Watches of Switzerland Group PLC
FY20 Results and Q1 FY21 Trading Update
for the 52 weeks to 26 April 2020 and 13 weeks to 26 July 2020

Record year performance in FY20
Q1 trading ahead of management expectations with sales growth in June/July vs prior year
Group expects gradual traffic improvement with localised market disruption

Watches of Switzerland Group PLC ("the Group") today provides the following financial results for the 52 weeks ending 26 April 2020 (FY20) and an unaudited trading update for the 13 weeks ending 26 July 2020 (Q1 FY21).

Brian Duffy, Chief Executive Officer, said:

"I am delighted with our achievements during FY20, our first year as a public company. We delivered a strong performance during the first 46 weeks of the year before adapting with speed and agility to the challenges presented by the COVID-19 pandemic. Momentum accelerated in our US business adding to the positive performance in the UK and we remain confident in our strategy to drive profitable growth in both markets.

I am extremely proud of the dedication and enthusiasm of our teams who have remained highly engaged and continued to deliver impressive results. We are pleased to have maintained full job security and salaries for all our staff in the UK and in the US during the lockdown period. We will continue to prioritise the health and wellbeing of our colleagues and customers throughout this challenging time.

While we began FY21 with our global store portfolio closed due to the pandemic, we were well prepared for the re-opening of our stores during Q1 and trading has exceeded our expectations in both the UK and the US. The UK has been driven by continued strong ecommerce sales and domestic demand in regional stores, partly offsetting greater declines in London (due to reduced tourism) and our airport stores. The US continued to gain momentum during the period with all re-opened stores performing strongly versus the prior year. This continued strong performance is testament to our long-standing brand partnerships, focus on exceptional customer experience, well-established multi-channel leadership and the strong fundamentals of the luxury watch category in our markets, where demand continues to exceed supply. Our encouraging Q1 sales performance underpins the strength of our supply-driven business model and provides the basis on which we provide FY21 guidance.

Looking ahead, we will continue to invest in delivering on our strategic priorities to leverage our leading position in the UK and to become a leader in the US luxury watch market. We are confident that we are well positioned to emerge even stronger from these uncertain and challenging times."

FY20 Highlights

Record year of sales and profit despite COVID-19 impact

FY20 Revenue Breakdown: weeks 1-46, weeks 47-52

	FY20			**YoY variance %**		
(£m)	46 weeks to 15 March 2020	6 weeks to 26 April 2020	52 weeks to 26 April 2020	46 weeks to 15 March 2020	6 weeks to 26 April 2020	52 weeks to 26 April 2020
UK pre-reclassification	575.9	15.7	591.6	9.4%	(74.6)%	0.6%
Reclassification[1]	0.0	(6.1)	(6.1)	-	-	-
UK	**575.9**	**9.6**	**585.5**	**9.4%**	**(84.5)%**	**(0.5)%**
US pre-reclassification	221.8	5.9	227.7	36.4%	(74.1)%	22.9%
Reclassification	0.0	(2.7)	(2.7)	-	-	-
US	**221.8**	**3.2**	**225.0**	**36.4%**	**(85.9)%**	**21.4%**
Group Revenue pre-reclassification	**797.7**	**21.6**	**819.3**	**15.8%**	**(74.4)%**	**5.9%**
Reclassification	-	(8.8)	(8.8)	-	-	-
Group Revenue	**797.7**	**12.8**	**810.5**	**15.8%**	**(84.9)%**	**4.8%**

- FY20 Group revenue +5.9% to £819.3 million (£810.5 million after reclassifications)
  - Strong trading during 46 weeks to 15 March 2020 (pre-lockdown) with Group revenue +15.8%, across both UK +9.4% and US +36.4%, driven by luxury watches +19.3% vs prior year
  - COVID-19 related closures of all stores in the UK and US impacted the final 6 weeks of the year
  - UK +0.6% (-0.5% after reclassifications) and US +22.9% (+21.4% after reclassifications)
- Adjusted EBITDA[2] increased +13.6% to £78.1 million, at the top end of revised guidance
- Operating profit increased +6.2% to £48.3 million (FY19: £45.5 million)
- Capital expenditure of £23.4 million (FY19: £35.3 million), with five new stores opened (FY19: eight), six relocated stores (FY19: three) and nine refurbishments (FY19: nine) , expansions and relocations; some projects delayed into FY21 due to COVID-19 (Knightsbridge expansion, Rolex boutique Glasgow and Tudor boutique White City)
- Four stores acquired from Fraser Hart in March 2020
- Return on capital employed[3] increased to 15.8% (FY19: 14.7%)
- Net debt[4] reduced to £129.7 million as at 26 April 2020 (28 April 2019: £240.6 million) reflecting disciplined cash management and proceeds from the IPO

Q1 FY21 Trading Update

Increased domestic demand offsets tourism decline; July sales +7.4% vs prior year

- Colleagues' job security and salaries maintained in full and strong communication with colleagues throughout
- Group revenue for the 13 weeks to 26 July 2020 (Q1 FY21) was ahead of management expectations with June/July positive:
  - Q1 -27.6% to £151.6 million (Q1 FY20: £209.4 million), impacted by store closures during the period
  - Stores traded for c.38% of potential trading hours due to COVID-19 related lockdown

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

[2] Adjusted EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation and IFRS 16 impact. Refer to the glossary on page 56.

[3] Return on Capital Employed is defined as Adjusted EBIT divided by average capital employed. Average capital employed is total assets less current liabilities on a pre-IFRS 16 basis. Refer to the glossary on page 56.

[4] Year-end net debt as disclosed in our trading update of 14 May 2020 was £131.4m, the difference being restricted cash held on retention for the settlement of the consideration for the store acquisitions. Net debt is defined as total borrowings (excluding capitalised transaction costs) less cash and cash equivalents. Refer to the glossary on page 56.

    - The majority of stores re-opened during the quarter with a strong performance during the month of July +7.4% vs prior year, the first full month when the majority of the network was re-opened (June +0.3%, May –83.0%)
    - Since re-opening, traffic to the Group's stores has been low but offset by higher conversion rates, good supply of key brands and new technology to further enhance clientelling initiatives
    - Continued strong ecommerce performance with Q1 sales +79.3%
    - Luxury watch sales increased to 86.8% of Group revenue (Q1 FY20: 84.8%) with key brands outperforming
- UK revenue –30.1% to £108.3 million (Q1 FY20: £155.0 million)
    - Stores traded for c.35% of potential trading hours, beginning to reopen from mid-June
    - Strong UK domestic sales during Q1 +20.4% offsetting lower tourism and airport business –92.8%
    - Post re-opening, regional stores outperformed London and airport stores, which remain adversely impacted by a lack of tourism and travel business
    - Sales by month vs prior year: July +1.1%, June +1.4%, May –86.8%
- US revenue -20.4% to £43.3 million (Q1 FY20: £54.4 million)
    - Stores traded for c.44% of potential trading hours, beginning to reopen during May
    - Post re-opening, all areas of the business performed strongly driven by enhanced clientelling and good product availability
    - Sales by month vs prior year: July +27.0%, June -2.7%, May –72.7%
- Luxury watches are a considered purchase, with less browsing store traffic and high conversion rates from discerning shoppers for the category; these characteristics enabled the Group to introduce the necessary health and safety measures in its stores with relative ease
- Enhanced digital activities include exclusive product launches, introduction of automated remote selling, new digital campaigns, enhanced social and digital media, virtual events and virtual PR launches
- Mono-brand boutique network further expanded with a new Rolex boutique opened in Glasgow at the end of Q1, the brand's first mono-brand store in Scotland, and three new TAG Heuer boutiques opened in Watford, Kingston and Oxford; in addition a Grand Seiko pop-up store was opened in Soho, New York
- The Group renegotiated contracts for its airport stores and agreed a short-term extension to the end of FY21 on revised terms reflecting reduced traffic expectations
- Net debt at 26 July 2020 of £91.2 million with financial headroom of £161.1 million
- As previously stated, new £45.0 million facility agreement secured during May 2020, further strengthening liquidity position

Outlook

Supply-driven business model forms key consideration behind FY21 guidance

- Despite the macroeconomic uncertainties, the Group is providing guidance for FY21 on the basis of a continued strong luxury watch market in the UK and US
- The Group's Q1 sales performance since re-opening underpins the strength of its supply-driven business model which forms a key consideration behind the FY21 guidance
- The FY21 outlook is based on the assumption that there are no further national lockdowns in the UK or the US impacting the Group's sales or in Switzerland impacting the Group's brand partners' production during the period; localised disruption is expected to continue for the balance of the financial year
- During FY21, whilst the Group expects domestic demand to remain buoyant in both the UK and the US, it anticipates limited but improving airport traffic and foreign tourism in the UK and limited domestic tourism in the US, with gradual and moderate improvement throughout the financial year
- The Group provides the following guidance for FY21 pre-IFRS 16 adjustments and based on a 53-week period:
    - Revenue: £840.0-£860.0 million
    - EBITDA and Adjusted EBITDA margin %: flat vs last year
    - Depreciation, amortisation, impairment and profit/loss on disposal of fixed assets: £21.0-£23.0 million
    - Total finance costs: £5.3-£5.8 million
    - Underlying tax rate: 21.0%-22.5%
    - Capex: £28.0-£30.0 million
    - Net debt: £90.0-£110.0 million
- The Group continues to invest in its store portfolio in the UK and US with a strong pipeline of store projects planned

