and basis of preparation (continued)**

Hedge accounting

At the date of initial application, the Group had no existing hedging relationships and have no hedging relationships as at 28 April 2019.

*Revised financial instruments accounting policy*

**Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

***Financial assets***

*Initial recognition and measurement*

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Group's business model for managing the assets; 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.

### 1. General information and basis of preparation (continued)

***Financial liabilities***

*Initial recognition and measurement*

The Group has classified its financial liabilities as follows:

| Financial liabilities | Classification under IFRS 9 |
|---|---|
| Derivatives not designated as hedging instruments | Fair value through profit or loss |
| 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 rated ('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.

**Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective**.** The new standards and interpretations effective for periods commencing on or after 1 January 2019 and therefore applicable to the Group for the 52 weeks ending 26 April 2020 are listed below:

- Annual improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IFRS 9 'Financial Instruments', on prepayment features with negative compensation;
- Amendments to IAS 28 'Investments in Associates', on long term interests in associates and joint ventures;
- Amendments to IAS 19 'Employee Benefits', on plan amendment, curtailment or settlement;
- IFRIC 23 ' Uncertainty over Income Tax Treatments'; and
- IFRS 16 'Leases'

With the exception of the adoption of IFRS 16, the adoption of the above standards and interpretations will not lead to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

**1. General information and basis of preparation (continued)**

IFRS 16 Leases is effective for periods beginning on or after 1 January 2019. The Group will adopt the new financial reporting standard from 29 April 2019. The financial statements for the 52 weeks ending 26 April 2020 will be the first prepared under IFRS 16. The Group has decided to adopt using the modified retrospective transition approach meaning the comparative period will not be restated.

**Impact of application of IFRS 16 Leases**

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Transition

The Group will apply the modified retrospective approach and will recognise the lease liability on transition as the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of transition.

The Group has chosen on a lease-by-lease basis to measure the right-of-use asset as either:

- Its carrying amount as if IFRS 16 had been applied since the commencement date, but discounting using the incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of initial application.

The Group will not restate comparatives and the cumulative effect of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings.

Exemptions and Practical Expedients

The Group has elected to apply the following:

- Exclude short-lived leases with a lease of less than one year
- Low-value assets (defined as less than $5,000 at initial cost)
- To rely on its assessment of whether leases are onerous immediately before the date of transition as an alternative to performing an impairment review
- To exclude initial direct costs from the measurement of the right-of-use asset on transition
- To apply hindsight, where appropriate, for instance in determining the lease term.

Significant areas of judgement and estimation

The application of IFRS 16 requires significant estimation and judgement, particularly around the calculation of the incremental borrowing rate and determining the lease term when there are options to extend or terminate early. Each of these have been determined on a lease-by-lease basis on transition. High levels of judgement are also involved in determining whether leases contain 'substantive substitution rights' and therefore whether they meet the definition of a lease under IFRS 16.

**1. General information and basis of preparation (continued)**

Impact on the Financial Statements

There will be a significant impact on the Balance Sheet on transition as at 29 April 2019. It is expected on a pre-tax basis that a right-of-use asset in the range of £240m and lease liability in the range of £265m will be recognised, along with the derecognition of onerous lease provisions of approximately £4m and other working capital balances (including lease incentives) of approximately £12m, which results in an overall adjustment to retained earnings in the range of £10m.

Operating profit and Adjusted EBITDA increase due to the depreciation expense being lower than the lease expense it replaces. The overall impact on profit before tax and adjusting items depends on the relative maturity of the lease portfolio. **Assuming a constant portfolio of leases** as at 29 April 2019, it is estimated that for the 52 weeks ended 26 April 2020:

- Profit before tax when applying IFRS 16 is expected to be c.£4m lower than under IAS 17
- Adjusted EBITDA is c.£42m higher due to the removal of rental expense
- Operating profit is c.£7m higher due the fact that depreciation on the right-of-use asset is lower than the rental expense under IAS 17.

The application of IFRS 16 requires a reclassification of cash flow from operations to net cash used in financing activities, however, the impact to the Group is cash flow neutral.

**Major sources of estimation uncertainty and judgement**

The preparation of consolidated financial information requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Actual results may differ from these estimates.

***Significant estimates***

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future period affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

*Post-employment benefit obligations*

The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees and the determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of these assumptions. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. Sensitivity of the Group's defined benefit contribution scheme to movements in key assumptions is set out in note 10.

*Net realisable value of inventories*

Inventories are stated at the lower of cost and net realisable value, on a weighted average cost basis, which requires the estimation of the eventual sales price of goods to customers in the future. Provisions are recognised where the net realisable value is assessed to be lower than cost. A 20% reduction in the store sell-through of slow moving stock would impact the net realisable value by c. £1,200,000.

***Significant judgements***

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**1. General information and basis of preparation (continued)**

*Business combination – Wynn*

The Group has determined based on criteria set out in IFRS 3 'Business combinations' that the acquisition of the trade and assets of certain retail stores within the Wynn Hotel, Las Vegas, constitutes a business combination. The Group acquired the inventory, which was held by the previous store owners, the right to sell the goods from agreed locations, trained employees and a Rolex agency. Management have reviewed IFRS 3 and have specifically considered the guidance in relation to inputs, outputs and processes, determining that the purchase agreement constitutes a business combination despite not purchasing the share capital of an entity. As such, the Group has recognised goodwill and other intangible assets which is attributable to the business combination.