Q1 FY21 Revenue Performance by Geography

(£m)	Q1 13 weeks to 26 July 2020	13 weeks to 28 July 2019	YoY variance %	Constant currency YoY variance %
UK	108.3	155.0	(30.1)%	(30.1)%
US	43.3	54.4	(20.4)%	(20.8)%
Group Revenue	**151.6**	**209.4**	**(27.6)%**	**(27.7)%**

Q1 FY21 Revenue Performance by Category

(£m)	Q1 13 weeks to 26 July 2020	13 weeks to 28 July 2019	YoY variance %
Luxury Watches	131.6	177.5	(25.9)%
Luxury Jewellery	10.0	16.1	(37.9)%
Other	10.0	15.8	(36.7)%
Group Revenue	**151.6**	**209.4**	**(27.6)%**

Q1 FY21 Revenue Performance by Month

	Q1 May 2020	June 2020	July 2020	**Total Q1 FY21**
UK sales YoY variance %	**(86.8)%**	**1.4%**	**1.1%**	**(30.1)%**
% traded hours[5]	0%	34%	78%	35%
US sales YoY variance %	**(72.7)%**	**(2.7)%**	**27.0%**	**(20.4%)**
% traded hours	22%	59%	64%	44%
Group Revenue YoY variance %	**(83.0)%**	**0.3%**	**7.4%**	**(27.6)%**
% traded hours	10%	40%	74%	38%
Ecommerce sales[6] **YoY variance %**	**117.8%**	**77.7%**	**46.2%**	**79.3%**

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

United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999
Participant Access Code: 361627
Webcast link: https://www.investis-live.com/thewosgroupplc/5f298187a6d096120087ab75/zvxc

[5] Hours during which stores traded as a % of total potential trading hours during the period
[6] Ecommerce sales included within Group Revenue and UK sales

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About the Watches of Switzerland Group

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

The Watches of Switzerland Group has 135 core stores across the UK and US (which includes 22 dedicated mono-brand stores in these two markets 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 transactional websites.

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

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

https://www.thewosgroupplc.com

Disclaimer

This trading statement does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Watches of Switzerland Group Plc shares or other securities nor should it form the basis of or be relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial adviser.

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

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.

Chief Executive's Review

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

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

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

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

We are particularly pleased with the performance of our US business during the period. At year-end, the Watches of Switzerland Group had only been operating in the US for less than three years and in that time we have successfully integrated acquisitions (Mayors and Wynn Resort, Las Vegas), launched the Watches of Switzerland brand in New York with the opening of two flagship stores, implemented all of our systems and expanded the Head Office functions in Fort Lauderdale, Florida. We have established strong working relationships with all US based key brand management and with all major landlords and mall operators. We have created both awareness and popularity with the discerning watch consumer audience in the US. Importantly, we have demonstrated that our approach to store design, namely stores that are luxurious and contemporary but also warm and welcoming, appealing to the US consumer. We have implemented these designs in the new New York flagships and in the refurbishments in Wynn Resort, Las Vegas and in some Mayors stores including Lenox Square (Atlanta), Avalon (Atlanta), Merrick Park (Miami) and Miami International. In all cases, the sales performance post refurbishment has met or exceeded expectations. We have retained and integrated experienced talented teams in Mayors and the Wynn Resort and added new talent in New York and in our corporate organisation.

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

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

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

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

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

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

The closure of our stores in mid-March 2020 clearly resulted in a major shortfall in sales revenues. Our main source of sales during this period was our ecommerce business in the UK. In the six weeks to year-end, ecommerce sales increased 45.8% versus last year and in the month of April 2020 were +82.8%. We added new brands and supported online with marketing that contributed to this market leading performance. We expect there to be a permanent step up in our ecommerce business as a result of these enhancements. In addition, we also increased our marketing support on all digital and social media including direct support of our online sites during this time.

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

The health and wellbeing of our colleagues and customers remains our priority throughout this challenging time and beyond and we have taken the necessary actions to adapt to the new requirements. Our business model is robust and we are well equipped to adapt to changing consumer behaviour and heightened safety concerns created by the COVID-19 pandemic. Luxury watches and jewellery are a considered purchase, with over 80% of transactions being digitally driven and researched by the customer prior to visiting a store. As a result of the category's characteristics, our stores typically have limited traffic and high conversion rates, enabling us to practically adopt the required social distancing measures. PPE and hygiene materials have been introduced to all stores. In addition, we have continued to invest in new technology and recently launched our "By Personal Appointment" service, a booking system for clients to make both in-store and virtual appointments with their chosen store, for a personalised one-to-one experience. A survey we recently conducted suggests our customers are highly satisfied with the changes we have made to prioritise their health and safety. Lastly, our colleagues can view regularly updated COVID-19 secure audits across support centres, service centres and stores on our internal ONE communication platform.

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

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

During the first quarter of FY21 we re-opened the majority of our stores. This began in the US with Mayors throughout Florida and Georgia from early May 2020, Wynn Resort, Las Vegas in early June 2020 and Soho, New York in late June. Hudson Yards, New York remains closed. In the UK we opened in England in mid-June 2020, followed by Wales and Scotland in late June and finally, Heathrow Terminal 2 and Terminal 5 on 1 July 2020 and Gatwick North Terminal in early August. We calculated our opening hours versus normal conditions for Q1 at approximately 38%.

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

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

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

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

Strategy Continuing to Deliver Results

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

1) Grow revenue, profit and return on capital employed

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

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

Since FY14, the Group has generated average UK like for like growth of 9.0%, increased its market leading position in the UK and grown UK adjusted EBITDA by a CAGR[7] of 29.8%. Prior to the COVID-19 pandemic, the Group had been on track to deliver double digit sales growth; revenue for the 46 weeks to 15 March 2020 increased by 15.8% relative to the prior year period, with UK sales increased by 9.4% and US sales increased by 36.4%.

FY20 Adjusted EBIT[8] increased by 7.8% to £55.9 million (FY19: £51.8 million). Return on Capital Employed increased to 15.8% (FY19: 14.7%).

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

[7] Refer to the Glossary on page 56 for definition.

[8] This is an Alternative Performance Measure. Refer to the Glossary on page 56 for definition and reconciliation to statutory measures.

In FY20 the Group incurred £20.7 million in expansionary capex[7] including, but not limited to, the following store projects:

UK

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

US

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

In addition, we have a very strong store project pipeline:

UK

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

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

US

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

2) Enhance strong brand partnerships

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

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

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

We are working closely with our partners to further develop multi-channel opportunities in both the UK and the US. During the year, we further enhanced and extended the Rolex boutique within our Regent Street flagship. In the US, we opened an Audemars Piguet mono-brand boutique in Mayors Lenox Square, Atlanta, the first within the Mayors portfolio. A number of mono-brand boutiques are planned to be opened in both the UK and the US during FY21 and beyond. We have also agreed new Rolex agencies for Broadgate, Battersea and American Dream (US).

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

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

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

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

3) Deliver an exceptional customer experience

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

The way we make our customers feel is always a primary focus and we pride ourselves on offering a warm and welcoming customer experience as a major point of difference. With an emphasis on local reputation, trust and networking, every customer is treated as a potential loyal client for life by our retail colleagues.

We continue to provide our colleagues with extensive training to develop their brand knowledge and retail expertise, to allow our staff to provide customers with in-depth product mastery. Through dedicated customer focus, our regular monthly Net Promoter Score in the UK has improved further to 85% (FY19: 80%), as measured through our voice of customer surveys (approx. 1,000-1,500 responses per month). This is supported by a 92% positive Goldsmiths Google rating as provided by post-purchase online Feefo reviews. We also undertake an extensive programme of mystery shopping to ensure consistency of our luxury service offering. Consisting of physical store visits and digital enquiries, supplementary programmes are also conducted to measure the joint expectations of key partner brands. In the US, we use Podium to measure in-store experiences and received a rating of 4.7 out of 5.0.

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

During the year we opened a purpose-built National Watch Service Centre in Manchester to further enhance the customer experience. This has allowed us to expand our after-sales and service proposition for luxury watches, and further strengthen our market position. The centre features 12 watchmakers on site, two technicians, three skilled case polishers and six colleagues focused on quality control.

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

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

Growing brand awareness

	UK			US
	2012	**2019**		**2020**
	Total Awareness	**Total Awareness**	**High Net Worth**	**Total Awareness**
Watches of Switzerland	46%	70%	78%	84%
Mappin & Webb	35%	66%	70%	
Goldsmiths	84%	93%	97%	

UK Source: Pragma Watch and Jewellery Survey 2012 & ID Consulting Consumer Brand Awareness for the Watches of Switzerland Group June 2019
US Source: Schlesinger Watches of Switzerland Brand Research June 2020 conducted in NYC, with focus on the tri-state area

Marketing

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

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

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

Social media also continue to be an important part of our strategy across the UK and US with a social community of over 500,000 and a monthly reach of 17 million across the Group. The strategic focus on acquisition and amplification is supported by content creation, in particular in-house brand assets with a consumer centric and mobile first approach through video and impactful stylish photography.

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

A key focus of our centralised marketing activity is Calibre, our industry leading luxury watch communications platform, which is produced globally to support the UK and US client base and which showcases the brands the Group sells and provides an opportunity to share our knowledge and expertise within luxury watches. Calibre started as an annual printed publication, with the first edition published in 2003 and whilst the magazine still exists, Calibre has become much more digitalised including monthly newsletters to a database of over 260,000 watch clients, Calibre Online, www.calibre-online.com, which hosts the Group's content for our clients and a series of successful Podcasts hosted by our CEO, with interviews and insight from industry leading figures. Podcasts alone have achieved over 60,000 downloads in total since launch in October 2018. Throughout the COVID-19 pandemic, our CEO also hosted a series of Instagram Lives, with key brand partners, watched by both our UK and US audiences.

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

A key focus of our CRM strategy is hosting loyal clients at various events, from exclusive factory trips with our watch brand partners, intimate dinners launching new product collections, hosting our clients at watch brand sponsored events (such as The Open Championship Golf) as well as in-store store events. Hosting over 100 events during FY20, we executed the event programme in the most relevant way to further develop and grow our client relationships. A significant event held during 2019 was the Group's Exclusive Partnership launch of the Bremont and 'Ronnie Wood' Limited Edition Collection. Attended by Ronnie Wood, press, VIPs and ambassadors, the Group hosted a memorable evening in its Watches of Switzerland Knightsbridge store. The launch event accompanying the opening of the first FOPE Boutique was held at the Old Bond Street store in London and was also attended by press, VIPs and ambassadors. Looking ahead, the Group anticipates a greater emphasis on virtual events during FY21 as it adapts to restrictions created by COVID-19.

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

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

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

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

5) Leverage best in class operations

Merchandising

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

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

Retail operations

We run all our stores to be profitable. In order to achieve this, a high level of accountability and performance management is used to run our retail network. In order to continually drive productivity and profitability, we look to ensure there is a collective alignment, ownership and understanding at all levels within retail. Performance is maximised through Business Planning Reviews with store managers every four to six weeks and through the monitoring of operational KPIs.

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

IT Systems

Our leading-edge IT systems are based on a single SAP platform and power point of sale, CRM, financial reporting solutions, live inventory availability and operations.
We have adapted our systems quickly in response to the changing retail landscape created by the COVID-19 pandemic. We have created a store appointment booking system, enabling clients to request scheduled store visits, phone or video meetings. A Content Management system enables store teams to send high quality digital photography and copy to clients. Mail order and telephone order card payment technology has been integrated into point-of-sale in all stores with the introduction of email receipts.

6) Expand multi-channel leadership

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

Online

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

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

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

Mono-brand boutiques

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

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

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

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

Travel retail

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

We opened the first Watches of Switzerland store in Gatwick Airport (North Terminal), the airport's exclusive luxury watch retailer, complementing our existing five stores in Heathrow Airport. We renegotiated the contracts for our stores in Heathrow Airport and agreed a short-term extension to end FY21 on revised terms with a view to negotiating a further contract from the beginning of FY22.

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

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

Chief Financial Officer Review

Our FY20 results have been significantly impacted by the COVID-19 pandemic, with the Group's entire store portfolio in the US closed as of 19 March 2020 and all UK stores closed as of 23 March 2020. However, trading in the run up to these temporary store closures was strong , resulting in double-digit revenue growth over the 46 weeks to 15 March 2020 and revenue in our UK ecommerce business was up 45.8% during the final six weeks of the financial year (from 16 March 20 to 26 April 20), when stores were largely closed. During the period impacted by the pandemic, the Group took steps to maximise revenue opportunities, eliminate discretionary expenditure, reduce working capital and delay capital projects.

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

The following tables and commentary exclude the impact of IFRS 16 and are shown on a continuing basis, to allow for comparability of the results. A reconciliation between the results pre-IFRS 16 and post-IFRS 16 is included on page 28.

Income Statement (£m)	**52 weeks to 26 April 2020**	**52 weeks to 28 April 2019**	**YoY variance %**
Revenue as previously disclosed	**819.3**	**773.5**	**5.9%**
Reclassification adjustment*	(8.8)	-	
Statutory revenue	**810.5**	**773.5**	**4.8%**
Adjusted EBITDA pre-exceptional, store opening and closing costs and other non-underlying items	**81.9**	**78.2**	**4.8%**
Store opening and closing costs and other non- underlying items	(3.8)	(9.4)	(59.3%)
Adjusted EBITDA	**78.1**	**68.8**	**13.6%**
Depreciation, amortisation and loss on disposal of fixed assets	(22.2)	(15.8)	41.2%
Other non-trading items	-	(1.2)	
Segment profit[8] (Adjusted Earnings Before Interest and Tax)	**55.9**	**51.8**	**7.8%**
Net finance costs – ongoing	(6.5)	(25.4)	(74.3%)
Adjusted profit before tax[8]	**49.4**	**26.4**	**86.5%**
Exceptional and other non-trading items	(21.7)	(6.3)	
Exceptional finance costs	(28.5)	-	
(Loss)/profit before tax	(0.8)	20.1	(103.8%)
Adjusted basic Earnings Per Share (pre-exceptional items)[8]	**16.6p**	**11.1p**	**49.5%**

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

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

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

Revenue

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

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

Impact of COVID-19 on revenue

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

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

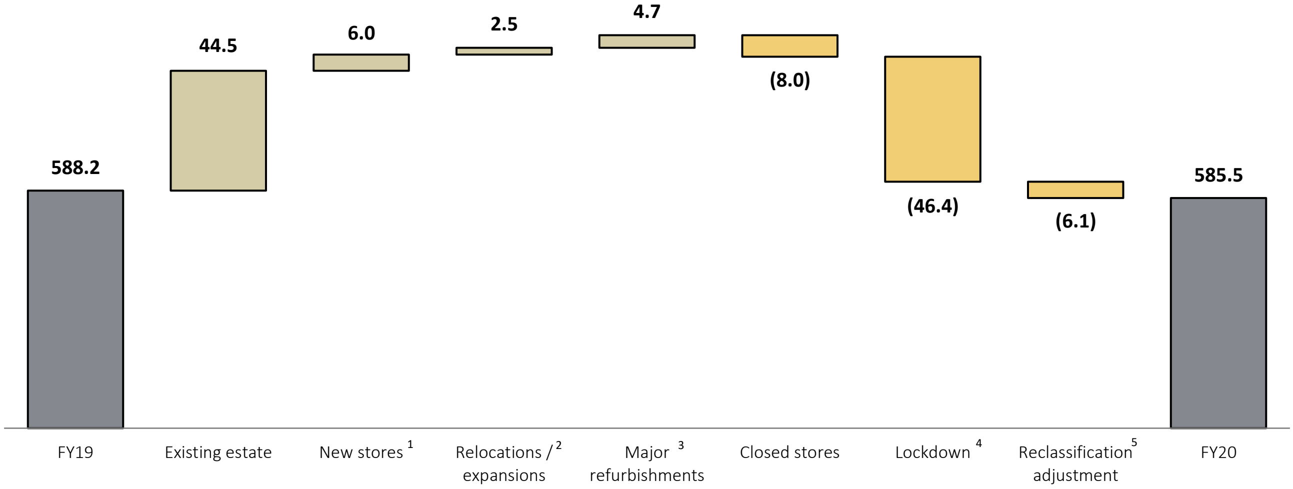
The impact of the closure of stores due to COVID-19 was significant and sales in the final two months of the year declined sharply on the prior year. The table below demonstrates the strong trading performance prior to the closure of the store portfolio and the impact of lockdown on sales growth:

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

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

UK revenue

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



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

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

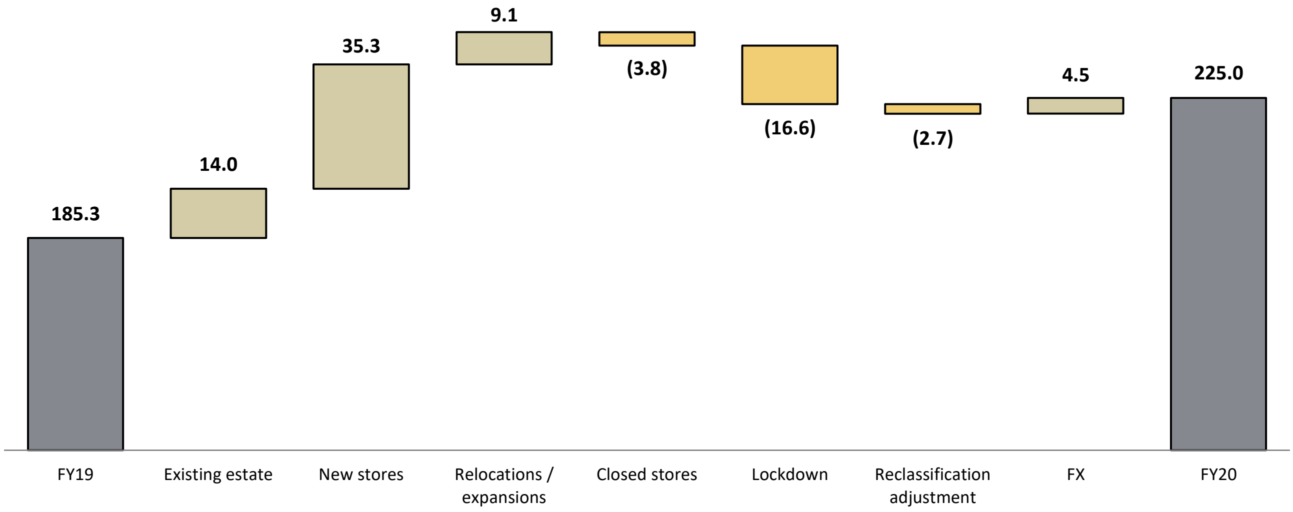
Ecommerce sales rose by 15.9% during the 46 weeks to 15 March 2020. During the period following the closure of stores, ecommerce has performed particularly well. Sales from this channel increased 45.8% during the last six weeks of the financial year, with a further acceleration during the month of April,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

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

In comparison to the previous year, the Group lost sales of £46.8m as a result of the COVID-19 lockdown.