*Classification of exceptional items and presentation of non-GAAP measures*

The Directors exercise their judgement in the classification of certain items as exceptional and outside of the Group's underlying results. The determination of whether an item should be separately disclosed as an exceptional item, non-underlying or non-trading requires judgement on its materiality, nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance. In exercising this judgement, the Directors take appropriate regard of IAS 1 'Presentation of Financial Statements' as well as guidance from the Financial Reporting Council and the European Securities Market Authority on the reporting of exceptional items and APMs.

The overall goal of the Directors is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they be favourable or unfavourable to the underlying result. Further details on exceptional items are provided in note 4.

**2. Segment reporting**

As explained in note 1, the Group has revised its operating segments for the current period to better reflect the operations of the Group. Under IFRS 8 'Segmental reporting', a full restatement of the financial history is required when primary segments evolve to show these on a consistent basis. The key Group performance measures are Adjusted EBITDA and Adjusted EBITDA pre-exceptional costs and non-underlying items, as detailed below.

Adjusted EBITDA represents profit/(loss) for the period before finance costs, finance income, taxation, depreciation, amortisation and exceptional items presented in the Group's Income Statement (consisting of exceptional administrative expenses and exceptional cost of sales).

Adjusted EBITDA pre-exceptional and non-underlying costs also excludes non-recurring costs such as store pre-opening and closure costs as noted in the table below.

**2. Segment reporting (continued)**

| | 52 week period ended 28 April 2019 | | | | |
|---|---|---|---|---|---|
| | UK watch & jewellery | US watch & jewellery | **Total continuing operations** | Online and servicing (discontinued) | **Total** |
| | £'000 | £'000 | **£'000** | £'000 | **£'000** |
| Revenue | 588,224 | 185,294 | **773,518** | 25,358 | **798,876** |
| Operating profit | 40,779 | 4,706 | **45,485** | (18,208) | **27,277** |
| Depreciation | 10,287 | 1,541 | **11,828** | 198 | **12,026** |
| Amortisation | 1,123 | 1,468 | **2,591** | 1,655 | **4,246** |
| | 11,410 | 3,009 | **14,419** | 1,853 | **16,272** |
| **EBITDA** | 52,189 | 7,715 | **59,904** | (16,355) | **43,549** |
| Exceptional items (note 4) | 5,961 | 389 | **6,350** | 16,929 | **23,279** |
| ***Non-underlying items*** | | | | | |
| Loss on disposal of property, plant and equipment | 1,116 | 208 | **1,324** | - | **1,324** |
| Costs from non-trading activities and management fees | (947) | 2,136 | **1,189** | 49 | **1,238** |
| **Adjusted EBITDA** | 58,319 | 10,448 | **68,767** | 623 | **69,390** |
| ***Additional non-recurring items*** | | | | | |
| Store pre-opening costs | 363 | 5,625 | **5,988** | - | **5,988** |
| Store closure costs | 1,442 | 28 | **1,470** | - | **1,470** |
| Other non-trading fees (i) | 1,494 | 433 | **1,927** | - | **1,927** |
| **Adjusted EBITDA pre-exceptional costs and non-underlying items** | 61,618 | 16,534 | **78,152** | 623 | **78,775** |
| **Total assets** | 432,642 | 80,073 | **512,715** | - | **512,715** |
| **Total liabilities** | (367,538) | (68,618) | **(436,156)** | - | **(436,156)** |
| *Non-current assets* | | | | | |
| Goodwill and intangible assets | 99,773 | 27,956 | **127,729** | - | **127,729** |
| Property, plant and equipment | 68,491 | 32,777 | **101,268** | - | **101,268** |
| Other non-current assets | 2,612 | 10,659 | **13,271** | - | **13,271** |
| **Total** | 170,876 | 71,392 | **242,268** | - | **242,268** |

(i) Other non-trading fees relates principally to management fees, transfer pricing adjustments and other non-recurring professional and legal fees.

**2. Segment reporting (continued)**

| | 52 week period ended 29 April 2018 Restated (note 1) | | | | |
|---|---|---|---|---|---|
| | UK watch & jewellery | US watch & jewellery | **Total continuing operations** | Online and servicing (discontinued) | **Total** |
| | £'000 | £'000 | **£'000** | £'000 | **£'000** |
| Revenue | 541,195 | 89,993 | **631,188** | 55,709 | **686,897** |
| Operating profit | 34,215 | 3,198 | **37,413** | (754) | **36,659** |
| *Add back:* | | | | | |
| Depreciation | 10,665 | 774 | **11,439** | 353 | **11,792** |
| Amortisation | 1,845 | 629 | **2,474** | 2,779 | **5,253** |
| | 12,510 | 1,403 | **13,913** | 3,132 | **17,045** |
| **EBITDA** | 46,725 | 4,601 | **51,326** | 2,378 | **53,704** |
| Exceptional costs (note 4) | 59 | 1,447 | **1,506** | - | **1,506** |
| ***Non-underlying costs*** | | | | | |
| Loss on disposal of property, plant and equipment | 1,318 | - | **1,318** | 20 | **1,338** |
| Costs from non-trading activities and management fees | 1,573 | 2,771 | **4,344** | 28 | **4,372** |
| **Adjusted EBITDA** | 49,675 | 8,819 | **58,494** | 2,426 | **60,920** |
| ***Additional non-recurring costs*** | | | | | |
| Store pre-opening costs | 1,700 | 61 | **1,761** | - | **1,761** |
| Store closure costs | 3,450 | - | **3,450** | - | **3,450** |
| Other non-trading fees (i) | 1,367 | 531 | **1,898** | - | **1,898** |
| **Adjusted EBITDA pre-exceptional costs and non-underlying items** | 56,192 | 9,411 | **65,603** | 2,426 | **68,029** |
| **Total assets** | 365,669 | 123,943 | **489,612** | 41,408 | **531,020** |
| **Total liabilities** | (343,654) | (96,854) | **(440,508)** | (5,455) | **(445,963)** |
| *Non-current assets* | | | | | |
| Goodwill and intangible assets | 88,489 | 36,786 | **125,275** | 23,654 | **148,929** |
| Property, plant and equipment | 68,325 | 10,424 | **78,749** | 1,023 | **79,772** |
| Other non-current assets | 3,014 | 13,767 | **16,781** | (2,257) | **14,524** |
| **Total** | 159,828 | 60,977 | **220,805** | 22,420 | **243,225** |

**2. Segment reporting (continued)**

***Entity-wide revenue disclosures***

The period ending 29 April 2018 has been restated, as described further in note 1, to reflect the IFRS 15 transition adjustments:

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 Restated (note 1) |
|---|---|---|
| | £'000 | £'000 |
| **UK watch & jewellery** | | |
| Luxury watches | 471,717 | 418,030 |
| Luxury jewellery | 55,827 | 56,961 |
| Fashion & classic (incl. jewellery) | 33,614 | 38,646 |
| Other | 27,066 | 27,558 |
| **Total** | **588,224** | **541,195** |
| **US watch & jewellery** | | |
| Luxury watches | 159,729 | 74,324 |
| Luxury jewellery | 18,906 | 11,929 |
| Fashion & classic (incl. jewellery) | 953 | 818 |
| Other | 5,706 | 2,922 |
| **Total** | **185,294** | **89,993** |
| **Online and servicing (discontinued)** | | |
| Fashion & classic (incl. jewellery) | 22,148 | 49,921 |
| Other | 3,210 | 5,788 |
| **Total** | **25,358** | **55,709** |
| **Group** | | |
| Luxury watches | 631,446 | 492,354 |
| Luxury jewellery | 74,733 | 68,890 |
| Fashion & classic (incl. jewellery) | 56,715 | 89,385 |
| Other | 35,982 | 36,268 |
| **Total** | **798,876** | **686,897** |

'Other' consists of the sales of gifts, servicing, repairs and insurance.

Information regarding geographical areas, including revenue from external customers and non-current assets is disclosed above.

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

**3. Revenue**

The Group's disaggregated revenue recognised under contracts with customers relates to the following categories and operating segments. The period ending 29 April 2018 has been restated, as described further in note 1, to reflect the IFRS 15 transition adjustments:

| | 52 week period ended 28 April 2019 | | |
|---|---|---|---|
| | Sale of goods | Rendering of services | Total |
| | £'000 | £'000 | £'000 |
| UK watch & jewellery | 564,926 | 23,298 | 588,224 |
| US watch & jewellery | 179,692 | 5,602 | 185,294 |
| Online and servicing (discontinued) | 22,148 | 3,210 | 25,358 |
| **Total** | **766,766** | **32,110** | **798,876** |

**3. Revenue (continued)**

| | 52 week period ended 29 April 2018 Restated (note 1) | | |
|---|---|---|---|
| | Sale of goods | Rendering of services | Total |
| | £'000 | £'000 | £'000 |
| UK watch & jewellery | 515,482 | 25,713 | 541,195 |
| US watch & jewellery | 87,365 | 2,628 | 89,993 |
| Online and servicing (discontinued) | 49,921 | 5,788 | 55,709 |
| **Total** | **652,768** | **34,129** | **686,897** |

**4. Exceptional items**

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

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| *Exceptional cost of sales* | | |
| Impairment of discontinued operation's intangible assets (i) | (10,007) | - |
| *Exceptional administrative expenses* | | |
| Impairment of discontinued operation's goodwill (i) | (6,922) | - |
| Professional & legal expenses on business combinations (ii) | - | (1,447) |
| Revision of estimates of payments to former owners (iii) | 22 | (59) |
| Exceptional professional fees for Initial Public Offering (iv) | (5,922) | - |
| Guaranteed Minimum Pension (GMP) equalisation (v) | (450) | - |
| **Total exceptional items** | (23,279) | (1,506) |
| **Tax impact of exceptional items** | 77 | - |

(i) Impairment of discontinued operation's goodwill and intangible assets
During the period, the Group carved out the trade and assets of the Watch Shop (including the Watch Hut) and Watch Lab businesses. As part of the exercise, the businesses were valued, see note 7, which indicated that the brand, technology and goodwill relating to the discontinued operations were impaired. The impairment charge is regarded as a non-trading, non-underlying cost.

(ii) Professional and legal expenses on business combinations
Professional and legal expenses on business combinations completed during the periods have been expensed to the Income Statement as an exceptional cost as they are regarded as non-trading, non-underlying costs.

(iii) Revision to estimates of payments to former owners
As part of the consideration for The Watch Lab Limited acquisition, the former owners received an additional pay-out based on the performance of the acquired entities as long as they remained in employment. This is regarded as an exceptional expense as it does not form part of underlying trading costs.

(iv) Exceptional professional fees for Initial Public Offering (IPO)
The Group has incurred exceptional professional costs for services performed as part of the IPO process. These costs are regarded as an exceptional expense as these are only expected to be incurred once and do not form part of underlying trading costs.

**4. Exceptional items (continued)**
(v) Guaranteed Minimum Pension (GMP) equalisation
On 1 November 2018, the High Court ruled that companies are required to amend the defined benefit pension obligations in order to equalise the GMP obligation for men and women. As such, during the period to 28 April 2019, the Group incurred an additional one-off charge in relation to this ruling. This is regarded as an exceptional expense as it does not form part of the underlying trading costs and is not expected to re-occur.