US revenue

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



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

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

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

Revenue by category

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

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

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

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

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

Other revenue consists of servicing, repairs and insurance services and the sale of fashion and classic watches and jewellery. Sales of fashion and classic watches and jewellery now make up less than 4.0% of Group sales.

Focus on profitable growth

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

(£m)	FY20	FY19	%
Net margin[8]	304.7	290.2	5.0%
as % of revenue	37.6%	37.5%	0.1%
Store costs	(178.2)	(172.4)	3.4%
as % of revenue	22.0%	22.3%	(0.3%)
4-Wall EBITDA[8]	**126.5**	**117.8**	**7.4%**
as % of revenue	15.6%	15.2%	0.4%
Overheads	(44.6)	(39.6)	12.5%
as % of revenue	5.5%	5.1%	0.4%
Store opening and closing costs	(3.8)	(7.5)	(48.8%)
Other non-trading items	-	(1.9)	100.0%
Adjusted EBITDA	**78.1**	**68.8**	**13.6%**
as % of revenue	**9.6%**	**8.9%**	**0.7%**

Net margin

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

Store costs

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

Impact of COVID-19 on store costs

During the six-week period of lockdown the Group focused on cost control and saved £5.0m in variable store related costs as a result of the store closures. The Group also benefited from the business rates suspension, £1.1m and the UK and US governments' employee cost support schemes. At the time of the lockdown, the Group furloughed c1,300 store colleagues but continued to supplement employee pay to the full contractual rates. These schemes contributed £2.3m towards store colleague wage costs during the financial year.

Overheads

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

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

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

Store opening and closure costs

Store opening and closure costs (£m)	FY20	FY19
Store opening costs	1.7	6.0
Store closure costs	2.1	1.5
Total	**3.8**	**7.5**

Store opening costs include the cost of rent (pre-IFRS 16), rates and payroll prior to the opening of the store, normally during the period of fit out. This cost will vary annually depending on the scale of expansion in the year. We opened five stores (excluding the Fraser Hart acquisition) during FY20 compared to eight in the previous year.

During the period the Group closed a total of eleven stores with associated costs including rent (pre-IFRS 16), rates and redundancy. Nine of these were non-core stores[7] and two are closed while undergoing conversion to mono-brand boutiques.

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

Other non-trading items

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

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

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

Depreciation, amortisation and loss on disposal of fixed assets

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

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

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

Exceptional items

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

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

COVID-19 linked exceptional items

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

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

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

Exceptional administrative costs

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

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

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

Impact of IFRS16

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

The exceptional items under IFRS 16 are as follows:

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

Finance costs

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

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

Profit before tax

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

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

Taxation

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

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

Earnings Per Share

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

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

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

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

Balance sheet

The balance sheet below is shown pre-IFRS 16 adjustments for comparability. A reconciliation to the post-IFRS 16 balance sheet is included on page 29.

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

Goodwill and intangible assets

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

Property, plant and equipment

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

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

Capital additions (£m)	FY20	FY19
Expansionary	20.7	33.1
Store maintenance capex	1.5	2.0
Acquisition of Fraser Hart stores	1.0	-
Other	0.2	0.2
Total	**23.4**	**35.3**

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

Inventories

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

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

Trade and other receivables

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

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

Other

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

Trade and other payables

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

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

Net debt and financing

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

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

Net debt at 26 April 2020 was £129.7m, which compares to the guidance provided prior to the COVID-19 pandemic of £120.0m to £130m. During the period of lockdown, management focused on cost control and cash preservation, which meant net debt was maintained in line with previous forecasts.

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

The debt facility is subject to a six-monthly financial covenant test on leverage and fixed charge cover ratio. These tests are based on pre-IFRS 16 measures and therefore the implementation of IFRS 16 has had no impact on financial covenants. The covenants were fully met at April 2020.

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

Cash flow

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

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

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

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

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

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

Impact of COVID-19 on cash flow

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

- £2.8m of capital expenditure was postponed
- Government employee protection schemes were accessed in the UK and US, with £1.3m received in March and April 2020
- Rental payments of £6.7m were deferred, of which £4.6m were paid by July and the rest have been negotiated to pay within the next 12 months
- UK business rates holiday contributed £1.1m in the period
- The Group negotiated longer payment terms from many suppliers. These payments were fully up to date as at the end of July 2020 and normal payment terms resumed. Additionally, all stock on hand at the year-end has been fully paid for by the business by July 2020, aiding post re-opening working capital requirements
- An agreement was made with HMRC to defer UK tax payments totalling £5.2m

- Marketing and discretionary expenditure was reduced as discussed previously
- The Group also generated additional revenue and cash during the period through enhanced clientelling initiatives in the UK and US, leveraging its strong customer relationships together with its sophisticated CRM tools

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

Q1 FY21 Trading Update

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

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

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

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

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

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

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

Outlook and guidance

Trading in Q1FY21 has been encouraging and the Group remains well positioned to deliver on its strategy. The Group provides guidance for FY21 on the basis of continued strong demand for our portfolio of luxury watch brands in the UK and US and anticipates no further national lockdowns but continued localised disruption in both markets for the balance of the financial year.

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

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

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

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

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

Appendix - IFRS 16 Leases

The financial results included on pages 1 to 26 exclude the impact of the adoption of IFRS 16 “Leases”. This means that operating leases have been held off balance sheet with the lease costs recognised on a straight-line basis over the lease term, following the accounting treatment adopted in the prior year.

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

Accounting under IFRS 16

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

A right-of-use asset is recognised which represents the lessee’s contractual right to use the lease asset over the lease term. The right-of-use asset is depreciated on a straight-line basis over the lease term.
A lease liability is recognised which reflects the lessee’s obligation to make payments under the lease term. The lease liability is held at amortised cost, with an associated interest charge. This results in a higher interest expense in the earlier years of the lease term.

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

Income Statement impact

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

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

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

Balance Sheet impact

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

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

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

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

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

Cash flow impact

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

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

Leases and lease length

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

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

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

Watches of Switzerland Group PLC
Preliminary financial statements
For the 52 week period ended 26 April 2020

Registered number: 11838443

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED INCOME STATEMENT

	Note	52 week period ended 26 April 2020			52 week period ended 28 April 2019		
		Underlying operations IFRS 16 £'000	Exceptional items* IFRS 16 £'000	Total IFRS 16 £'000	Underlying operations IAS 17 £'000	Exceptional items* IAS 17 £'000	Total IAS 17 £'000
Revenue	3	**810,512**	**-**	**810,512**	**773,518**	**-**	**773,518**
Cost of sales		(720,169)	(695)	(720,864)	(700,945)	-	(700,945)
Gross profit/(loss)		**90,343**	**(695)**	**89,648**	**72,573**	**-**	**72,573**
Impairment of assets		(863)	(8,526)	(9,389)	-	-	-
Administrative expenses		(20,520)	(8,330)	(28,850)	(19,414)	(6,350)	(25,764)
Loss on disposal of leases, property, plant and equipment		(3,123)	-	(3,123)	(1,324)	-	(1,324)
Operating profit/(loss)		**65,837**	**(17,551)**	**48,286**	**51,835**	**(6,350)**	**45,485**
Finance costs	5	(19,589)	(28,490)	(48,079)	(26,413)	-	(26,413)
Finance income		1,280	-	1,280	1,048	-	1,048
Net finance cost		**(18,309)**	**(28,490)**	**(46,799)**	**(25,365)**	**-**	**(25,365)**
Profit/(loss) before taxation from continuing operations		**47,528**	**(46,041)**	**1,487**	**26,470**	**(6,350)**	**20,120**
Taxation	6	(9,327)	8,347	(980)	(6,298)	77	(6,221)
Profit/(loss) for the financial period from continuing operations		**38,201**	**(37,694)**	**507**	**20,172**	**(6,273)**	**13,899**
Profit/(loss) after taxation for the period from discontinued operations		-	-	-	1,261	(16,929)	(15,668)
Profit/(loss) for the financial period		**38,201**	**(37,694)**	**507**	**21,433**	**(23,202)**	**(1,769)**

Earnings Per Share	7						
Basic and diluted		**16.3p**		**0.2p**	**11.8p**		**(1.0)p**
Earnings Per Share - Continuing operations							
Basic and diluted		**16.3p**		**0.2p**	**11.1p**		**7.6p**

*Exceptional items have been further described in note 4

The Group has undertaken a group reorganisation exercise in the 52 week period ended 26 April 2020 and also initially applied IFRS 16 'Leases'. See Consolidated Statement of Comprehensive Income for further details.