**5. Taxation**
The effective tax rate for the period was 192.6% (29 April 2018: 87.3%). The tax rate for the current period varied from the standard rate of corporation tax in the UK due to the following factors:

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| | % | % |
| UK corporation tax rate | 19.0 | 19.0 |
| Non-deductible expenses | 72.8 | 9.3 |
| Depreciation and amortisation on non-qualifying assets | 90.4 | 9.7 |
| Exchange losses, included in subsidiary computations | - | (7.8) |
| Group relief | (4.1) | 32.0 |
| Impact of change in tax rates | (1.8) | 46.2 |
| Other | 3.6 | (21.9) |
| Adjustments in respect of prior periods | 12.7 | 0.8 |
| **Effective total tax rate on profit before taxation** | 192.6 | 87.3 |

**6. Earnings Per Share (EPS)**

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| **Basic EPS** | **(2.7)p** | **0.6p** |
| **Basic EPS (continuing operations)** | **20.9p** | **0.4p** |
| **Basic EPS adjusted for exceptional items (continuing operations)** | **30.4p** | **2.7p** |

Basic EPS is based on the profit/(loss) for the 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 not calculated as there are no convertible instruments in issue.

**6. Earnings Per Share (EPS) (continued)**

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

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| *Profit/(loss) after tax attributable to equity holders of the parent company* | | |
| Continuing operations | 13,899 | 281 |
| Discontinued operations | (15,668) | 118 |
| **(Loss)/profit attributable to ordinary equity holders of the parent for basic earnings** | (1,769) | 399 |
| | | |
| Profit after tax attributable to equity holders of the parent company (continuing operations) | 13,899 | 281 |
| *Add back:* | | |
| Exceptional administrative expenses (continuing operations), net of tax | 6,273 | 1,506 |
| **Profit adjusted for exceptional items for continuing operations** | 20,172 | 1,787 |

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

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| | '000 | '000 |
| Weighted average number of ordinary shares for basic EPS | 66,308 | 66,308 |

Refer to note 16 for details of post-balance sheet events regarding other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

**7. Intangible assets**

| | 28 April 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Goodwill | Brands | Technology | Agency agreement | Computer software | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| *Net book value* | | | | | | |
| At 30 April 2018 | 118,581 | 20,401 | 2,952 | 2,371 | 4,624 | 148,929 |
| Additions | - | - | - | - | 3,275 | 3,275 |
| Transfer from property, plant and equipment | - | - | - | - | 185 | 185 |
| Amortisation | - | (2,084) | (515) | (264) | (1,383) | (4,246) |
| Impairment | (6,922) | (7,942) | (2,065) | - | - | (16,929) |
| Carve-out of discontinued operations | (2,950) | (1,430) | (372) | - | (574) | (5,326) |
| Foreign exchange differences | 957 | 668 | - | 174 | 42 | 1,841 |
| At 28 April 2019 | **109,666** | **9,613** | **-** | **2,281** | **6,169** | **127,729** |

*Impairment of intangibles*
During the period ended 28 April 2019, management identified that the recoverable amount of the Watch Shop, Watch Hut and The Watch Lab (together the "Online and servicing" operating segment) had declined due to increasingly difficult market climates. As part of a group reconstruction, these CGUs were carved-out of the Jewel UK Midco Limited Group and passed to a related undertaking outside of the Group.

Management contracted independent third party valuers to value these CGUs. The combined value of the group of Watch Shop and Watch Hut CGUs was valued at £16,562,000 and the group of The Watch Lab CGUs at £4,450,000. The independent valuers used a "fair value less costs to sell" methodology and the market approach to value the businesses. This methodology takes the earnings of the group of CGUs and capitalises this at a multiple that reflects the risks of the group of CGUs and the stream of earnings which it expects to generate in the future. The fair value of the CGUs was determined using level 2 and level 3 inputs. 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.

**7. Intangible assets (continued)**

A total impairment of £16,929,000 has been recognised within the financial statements for the 52 week period to 28 April 2019. This consists of:

| | Impairment recognised £'000 |
|---|---|
| *Recognised in Exceptional administrative expenses* | |
| Goodwill | |
| Watch Hut | 1,175 |
| Watch Shop | 4,824 |
| The Watch Lab | 923 |
| | 6,922 |
| *Recognised in Exceptional cost of sales* | |
| Brand | |
| Watch Shop | 7,942 |
| Technology | |
| Watch Shop | 2,065 |
| | 10,007 |
| **Total** | **16,929** |

The impairment of the brand and technology has been recognised in Exceptional cost of sales in line with where the amortisation of the intangible assets has been recognised.

**8. Property, plant and equipment**

| | | 28 April 2019 | |
|---|---|---|---|
| | Land and buildings | Fittings and equipment | Total |
| | £'000 | £'000 | £'000 |
| *Net book value* | | | |
| At 30 April 2018 | 1,891 | 77,881 | 79,772 |
| Additions | 435 | 34,845 | 35,280 |
| Disposals | (9) | (1,315) | (1,324) |
| Transfer to intangible assets | - | (185) | (185) |
| Depreciation | (298) | (11,728) | (12,026) |
| Carve-out of discontinued operations (note 14) | (114) | (973) | (1,087) |
| Foreign exchange differences | - | 838 | 838 |
| At 28 April 2019 | **1,905** | **99,363** | **101,268** |

During the period to 28 April 2019, the Group invested significant levels of capital expenditure in the stores based in the US on new store fit outs and refurbishment of Mayors stores.

**9. Borrowings**

| | 28 April 2019 | 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| **Current** | | |
| Revolving credit facility | 27,103 | 29,000 |
| Finance lease liabilities | 110 | 228 |
| | 27,213 | 29,228 |
| **Non-current** | | |
| Listed bond | 239,884 | 255,449 |
| Finance lease liabilities | - | 81 |
| | 239,884 | 255,530 |
| **Total borrowings** | **267,097** | **284,758** |

Borrowings are secured against the assets held by entities within the Group.

**9. Borrowings (continued)**
On 18 April 2018, Jewel UK Bondco PLC, a subsidiary of Jewel UK Midco Limited, issued a listed bond note on The International Stock Exchange for a principal value of £265,000,000. Interest is payable at 8.5% with the notes maturing in 2023.

During the period to 28 April 2019, the Group repurchased the principal value of £17,076,000 of the listed bond note. A premium was paid of £198,000 which has been recognised within Finance costs.

On 6 June 2019, the Group repurchased the entire outstanding balance on the listed bond and entered into a new term loan and revolving credit facility (refer to note 16).

The listed bond is presented net of capitalised transaction costs. Capitalised transaction costs are amortised using the effective interest rate.

**10. Post-employment benefit obligations**

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| Opening net pension liability | (1,345) | (2,841) |
| Current service cost | (23) | (23) |
| Administration expenses | (102) | (85) |
| Past service costs and curtailments (note 4) | (450) | - |
| Interest cost | (31) | (69) |
| Employer contributions | 697 | 695 |
| Actuarial (losses)/gains | (1,797) | 978 |
| **Closing net pension liability** | **(3,051)** | **(1,345)** |

The net defined benefit pension liability recognised in the Consolidated Balance Sheet is analysed as follows:

| | 28 April 2019 | 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| Equities | 16,347 | 16,264 |
| Cash | 2 | (9) |
| Fair value of plan assets | 16,349 | 16,255 |
| Present value of benefit obligations | (19,400) | (17,600) |
| **Net pension liability** | **(3,051)** | **(1,345)** |

*Financial assumptions*
The financial assumptions for the pension scheme and the most recent actuarial valuation have been updated by an independent qualified actuary to take account of the requirements of IAS 19 "Employee Benefits" in order to assess the liabilities of the scheme. The most significant of these are the discount rate and the inflation rate which are 2.55% (29 April 2018: 2.90%) and 3.35% (29 April 2018: 3.20%). The inflation rate reflects the Retail Price Index (RPI) rate.

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 of £450,000 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.

### 10. Post-employment benefit obligations (continued)

***Sensitivity analysis***

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

| | 28 April 2019 | 29 April 2018 |
|---|---|---|
| | % | % |
| 0.25% increase in discount rate | (4.0) | (4.0) |
| 0.25% decrease in discount rate | 4.0 | 4.0 |
| 0.25% increase in salary growth rate | 0.1 | 0.1 |
| 0.25% decrease in salary growth rate | (0.1) | (0.1) |
| 0.25% increase in pension growth rate | 2.7 | 2.7 |
| 0.25% decrease in pension growth rate | (2.7) | (2.7) |
| 1 year increase in life expectancy | 3.0 | 3.0 |
| 1 year decrease in life expectancy | (3.0) | (3.0) |

### 11. Analysis of net debt

| | 29 April 2018 | Cash flow | Non-cash charges | Foreign exchange | **28 April 2019** |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Cash and cash equivalents | 49,222 | (14,995) | - | 311 | **34,538** |
| Revolving credit facility | (29,000) | 2,099 | - | (202) | **(27,103)** |
| Corporate bonds | (255,449) | 17,794 | (2,229) | - | **(239,884)** |
| Finance lease liabilities | (309) | 199 | - | - | **(110)** |
| **Total net debt** | **(235,536)** | **5,097** | **(2,229)** | **109** | **(232,559)** |

### 12. Related party transactions

***Transactions with subsidiary companies and companies under common control***

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

During the 52 week period ended 28 April 2019, the Company incurred interest charges of £nil (2018: £11,722,000) on balances owed to Jewel UK Topco Limited. The outstanding balance was repaid during the period ended 29 April 2018 with a cash payment of £75,000,000 and the remaining balance settled via the issue of one additional share. The outstanding balance as at 28 April 2019 was £nil (2018: £nil).

During the 52 week period ended 28 April 2019, the Group made the strategic decision, as part of a group reconstruction, to carve-out the Online and servicing operating segment from the Group and pass it 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. The loan note incurs interest at a rate of 8.75% per annum. The balance of the loan note and associated accrued interest as at 28 April 2019 was £11,420,000 (2018: £nil). This balance was waived post period end (refer to note 16).

During the period ended 28 April 2019, the Group received corporation tax group relief of £77,000 (2018: £2,211,000 surrendered) relating to the tax position of the Jewel UK Topco Limited group.

### 13. Business combinations

On 23 October 2017, the Group acquired 100% of the share capital of Mayors Jewelers, Inc, a group of companies operating as a high street jeweller through 17 retail stores outlets in Florida and Georgia in the United States, for £80,759,000. The business contributed revenue of £81,048,000 and net profit of £3,907,000 to the Group from the date of acquisition to 29 April 2018. The goodwill arising on the acquisition is attributable to Mayors Jewelers' strong position in this market in addition to employees acquired as part of the business combination and access to new locations.