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	52 week period ended 26 April 2020 IFRS 16 £'000	52 week period ended 28 April 2019 IAS 17 £'000
Profit/(loss) for the financial period	**507**	**(1,769)**
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss		
Foreign exchange gain on translation of foreign operations	3,644	5,252
Related tax movements	(245)	(832)
	3,399	4,420
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit pension scheme	(152)	(1,797)
Related tax movements	29	273
	(123)	(1,524)
Other comprehensive income for the period, net of tax	**3,276**	**2,896**
Total comprehensive profit for the period, net of tax	**3,783**	**1,127**

As described in note 1, Watches of Switzerland Group PLC (the 'Company') (formerly Watches of Switzerland Group Limited) and its subsidiaries (collectively the 'Group') have undertaken a group reorganisation exercise during the 52 week period to 26 April 2020. As part of this process, the Company was inserted above Jewel UK Midco Limited in the group structure and merger accounting used to account for the transaction. The insertion of the Company as the new parent company of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation.

These condensed consolidated financial statements are the first set of annual financial statements presented for the newly formed group and the prior period comparison for the Group is that of the former Jewel UK Midco Limited group. The underlying structure of the Group is unchanged and as such the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been presented on a consistent basis as if the group reorganisation had taken place at the start of the earliest period presented.

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application, 29 April 2019 (see note 1). The prior period is presented under the previous accounting standard, IAS 17 'Leases'. As such, the results for the 52 week period ended 26 April 2020 are not directly comparable with those reported in the prior period. See note 1 for a reconciliation of the IFRS 16 impact on the financial statements.

The notes on pages 36 to 55 are an integral part of these condensed consolidated financial statements.

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED BALANCE SHEET

	Note	26 April 2020 IFRS 16 £'000	28 April 2019 IAS 17 £'000
Assets			
Non-current assets			
Goodwill	8	136,557	109,666
Intangible assets	8	17,726	18,063
Property, plant and equipment	9	101,390	101,268
Right-of-use assets	10	251,642	-
Deferred tax assets		12,264	8,727
Trade and other receivables		1,325	4,544
		520,904	**242,268**
Current assets			
Inventories - finished goods		243,495	200,271
Current tax asset		3,659	-
Government grants	11	2,575	-
Trade and other receivables		8,229	35,638
Cash and cash equivalents		72,927	34,538
		330,885	**270,447**
Total assets		**851,789**	**512,715**
Liabilities			
Current liabilities			
Trade and other payables		(136,057)	(137,344)
Lease liabilities	10	(46,205)	-
Current tax liabilities		-	(2,759)
Government grants	11	(1,186)	-
Borrowings	12	(82,649)	(27,213)
Provisions		(764)	(3,312)
		(266,861)	**(170,628)**
Non-current liabilities			
Trade and other payables		(2,636)	(20,318)
Lease liabilities	10	(261,753)	-
Borrowings	12	(117,072)	(239,884)
Post-employment benefit obligations		(2,714)	(3,051)
Provisions		(1,212)	(2,275)
		(385,387)	**(265,528)**
Total liabilities		**(652,248)**	**(436,156)**
Net assets		**199,541**	**76,559**
Equity			
Share capital	13	2,993	66
Share premium	13	147,122	-
Merger reserve	13	(2,209)	-
Retained earnings		47,438	75,695
Foreign exchange reserve		4,197	798
Total equity		**199,541**	**76,559**

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application, 29 April 2019 (see note 1).

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Retained earnings	Foreign exchange reserve	Total equity attributable to owners
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 29 April 2018	**66**	**-**	**-**	**88,613**	**(3,622)**	**85,057**
Profit for the financial period – continuing operations	-	-	-	13,899	-	13,899
Loss for the financial period – discontinued operations	-	-	-	(15,668)	-	(15,668)
Other comprehensive income for the period net of tax	-	-	-	(1,524)	4,420	2,896
Share-based payment charge	-	-	-	375	-	375
Dividends paid*	-	-	-	(10,000)	-	(10,000)
Balance at 28 April 2019	**66**	**-**	**-**	**75,695**	**798**	**76,559**
Impact of change in accounting policy (IFRS 16)	-	-	-	(20,336)	-	(20,336)
Adjusted Balance at 29 April 2019**	**66**	**-**	**-**	**55,359**	**798**	**56,223**
Profit for the financial period	-	-	-	507	-	507
Other comprehensive income for the period net of tax	-	-	-	(123)	3,399	3,276
Share-based payment charge	-	-	-	3,196	-	3,196
Group restructure (note 13)	2,209	-	(2,209)	-	-	-
Distribution in law (note 13)	-	-	-	(11,501)	-	(11,501)
Share issue on IPO (note 13)	718	154,412	-	-	-	155,130
Costs directly attributable to primary issue (note 13)	-	(7,290)	-	-	-	(7,290)
Balance at 26 April 2020	**2,993**	**147,122**	**(2,209)**	**47,438**	**4,197**	**199,541**

* Dividends paid in specie relating to the carve out of the Watch Shop and The Watch Lab businesses.

** The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application, 29 April 2019 (see note 1).

As noted in the Consolidated Statement of Comprehensive Income, the insertion of the Company as the new parent company of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting was used to account for the insertion of the Company. The effect was an increase in share capital, to reflect the underlying capital structure of the Company, with the offset posted to a newly created merger reserve. The reorganisation was undertaken as part of the Initial Public Offering ('IPO') with the Company being both created and inserted as part of the process. This has been further described in note 13.

WATCHES OF SWITZERLAND GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	52 week period ended 26 April 2020 IFRS 16	52 week period ended 28 April 2019 IAS 17
		£'000	£'000
Cash flows from operating activities			
Profit for the period from continuing operations		507	13,899
Adjustments for:			
Depreciation of property, plant and equipment	9	15,575	11,827
Depreciation of right-of-use assets	10	36,112	-
Amortisation of intangible assets	8	2,394	2,592
Impairment of right-of-use assets	10	5,398	-
Impairment of property, plant and equipment	9	3,991	-
Gain on lease disposal	10	(658)	-
Loss on disposal of property, plant and equipment	9	3,781	1,324
Share-based payment charge		3,196	375
Guaranteed Minimum Pension equalisation		-	450
Finance income		(1,280)	(1,048)
Finance costs	5	48,079	26,413
Taxation	6	980	6,221
(Increase)/decrease in inventory		(35,503)	5,803
Decrease in debtors		14,312	2,382
Increase/(decrease) in creditors, provisions, government grants and pensions		5,162	(279)
Cash generated from operations - Continuing operations		**102,046**	**69,959**
Pension scheme contributions		(705)	(697)
Tax paid		(7,466)	(5,012)
Net cash generated from operating activities - Continuing operations		**93,875**	**64,250**
Net cash generated from operating activities - Discontinued operations		**-**	**73**
Total net cash generated from operating activities		**93,875**	**64,323**
Cash flows from investing activities			
Purchase of non-current assets:			
Property, plant and equipment additions	9	(22,355)	(35,280)
Add back property, plant and equipment additions - Discontinued operations		-	263
Intangible asset additions	8	(1,651)	(3,275)
Add back intangible asset additions - Discontinued operations		-	253
Movement on capital expenditure accrual		(4,655)	2,505
Cash outflow from purchase of non-current assets		(28,661)	(35,534)
Discontinued operations cash at date of carve out		-	(5,659)
Acquisition of subsidiaries net of cash acquired	14	(31,083)	-
Receipt of government grants	11	1,330	-
Interest received		43	80
Net cash outflow from investing activities - Continuing operations		**(58,371)**	**(41,113)**
Net cash outflow from investing activities - Discontinued operations		**-**	**(516)**
Total net cash outflow from investing activities		**(58,371)**	**(41,629)**
Cash flows from financing activities			
Proceeds raised on Initial Public Offering ('IPO')	13	155,130	-
Costs directly attributable to IPO	13	(7,290)	-
Proceeds from term loan	12	120,000	-
Costs directly attributable to raising new term loan		(2,568)	-
Repayment of capital element of listed bond	12	(247,924)	(17,076)
Fees on early repayment of listed bond	12	(21,738)	(198)
Net borrowing/(repayment) of short-term loans		53,923	(2,817)
Payment of capital element of leases (IFRS 16)	10	(24,586)	-
Payment of interest element of leases (IFRS 16)	10	(11,782)	-
Payment of capital element of finance leases		-	(199)
Interest paid		(11,646)	(17,399)
Net cash inflow/(outflow) from financing activities		**1,519**	**(37,689)**
Net increase/(decrease) in cash and cash equivalents		**37,023**	**(14,995)**
Cash and cash equivalents at the beginning of the period		34,538	49,222
Exchange gains on cash and cash equivalents		1,366	311
Cash and cash equivalents at the end of period		**72,927**	**34,538**
Comprised of:			
Cash at bank and in hand		70,850	26,960
Cash in transit		2,077	7,578
Cash and cash equivalents at end of period		**72,927**	**34,538**

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

General information

The Condensed Consolidated Financial Statements, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, do not constitute full accounts within the meaning of s435 (1) and (2) of the Companies Act 2006. The auditor has reported on the Group's statutory accounts for the 52 week period ended 26 April 2020 and 52 week period ended 28 April 2019, 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 28 April 2019 have been delivered to the Registrar of Companies and the statutory accounts for the period ended 26 April 2020 will be filed with the Registrar in due course.

This announcement was approved by the Board of Directors on 12 August 2020.

Group reorganisation

The Group has undertaken a group reorganisation exercise during the period to 26 April 2020. As part of this process, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was inserted above Jewel UK Midco Limited in the Group's structure.

On 24 May 2019, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) (the 'Company') acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries, by a way of a share for share exchange with Jewel Holdco S.à r.l., becoming the Group's immediate parent company. The insertion of the Company on top of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting has been used to account for this transaction.