The following table summarises the consideration paid for Mayors Jewelers and the fair value of assets acquired and liabilities assumed at the acquisition date for each of the applicable periods:

| Consideration at 23 October 2017 | £'000 |
|---|---|
| Initial cash consideration | 80,759 |
| **Total consideration (100% holding)** | **80,759** |

| | **Recognised values on acquisition** |
|---|---|
| Property, plant and equipment | 6,703 |
| Intangible assets | 11,086 |
| Inventories | 50,749 |
| Trade and other receivables | 11,369 |
| Cash and cash equivalents | 1,691 |
| Deferred tax assets | 10,078 |
| Borrowings | (200) |
| Provisions for other liabilities and charges | (1,223) |
| Trade and other payables | (20,973) |
| **Total identifiable net assets** | **69,280** |
| Goodwill | 11,479 |
| **Total assets acquired** | **80,759** |

Fair value adjustments were made to uplift lease creditors to reflect market value of lease arrangements and to adjust intangible assets to reflect the value of previously unrecognised brand. The brand intangible assets will be amortised over a period of 10 years. The deferred tax assets acquired included an asset of £7,777,000 relating to losses brought forward to be utilised.

Acquisition-related costs of £1,447,000 have been charged to Exceptional expenses in the Consolidated Income Statement for the period ended 29 April 2018.

On 11 December 2017 the Group acquired the trade and assets of certain retail stores within the Wynn Hotel, Las Vegas. The fair value of consideration paid totalled £14,410,000 which was settled by the issue of two promissory notes which have a fair value of £8,572,000 and £5,838,000 to be repaid over 1 and 5 years respectively. The business contributed revenue of £8,945,000 and net profit of £1,442,000 to the group for the period from the date of acquisition to 29 April 2018. The goodwill arising on the acquisition is attributable to the prime location and trained employees acquired as part of the business combination.

**13. Business combinations (continued)**
The following table summarises the consideration paid for the trade and assets of Wynn Hotel and the fair value of assets and liabilities acquired at the acquisition date for each of the applicable periods:

| Consideration at 11 Dec 2017 | £'000 |
|---|---|
| Consideration satisfied via the issue of promissory notes | 14,410 |
| **Total consideration (100% holding)** | **14,410** |

| | **Recognised values on acquisition** |
|---|---|
| Property, plant and equipment | 456 |
| Intangible assets | 2,557 |
| Inventories | 8,571 |
| **Total identifiable net assets** | **11,584** |
| | |
| Goodwill | 2,826 |
| **Total assets acquired** | **14,410** |

Fair value adjustments were made to adjust intangible assets to reflect the value of previously unrecognised agency agreements. The intangible asset will be amortised over a period of 10 years.

There were immaterial acquisition-related costs in relation to the Wynn Hotel acquisition charged in the Consolidated Income Statement for the period ended 29 April 2018.

Had Mayors Jewelers been consolidated from 1 May 2017, the Consolidated Income Statement for the period would show:

| | Mayors Jewelers | Consolidated results for the period | Proforma results |
|---|---|---|---|
| | 1 May 2017 to 22 October 2017 | 52 week period ended 29 April 2018 | 52 week period ended 29 April 2018 |
| | £'000 | £'000 | £'000 |
| Revenue | 61,618 | 686,897 | 748,515 |
| (Loss)/profit for the period | (16) | 399 | 383 |

Results for the Wynn Hotel acquisition have been excluded from these proforma results because it would be impracticable to include as these stores were not separately accounted for under their previous ownership. However, the Directors do not consider that these have a material effect on the Group results as a whole.

### 14. Discontinued operations

On 3 December 2018, the Online and servicing segment was carved-out of the Group and passed to a related undertaking outside of the Group. A third party, independent valuation of these businesses was obtained immediately prior to disposal, totalling £21,012,000 for the combined businesses. As this transfer was entirely intra-group, no cash proceeds were generated.

The impact upon the Balance Sheet and Statement of Cash Flows for the historic periods have been presented below:

***Cash flows (used in)/from discontinued operations***

| | 52 week period ended 28 April 2019 | 52 week period ended 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| Net cash from operating activities | 73 | 2,571 |
| Net cash used in investing activities | (516) | (652) |
| **Net cash (used in)/from discontinued operations** | (443) | 1,919 |

***Effect of the disposals on individual assets and liabilities***

| | As at date of carve out (3 December 2018) | 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| Goodwill | 2,950 | 9,872 |
| Intangible assets | 2,376 | 13,782 |
| Property, plant and equipment | 1,087 | 1,023 |
| Inventories | 16,704 | 12,839 |
| Trade and other receivables | 780 | 1,059 |
| Cash and cash equivalents | 5,659 | 5,090 |
| Trade and other payables | (8,544) | (5,455) |
| Deferred tax liabilities | - | (2,257) |
| Net identifiable assets and liabilities | 21,012 | 35,953 |

### 15. Financial instruments

***Categories***

| | 28 April 2019 | 29 April 2018 |
|---|---|---|
| | £'000 | £'000 |
| *Financial assets – held at amortised cost* | | |
| Trade and other receivables* | 30,697 | 23,403 |
| Cash and cash equivalents | 34,538 | 49,222 |
| | **65,235** | **72,625** |
| *Financial liabilities – held at fair value through profit and loss* | | |
| Derivatives not designated as hedging instruments | - | (31) |
| *Financial liabilities – held at amortised cost* | | |
| Interest-bearing loans and borrowings: | | |
| Corporate bonds** | (247,924) | (265,000) |
| Revolving credit facility | (27,103) | (29,000) |
| Finance lease liability | (110) | (309) |
| Trade and other payables*** | (132,523) | (133,074) |
| | **(407,660)** | **(427,383)** |

**15. Financial instruments (continued)**

*Excludes prepayments of £9,485,000 (2018: £7,305,000) that do not meet the definition of a financial instrument.
** Excludes capitalised transactions costs of £8,040,000 (2018: £9,551,000).
***Excludes property lease incentives of £18,010,000 (2018: £12,911,000), deposits of £5,083,000 (2018: £2,618,000) and gift card liabilities of £2,046,000 (2018: £1,792,000) that do not meet the definition of a financial instrument.