On 30 May 2019, the Company was re-registered as a public limited company under the Companies Act 2006. On the 4 June 2019, the Company was admitted for listing on the London Stock Exchange. The Company issued 57,455,554 shares for £2.70 each with a nominal value of £0.0125p recognising additional share capital of £718,000 and share premium of £154,412,000.

The Group's Annual Report and Accounts is the first set of annual financial statements presented for the newly formed group and the prior period comparison is that of the former Jewel UK Midco Limited group. The underlying structure of the Group is unchanged and as such the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been presented on a consistent basis as if the group reorganisation had taken place at the start of the earliest period presented.

Basis of preparation

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 all the disclosures required to comply with IFRS.

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are the same as those set out in the Group's annual financial statements for the 52 weeks ended 28 April 2019, except for the adoption of IFRS 16 'Leases', effective as of 29 April 2019, 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.

Impact of COVID-19

The COVID-19 pandemic developed quickly during the first half of the 2020 calendar year, with a significant impact upon many countries, businesses and individuals.

COVID-19 has been considered in our significant areas of judgement and estimation, and as noted throughout the financial statements, a number of balances have been impacted. Subsequent to the balance sheet date, the Group has reviewed the trading performance of our stores since reopening and reviewed other relevant external factors, including changes in government policies and restrictions. This review also included analysis of the collectability of customer debtors and the recoverable value of store assets.

Going concern

The Directors consider that the Group has, at the time of approving the Group financial statements, adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the preliminary consolidated information.

At the balance sheet date, the Group had a total of £218,974,000 in available committed facilities, of which £202,649,000 was drawn down. Net debt at this date was £129,722,000 with liquidity (defined as unrestricted cash plus undrawn available facilities) headroom of £82,860,000. This funding matures in 2023/24. On 14 May 2020, the Group entered into a new £45,000,000 facility agreement as part of the UK government Coronavirus Large Business Interruption Loan Scheme ("CLBILS") which has a maturity of November 2021. The total available committed facilities in place as of 12 August 2020 were £261,800,000 of which £150,300,000 was drawn.

The key covenant tests attached to the Group's facilities are a measure of net debt to EBITDA and the Fixed Charge Cover Ratio (FCCR) at each April and October. The covenant tests at October 2019 and April 2020 were fully met. On 18 June 2020, the covenant tests of the Group's facilities were replaced with a monthly minimum liquidity headroom covenant of £20,000,000 for the period of June 2020 to September 2021. The Directors sought the replacement of covenants to provide further flexibility to deal with any unexpected circumstances during that period.

The strategic planning process reviewed by the Board is over a three-year period, with the Board acknowledging that there is uncertainty around those plans as a result of COVID-19. During the normal cycle of strategic planning the budget and three-year plans are approved by the Board in February each year. As a result of the impact of COVID-19, the budget and three-year plan were updated for the Directors' best estimate of the impact of COVID-19 in August 2020, taking into account trading post year end once lockdown had ended.

WATCHES OF SWITZERLAND GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies (continued)

Going concern (continued)

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

- The Budget approved by the Board in August 2020, which included the following key assumptions:
    - A continued strong luxury watch market in the UK and US
    - Anticipation of some localised disruption due to COVID-19 but assumes no further national-scale lockdowns in either the US or UK during the period
    - Lower levels of tourism in the US and UK and reduced travel impacting our airport stores
    - Sufficient luxury watch supply to support the revenue forecast

  The budget aligns to the Guidance given on page 26. Under this budget all covenant tests to October 2021 are comfortably complied with and there is sufficient liquidity to repay the £45,000,000 CLBILS facility in November 2021.

- We have reverse stress-tested this budget to determine what level of reduced EBITDA and other possible cash outflows would result in a breach of the £20,000,000 liquidity headroom covenant. The likelihood of this level of reduced EBITDA and other cash outflows are considered remote. Neither a full 12-month store lockdown nor a Christmas store closure period with an additional reduced demand during the 12-month period, would result in a breach of the £20,000,000 minimum headroom covenant.

- Severe but plausible scenarios of a full store closure at Christmas or a 20% reduction in sales to budget due to reduced consumer confidence and lower disposable income or a combination of the two would still result in the £20,000,000 liquidity covenant, the October 2021 debt to EBITDA ratio and the £45,000,000 CLBILS loan repayment in November 2021 all being complied with.

These scenarios reflect the following:

- Cost-saving initiatives, such as reduced marketing and other operating costs
- Reduced capital expenditure of £18,000,000
- Benefit of £13,300,000 of business rates relief in FY21
- Income from the US and UK Government payroll support schemes of £7,700,000 to October 2021

The Board extended the going concern review period to include the covenant tests at October 2021, when the covenant waiver ends, and the CLBILS £45,000,000 repayment in November 2021. In the budget, the October 2021 debt to EBITDA covenant is comfortably satisfied and there is sufficient liquidity available to repay the CLBILS facility. Significant sales reduction against the budget such as a lockdown in the peak trading months of November and December or a further full store lockdown of 3-4 months could be endured without breaching the October 2021 covenant. The Board considers that a further sales reduction beyond these scenarios is remote.

Should trading in November and December be below expectation, the Group has ten months to take mitigating actions to rectify any potential breach of covenants. Mitigating actions, which are not reflected in the scenario analysis above, would include:

- Those in management's control:
    - Review of marketing spend
    - Reduction in the level of stock purchases
    - Restructuring of the business with headcount and store operational savings
- Other activities:
    - Renegotiations with suppliers and landlords
    - Pursuance of additional financing including equity
    - A covenant waiver request to the lenders

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

Exceptional items

The Group presents, as exceptional items on the face of the Consolidated Income Statement, those material items of income and expense which, because of the nature or the expected infrequency of the events giving rise to them, merit separate presentation to provide a better understanding of the elements of financial performance in the financial period, so as to assess trends in financial performance. Further details on exceptional items are given within note 4.

Alternative performance measures ('APMs')

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

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

The key APMs that the Group uses include: Net margin, Adjusted EBITDA, Adjusted EBIT and Adjusted EPS. These APMs are set out in the Glossary on page 56 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

The Group makes certain adjustments to the statutory profit measures in order to derive many of these APMs. The Group's policy is to exclude items that are considered non-underlying and exceptional due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. Treatment as an adjusting item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group but should not be considered in isolation of statutory measures.

1. Accounting policies (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-makers (CODMs), who are 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 CODMs review the key profit measures Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Adjusted Earnings Before Interest and Tax (EBIT), both shown pre-exceptional items and IFRS 16.

In the current period, the operating segments presented differ from those presented in the 28 April 2019 statutory financial statements. The segment reporting adopted for the period ended 26 April 2020 has been changed to show the new Group's Key Performance Indicator (KPI) of Adjusted EBIT pre-exceptional items and IFRS 16, as this KPI is linked to executive remuneration for the 52 week period ended 26 April 2020. This presentation reflects the reporting to the CODMs and the Board.

Revenue

Change in accounting

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

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

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

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

	52 week period ended 28 April 2019			
	As presented within the financial statements	Impact of accounting change	Impacted results	Impact of accounting change
	£'000	£'000	£'000	%
Revenue	773,518	(10,661)	762,857	(1.4)
Cost of sales	(700,945)	12,574	(688,371)	1.8
Gross profit	**72,573**	**1,913**	**74,486**	**2.6**
Administrative expenses	(27,088)	(1,913)	(29,001)	(7.1)
Operating profit	**45,485**	**-**	**45,485**	**-**
Profit for the financial period from continuing operations	**13,899**	**-**	**13,899**	**-**

Intangible assets

Change in estimate

During the 52 week period ended 26 April 2020, the Group has revised the useful economic life attributed to the brand recognised on the acquisition of Mayors Jewelers in October 2017. Since the acquisition, the Group's strategy has developed to reflect the successful dual branding in the US with the Mayors brand name being considered a key element of the US growth strategy. This is evidenced by the significant capital expenditure in refurbishing existing stores as well as relocating old Mayors stores and keeping the Mayors branding. Based on this change in brand strategy, the Group has changed the estimate of the useful life of the brand to a more relevant period which reflects the history, investment and long-term plan for the Mayors brand – from 10 years to 30 years. The Group will account for this prospectively and as such the comparative results have not been restated, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The impact to the Income Statement for the 52 week period ended 26 April 2020 was a £1,025,000 reduction in amortisation.

New standards, amendments and interpretations

The Group has adopted IFRS 16 'Leases' from the start of the Group's financial period, 29 April 2019. A number of other new standards are effective from 29 April 2019, including IFRIC 23 'Uncertainty over income tax treatments', but they do not have a material effect on the Group's financial statements.

IFRS 16 'Leases' specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The Group adopted IFRS 16 from 29 April 2019 using a modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 29 April 2019. The comparative information presented for the year ended 28 April 2019 has not been restated and therefore continues to be shown under IAS 17. For all periods prior to 29 April 2019, the Group classified the majority of its property leases as operating leases under IAS 17. Operating lease rental payments were recognised as an expense in the Income Statement on a straight-line basis over the lease term.

IFRS 16 'Leases', applicable from 29 April 2019

The main impact of IFRS 16 for the Group is the recognition of right-of-use assets and lease liabilities for those leases previously classified as operating leases. Right-of-use assets have been recognised on the Balance Sheet representing the economic benefits of the Group's right to use the underlying leased assets. The impact upon the Income Statement will be to derecognise operating lease costs and to recognise depreciation of the right-of use assets and interest costs on the lease liabilities. The Group's activities as a lessor are not material and therefore the Group has not recognised any changes to lessor accounting as a result of the transition to IFRS 16.