***Fair values***

The fair values of each category of the Group's financial instruments are the same as their carrying values in the Group's Balance Sheet, other than corporate bonds, based on the following assumptions:

| | |
|---|---|
| Trade and other receivables, trade and other payables, cash and cash equivalents, revolving credit facility, finance lease liability | The fair value approximates the carrying amount because of the short maturity of these investments. |
| Derivative financial instruments | The fair value is determined as the net present value of cash flows using observable market rates at the reporting date. |

The fair value of corporate bonds is as follows:

| | 28 April 2019 | | 29 April 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £'000 | £'000 | £'000 | £'000 |
| Corporate bonds | 239,884 | 254,940 | 255,449 | 264,285 |

Corporate bonds are held at amortised cost net of capitalised borrowing costs.

***Fair value hierarchy***

Financial instruments carried at fair value are required to be measured by reference to the following levels under IFRS 13 'Fair Value Measurement'*:*

| **Hierarchy level** | **Inputs** | **Financial instruments** |
|---|---|---|
| Level 1 | Quoted markets in active markets for identical assets or liabilities | Corporate bonds (disclosure) |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) | Derivative financial instruments |
| Level 3 | Inputs for the asset or liability that are not based on observable market data (unobservable market data) | Not applicable |

### 16. Post-balance sheet events

On 17 May 2019, Jewel UK Topco Limited sold its investment in Jewel UK Midco Limited and its related subsidiaries to Jewel Holdco S.a.r.l. As at this date, the immediate parent company of the Group was Jewel Holdco S.a.r.l. The principal amount owed to Jewel UK Bidco Limited (a subsidiary of Jewel UK Midco Limited), of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) in exchange for a receivable from Jewel UK Topco Limited.

On 24 May 2019, Watches of Switzerland Group PLC acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by a way of a share for share exchange with Jewel Holdco S.a.r.l. becoming the Group's immediate parent company.

On 30 May 2019, Watches of Switzerland Group PLC was re-registered as a public limited company under the Companies Act 2006.

On the 4 June 2019, Watches of Switzerland Group PLC was admitted for listing on the London Stock Exchange. The primary proceeds from the initial public offering were used to refinance the Group's debt. The principal amount owed to Jewel UK Bidco Limited (a subsidiary of Jewel UK Midco Limited), of £11,012,000 and associated interest of £408,000, by Jewel UK Topco Limited was transferred to Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) with a receivable of £11,518,000 between Jewel UK Bidco Limited and Watches of Switzerland Group plc arising as a result. Watches of Switzerland Group PLC repaid the intercompany payable of £11,518,000 to Jewel UK Bidco Limited by utilising proceeds received from the primary listing and recognised a receivable from Jewel UK Topco Limited of £11,420,000. This balance was subsequently waived. The waiver has no impact on the financial position of the Jewel UK Midco Limited group.

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

On 4 June 2019, Jewel UK Bondco PLC repaid the outstanding principal of £247,924,000, accumulated associated interest of £8,229,000 and redemption premiums of £21,738,000 in relation to the listed bond notes. The redemption premium will be treated as an exceptional expense in the financial period ending 26 April 2020.

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

### 17. Contingent liabilities

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

On 17 March 2019, a claim was brought against a subsidiary of the Company, Watches of Switzerland Group USA, Inc., in the U.S. District Court for the Southern District of Florida by a group of individuals who, in the two years prior to filing the complaint, had engaged in debit or credit card transactions with the Group in the United States and who were issued customer receipts that displayed more than the last five digits of the credit or debit card number used in connection with the transaction.

**17. Contingent liabilities (continued)**

The suit alleges violations of the FACTA, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers, as a means of protecting against identity theft and fraud. Because the suit is only in its early stages, and no specific monetary amount has been claimed, the potential liability in respect of such claim or any related claims is difficult to quantify. The Company continues to robustly defend it and, at this point in time, believe that the Group has a good defence. Our legal costs of defending the claim are insured subject to the policy excess.

# Glossary

## Alternative performance measures

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

<table>
<tr><th>APM</th><th>Definition</th><th>Why used</th><th>Reconciliation to IFRS measures</th></tr>
<tr><td>Adjusted operating profit</td><td>Operating profit before exceptional items.</td><td>Measure of profitability that excludes one-off exceptional costs.</td><td>Reconciled in the Financial Review.</td></tr>
<tr><td>Average selling price</td><td>Revenue generated in a period from sales of a product category divided by the total number of units of such products sold in such period.</td><td>Measure of sales performance.</td><td>Not applicable.</td></tr>
<tr><td>EBITDA</td><td>Earnings before Interest, Taxation, Depreciation and Amortisation. Shown on a continuing basis.</td><td>Measure of profitability which excludes financing, tax and investing activities.</td><td>Reconciled in Note 4 of the financial statements.</td></tr>
<tr><td>4-Wall EBITDA</td><td>Net margin less store costs shown as a % of revenue.</td><td>4-Wall EBITDA is a direct measure of profitability of the showroom operations</td><td>
<table>
<tr><th>£m</th><th>2019</th><th>2018</th></tr>
<tr><td>Revenue</td><td>773.5</td><td>631,188</td></tr>
<tr><td>Cost of inventory expensed</td><td>(488.0)</td><td>(393,485)</td></tr>
<tr><td>Other</td><td>5.6</td><td>1,806</td></tr>
<tr><td>Net margin</td><td>290.2</td><td>239,509</td></tr>
<tr><td>Store costs</td><td>(172.4)</td><td>(145.2)</td></tr>
<tr><td>4-Wall EBITDA</td><td>117.8</td><td>94.3</td></tr>
</table>
</td></tr>
<tr><td>Adjusted EBITDA</td><td>EBITDA before exceptional costs, non-underlying costs. Non-underlying costs includes loss on disposal of property, plant and equipment, costs from non-trading activities and management fees. Shown on a continuing basis.</td><td>Measure of profitability that excludes one-off exceptional costs and non-underlying items.</td><td>Reconciled in Note 4 of the financial statements.</td></tr>
</table>