The Group's lease portfolio is principally comprised of property leases in relation to Watches of Switzerland, Mappin & Webb, Goldsmiths and Mayors stores, mono-brand boutiques and central offices. The leases typically run for terms between five and 20 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Group's lease payments are subject to market review, usually every five years, with a number of leases which have annual increases dependent on economic indices. Some lease agreements include rental payments which are contingent on the turnover the property to which it relates. These payments are excluded from the calculation of the lease liabilities under IFRS 16.

1. Accounting policies (continued)
New standards, amendments and interpretations (continued)
IFRS 16 'Leases', applicable from 29 April 2019 (continued)
Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an arrangement contains a lease'. Under IAS 17 'Leases', classification of leases between operating or finance leases was determined based on an assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group did not elect to apply the practical expedient to grandfather the assessment of which contracts are leases. As such, on transition the Group has assessed on a lease by lease basis whether they meet the criteria as set out under IFRS 16. As part of the exercise, a number of properties have been identified as not meeting the criteria set out and as such will continue to be accounted for on a straight-line basis. This is considered a significant judgement as disclosed below. A reconciliation from operating lease commitments to the lease liability presented under IFRS 16 has been formed within this note.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Lease liability – initial recognition
Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, less any incentives receivable, discounted using the determined incremental borrowing rate applicable to the lease.

Lease payments in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments such as those that depend on an index or rate (such as RPI), initially measured using the index or rate at the commencement date; and
- Penalty payments for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

Lease liability – subsequent measurement
Lease liabilities are subsequently measured at amortised cost and are increased to reflect interest on the lease liability (using the effective interest method) and decreased by the lease payments made.

Lease liability – remeasurement
Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or market rental review, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal option is reasonably certain to be exercised or a break clause is reasonably certain to be exercised.

When the lease liability is remeasured, an equivalent adjustment is made to the right-of-use asset, unless its carrying amount is reduced to £nil, in which case any remaining amount is recognised in profit or loss.

The Group has applied judgement to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether the Group is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the Balance Sheet and Income Statement.

Right-of-use assets – initial recognition
Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The Group has elected to apply the exemption for short term leases (leases with a term of less than one year) and low value assets under IFRS 16, as such not recognising a right-of-use asset and lease liability on the Balance Sheet, but recognising lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Where the Group has an obligation for costs to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 'Provisions, contingent liabilities and contingent assets'. The estimated costs are included in the related right-of-use asset.

Right-of-use assets – subsequent measurement
Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liabilities. Depreciation is calculated on a straight-line basis over the expected useful economic life of a lease which is taken as the lease term.

Transition
Leases previously classified as financing leases
The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Group has applied the modified retrospective approach and recognised the lease liability on transition as the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application, 29 April 2019.

When measuring lease liabilities on transition to IFRS 16, the Group discounted lease payments using its incremental borrowing rate at 29 April 2019. The Incremental Borrowing Rate (IBR) applied to each lease was determined by taking into account the risk free rate, adjusted for factors such as country risk and the credit rating linked to the underlying lease agreement. The weighted average IBR applied by the Group at the date of initial application was 4.73% with individual leases ranged from 3.13% to 5.92%.

1. Accounting policies (continued)
New standards, amendments and interpretations (continued)
IFRS 16 'Leases', applicable from 29 April 2019 (continued)
The Group has chosen on a lease-by-lease basis to measure the right-of-use asset as either:

- The carrying amount as if IFRS 16 had been applied since the commencement date, but discounting using the incremental borrowing rate at the date of initial application. The Group has applied this to a small number of property leases where it was possible to ascertain sufficient historical data; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet immediately before the date of initial application. The Group has applied this methodology to the majority of its property leases and all its other leases

The Group has not restated comparatives and the cumulative effect of £20,336,000 of initially applying IFRS 16 was recognised as an adjustment to the opening balance of retained earnings.

Exemptions and practical expedients on transition to IFRS 16
The Group has elected to apply the following:

- To exclude long term leases with less than one year remaining at the date of initial application;
- To exclude initial direct costs from the measurement of the right-of-use assets on transition; and
- To apply hindsight, where appropriate, for instance in determining the lease term

Initial direct costs (lease acquisition costs), incurred subsequently to the initial date of application, have been included within the right-of-use asset.

The opening balance sheet position as at 29 April 2019 has been restated on transition to IFRS 16. The Group recognised additional right-of-use assets, lease liabilities and deferred tax assets as well as a reduction in prepayments, provisions and liabilities, recognising the difference in retained earnings. The impact on transition is summarised below. Prior periods have not been restated.

	28 April 2019 IAS 17	IFRS 16 adjustments	29 April 2019 IFRS 16
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	109,666	-	109,666
Intangible assets (i)	18,063	(277)	17,786
Property, plant and equipment (ii)	101,268	(1,586)	99,682
Right-of-use assets	-	244,989	244,989
Deferred tax (iii)	8,727	3,447	12,174
Trade and other receivables	4,544	-	4,544
	242,268	**246,573**	**488,841**
Current assets			
Inventories	200,271	-	200,271
Trade and other receivables (iv)	35,638	(5,521)	30,117
Cash and cash equivalents	34,538	-	34,538
	270,447	**(5,521)**	**264,926**
Total assets	**512,715**	**241,052**	**753,767**
Liabilities			
Current liabilities			
Trade and other payables (v)	(137,344)	2,017	(135,327)
Lease liabilities	-	(45,992)	(45,992)
Current tax liabilities	(2,759)	-	(2,759)
Borrowings (i)	(27,213)	110	(27,103)
Provisions (vi)	(3,312)	2,151	(1,161)
	(170,628)	**(41,714)**	**(212,342)**
Non-current liabilities			
Trade and other payables (v)	(20,318)	16,597	(3,721)
Lease liabilities	-	(238,546)	(238,546)
Borrowings	(239,884)	-	(239,884)
Post-employment benefit obligations	(3,051)	-	(3,051)
Provisions (vi)	(2,275)	2,275	-
	(265,528)	**(219,674)**	**(485,202)**
Total liabilities	**(436,156)**	**(261,388)**	**(697,544)**
Net assets	**76,559**	**(20,336)**	**56,223**
Equity			
Share capital	66	-	66
Retained earnings	75,695	(20,336)	55,359
Foreign exchange reserve	798	-	798
Total equity	**76,559**	**(20,336)**	**56,223**

(i) In respect of transfer of former finance leases
(ii) In respect of the date of initial application impairment review
(iii) Deferred tax recognised on transition to IFRS 16
(iv) Mainly in respect of prepaid rent
(v) Mainly in respect of lease incentive creditors
(vi) Mainly in respect of onerous lease provisions

1. Accounting policies (continued)
New standards, amendments and interpretations (continued)
IFRS 16 'Leases', applicable from 29 April 2019 (continued)

A reconciliation from the commitments under non-cancellable operating leases as at 28 April 2019, as presented within the Group's Annual Report and Accounts for the 52 weeks to 28 April 2019, to the lease liabilities recognised as at the date of initial application, 29 April 2019, is presented below:

	29 April 2019
	£'000
Commitments under non-cancellable operating leases as at 28 April 2019	**322,463**
Contracts not in scope of IFRS 16[i]	(21,176)
Effect of discounting[ii]	(57,260)
Long term leases expiring before 26 April 2020 [iii]	(926)
Lease extension options[iv]	39,945
Leases identified under IFRS 16 not identified under IAS 17	1,236
Leases previously accounted for as finance leases	110
Other	146
Lease liabilities recognised at 29 April 2019	**284,538**

(i) Contracts that were considered to be leases under IAS 17 which do not meet the definition under IFRS 16, principally because the supplier is considered to have substantive substitution rights over the associated assets
(ii) The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 obligations have been discounted based on an applicable incremental borrowing rate depending on the location of the asset and lease term
(iii) The Group has applied the practical expedient to classify leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 as short term leases. The Group has also applied the recognition exception for short term leases
(iv) Previously, lease commitments only included non-cancellable periods in the lease agreements. Under IFRS 16, the lease term includes periods covered by options to break the lease where the Group is reasonably certain that such options will not be exercised

Impact for the period

The impact on the Income Statement was as follows:

	52 week period ended 26 April 2020		
	Presented under IAS 17	Impact of IFRS 16	Presented under IFRS 16
	£'000	£'000	£'000
Revenue	**810,512**	**-**	**810,512**
Cost of sales	(736,277)	15,413	(720,864)
Gross profit	**74,235**	**15,413**	**89,648**
Impairment of assets	(7,056)	(2,333)	(9,389)
Administrative expenses	(29,142)	292	(28,850)
Loss on disposal of property, plant and equipment	(3,781)	658	(3,123)
Operating profit	**34,256**	**14,030**	**48,286**
Finance costs	(36,293)	(11,786)	(48,079)
Finance income	1,280	-	1,280
Net finance cost	**(35,013)**	**(11,786)**	**(46,799)**
(Loss)/profit before taxation	**(757)**	**2,244**	**1,487**
Taxation	(1,248)	268	(980)
(Loss)/profit for the financial period	**(2,005)**	**2,512**	**507**
Earnings per share			
Basic and diluted	(0.9)p		0.2p