| | | | |
|---|---|---|---|
| Adjusted EBITDA pre-exceptional items and non-underlying items | Adjusted EBITDA adjusted for showroom opening and closing costs, other non-underlying items and exceptional items. Shown on a continuing basis. | Showroom opening and closing costs, non-underlying and exceptional items are removed from EBITDA in this measure to provide a consistent view of profitability excluding significant items that are one-off in nature.<br><br>This measure was linked to management incentives in the financial year. | Reconciled in Note 4 of the financial statements. |
| Adjusted EBITDA leverage | Net debt at the end of a period divided by Adjusted EBITDA. | Measures the Group's indebtedness compared to its cash profitability. | Net debt £240.6m divided by Adjusted EBITDA £68.8m |
| Adjusted EBITDA leverage (post IPO) | Net debt post IPO refinancing divided by Adjusted EBITDA. | Measures the Group's indebtedness, using the financing in place post-IPO compared to its cash profitability. | Net debt post IPO £135.4m Adjusted EBITDA £68.8m |
| EBITDA margin % | Adjusted EBITDA as a percentage of revenue. Shown on a continuing basis. | Measure of profitability compared to revenue. | Adjusted EBITDA £68.8m divided by<br>Revenue £773.5m. |
| 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. | Draws the attention of the reader and to show the items that are significant by virtue of their size, nature or incidence. | Disclosed in Note 6 of the financial statements. |
| Free cash flow | Cash generated from operations from the Statement of Cash Flows less pension contributions, interest, tax and maintenance capex. | Represents the amount of cash generated in the year available for discretionary spend. | Reconciled in the Financial Review. |

<table>
<tr><td>Like for like sales growth</td><td>The percentage increase or decrease in sales from showrooms that have been trading continuously from the same selling space for at least one year. Like for like sales are measured in local currency.</td><td>Enables the performance of the showrooms to be measured on a consistent year-on-year basis and is a common term used in the retail industry.</td><td>Not applicable</td></tr>
<tr><td>Proforma like for like sales</td><td>Pro-forma for the US includes the like for like revenue of the US business for the relevant pre-acquisition trading period.</td><td>Enables the performance of the US showrooms to be measured on a consistent year-on-year, assuming it had always been part of the Group.</td><td>Not applicable</td></tr>
<tr><td>Net debt</td><td>Total borrowings (including capitalised transaction costs) less cash and cash equivalents.</td><td>Measure of the Group's indebtedness.</td><td>Net debt is reconciled in note 24 of the financial statements.</td></tr>
<tr><td>Net debt excluding capitalised transaction costs</td><td>Total borrowings (excluding capitalised transaction costs) less cash and cash equivalents.</td><td>Measures the Group's indebtedness compared to its cash generation</td><td><table>
<tr><th>£m</th><th>2019</th><th>2018</th></tr>
<tr><td>Net debt (note 4 to the financial statements)</td><td>(232.6)</td><td>(235.5)</td></tr>
<tr><td>Capitalised transaction costs</td><td>(8.0)</td><td>(9.6)</td></tr>
<tr><td>Net debt excluding capitalised transaction costs</td><td>(240.6)</td><td>(245.1)</td></tr>
</table></td></tr>
<tr><td>Net margin</td><td>Revenue less inventory recognised as an expense, commissions paid to the providers of interest free credit and inventory provision movements.</td><td>Measures the profit made from the sale of inventory before store or overhead costs.</td><td><table>
<tr><th>£m</th><th>2019</th><th>2018</th></tr>
<tr><td>Revenue</td><td>773.5</td><td>631.2</td></tr>
<tr><td>Cost of inventory expensed</td><td>(488.9)</td><td>(393.5)</td></tr>
<tr><td>Other</td><td>5.6</td><td>1.8</td></tr>
<tr><td>Net margin</td><td>290.2</td><td>239.5</td></tr>
</table></td></tr>
<tr><td>Net margin %</td><td>Net margin % is calculated as net margin as a percentage of revenue.</td><td>Direct indicator of profitability.</td><td>Net margin £290.2m divided by revenue £773.5m.</td></tr>
</table>

## Other definitions

**Compound Annual Growth Rate (CAGR)**
CAGR is average increase in annual revenue increase that would be require to grow from its beginning balance to its ending balance.

**Continuing basis**
Results exclude the results of discontinued operations as disclosed in the Consolidated Income Statement.

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

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

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

**Maintenance capital expenditure/capex**
Capital expenditure which is not considered expansionary.

**Non-core stores**
These stores are not core to the ongoing strategy of the business and will be closed at the end of their lease term.