1. Accounting policies (continued)
New standards, amendments and interpretations (continued)
IFRS 16 'Leases', applicable from 29 April 2019 (continued)
Impact on closing balance sheet

	26 April 2020 IAS 17	Impact of IFRS 16	26 April 2020 IFRS 16
	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	136,557	-	136,557
Intangible assets (i)	17,934	(208)	17,726
Property, plant and equipment (ii)	99,758	1,632	101,390
Right-of-use assets	-	251,642	251,642
Deferred tax (iii)	8,535	3,729	12,264
Trade and other receivables	1,325	-	1,325
	264,109	**256,795**	**520,904**
Current assets			
Inventories	243,495	-	243,495
Current tax asset	3,659	-	3,659
Government grants	2,575	-	2,575
Trade and other receivables (iv)	8,952	(723)	8,229
Cash and cash equivalents	72,927	-	72,927
	331,608	**(723)**	**330,885**
Total assets	**595,717**	**256,072**	**851,789**
Liabilities			
Current liabilities			
Trade and other payables (v)	(142,421)	6,364	(136,057)
Lease liabilities	-	(46,205)	(46,205)
Government grants	(1,186)	-	(1,186)
Borrowings (i)	(82,678)	29	(82,649)
Provisions (vi)	(3,042)	2,278	(764)
	(229,327)	**(37,534)**	**(266,861)**
Non-current liabilities			
Trade and other payables (v)	(21,739)	19,103	(2,636)
Lease liabilities	-	(261,753)	(261,753)
Borrowings	(117,072)	-	(117,072)
Post-employment benefit obligations	(2,714)	-	(2,714)
Provisions (vi)	(7,409)	6,197	(1,212)
	(148,934)	**(236,453)**	**(385,387)**
Total liabilities	**(378,261)**	**(273,987)**	**(652,248)**
Net assets	**217,456**	**(17,915)**	**199,541**
Equity			
Share capital	2,993	-	2,993
Share premium	147,122	-	147,122
Merger reserve	(2,209)	-	(2,209)
Retained earnings	65,262	(17,824)	47,438
Foreign exchange reserve	4,288	(91)	4,197
Total equity	**217,456**	**(17,915)**	**199,541**

(i) In respect of transfer of former finance leases
(ii) In respect of the date of initial application impairment review
(iii) Deferred tax recognised on transition to IFRS 16
(iv) Mainly in respect of prepaid rent
(v) Mainly in respect of lease incentive creditors
(vi) Mainly in respect of onerous lease provisions

Significant areas of judgement and estimation (IFRS 16)
The application of IFRS 16 requires significant estimation and judgement, particularly around the calculation of the incremental borrowing rate and determining the lease term when there are options to extend or terminate early. Each of these have been determined on a lease-by-lease basis on transition. High levels of judgement are also involved in determining whether leases contain 'substantive substitution rights' and therefore whether they meet the definition of a lease under IFRS 16. See below for full disclosure of all the major sources of estimation uncertainty and judgement applicable to the Group.

Other new standards, amendments and interpretations
The following standards, amendments and interpretations were applicable for the period beginning 29 April 2019 and were adopted by the Group for the year ended 26 April 2020. They have not had a significant impact on the Group's profit for the year, equity or disclosures:

- Amendments to IFRS 9 'Prepayment features with negative compensation'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IAS 28 'Long-term interests in associates and joint ventures'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Annual Improvements to IFRS Standards 2015-2017 Cycle

1. Accounting policies (continued)

Other new standards, amendments and interpretations (continued)

The following are new accounting standards and amendments to existing standards that have been published and are applicable for the Group's accounting periods beginning 27 April 2020 onwards, which the Group has not adopted early:

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

The adoption of these standards and amendments is not expected to have a material impact on the Group's consolidated financial statements.

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

- IFRS 17 'Insurance Contracts' (applicable for the period beginning 31 January 2021)

Major sources of estimation uncertainty and judgement

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

Significant estimates

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

Post-employment benefit obligations

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

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value, on a weighted average cost basis. Provisions are recognised where the net realisable value is assessed to be lower than cost. The calculation of this provision requires estimation of the eventual sales price and sell-through of goods to customers in the future. A 20% reduction in the store sell-through of slow moving stock would impact the net realisable value by c.£3,100,000.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. For the impairment test, the value in use method requires the Group to determine appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flow projections over the three-year strategic plan period, the long-term growth rate to be applied beyond this three-year period and the risk-adjusted pre-tax discount rate used to discount those cash flows. The key assumptions relate to sales growth rates discount rates used to discount the cash flows. Store related property, plant and equipment and right-of-use assets are tested for impairment at a store-by-store level, including an allocation of overheads related to store operations.

Significant judgements

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

Classification of exceptional items and presentation of non-GAAP measures

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

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

Lease term (IFRS 16)

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option.

Where a lease includes the option for the Group to terminate the lease before the term end, the Group makes a judgement as to whether it is reasonably certain that the option will or will not be taken.

On entering into a lease, the Group assesses how reasonably certain it is to exercise these options. The default position is that the Group will determine that the lease term is to the end of the lease (i.e. will not include break-clauses or options to extend) unless there is clear evidence to the contrary.

The lease term of each lease is reassessed if there is specific evidence of a change in circumstance such as:

- A decision has been made by the business to exercise a break or option
- The trading performance significantly changes
- Planned future capital expenditure suggests that the option to extend will be taken.

1. Accounting policies (continued)

Significant judgements (continued)

Discount rates (IFRS 16)

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Management uses the rate implicit in the lease in relation to the Group's 'Other' leases and the lessee's incremental borrowing rate for all property leases.

Incremental borrowing rates are determined on entering a lease and depend on the term, country, currency and start date of the lease. The incremental borrowing rate used is calculated based on a series of inputs including:

- the risk-free rate based on country specific swap markets;
- a credit risk adjustment based on country specific corporate indices; and
- a Group specific adjustment to reflect the Group's specific borrowing conditions.

As a result, reflecting the breadth of the Group's lease portfolio, judgements on the lease terms and the international spread of the portfolio, there are a large number of discount rates applied to the leases within the range of 2.58% to 6.33%.

Substantive substitution rights (IFRS 16)

The Group has applied judgement to a number of leases and has judged that they do not meet the definition of a lease under IFRS 16. In these cases, the Group has judged that the lessor has a substantive right to substitute the asset and as such, there is no asset identified within the contract. If the Group judges that the lessor has the practical ability to substitute; the Group cannot prevent the lessor from proposing the substitution; and the costs of substitution are assessed to be low. As a result, the Group does not recognise lease liabilities or right-of-use assets in relation to these leases and continues to account for these on a straight-line basis.

Other areas of estimation and judgement include estimation around expected supplier incentives receivable from third parties. Estimates are based on underlying and forecast sales data to anticipate the level of incentive receivable based on targets to be met in the future. Sensitivities to the assumptions for this are not expected to result in a material change in the carrying amount. The amount recognised as a receivable is reviewed regularly and updated to reflect management's latest best estimate.

2. Segment reporting

The key Group performance measures are Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Adjusted Earnings Before Interest and Tax (EBIT), both shown pre-exceptional items, as detailed below. The segment reporting is disclosed on a pre-IFRS 16 basis reflecting how results are reported to the CODMs and for comparability to the prior period.

Adjusted EBITDA represents profit for the period before finance costs, finance income, taxation, depreciation, amortisation, exceptional items presented in the Group's Income Statement (consisting of exceptional administrative expenses and exceptional cost of sales), professional costs for non-trading activities and management fees paid to the Group's ultimate controlling party.

The segment reporting adopted for the 52 week period ended 26 April 2020 has been changed to show the new Group's Key Performance Indicator (KPI) of Adjusted EBIT pre-exceptional items, as this KPI is linked to executive remuneration for the 52 weeks ended 26 April 2020. This presentation reflects the reporting to the CODMs and the Board.

	52 week period ended 26 April 2020		
	UK	US	**Total continuing operations**
	£'000	£'000	**£'000**
Revenue	585,473	225,039	**810,512**
Net margin	221,328	83,378	**304,706**
Less:			
Store costs	(126,373)	(51,821)	**(178,194)**
Overheads	(34,175)	(10,405)	**(44,580)**
Store opening and closing costs	(2,185)	(1,635)	**(3,820)**
Intra-group management charge	3,607	(3,607)	-
Adjusted EBITDA	62,202	15,910	**78,112**
Depreciation, amortisation, impairment and loss on disposal of assets	(16,186)	(6,041)	**(22,227)**
Segment profit*	46,016	9,869	**55,885**
Exceptional cost of sales – pre-IFRS 16 (note 4)			**(6,243)**
Exceptional impairment of assets – pre-IFRS 16 (note 4)			**(7,056)**
Exceptional administrative costs (note 4)			**(8,330)**
Exceptional finance costs (note 4)			**(28,490)**
Net other finance costs			**(6,523)**
IFRS 16 adjustments			**2,244**
Profit before taxation for the financial period for continuing operations			**1,487**

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

2. Segment reporting (continued)

	52 week period ended 28 April 2019		
	UK	US	**Total continuing operations**
	£'000	£'000	**£'000**
Revenue	588,224	185,294	**773,518**
Net margin	220,047	70,195	**290,242**
Less:			
Store costs	(127,922)	(44,529)	**(172,451)**
Overheads	(30,507)	(9,136)	**(39,643)**
Store opening and closing costs	(1,805)	(5,655)	**(7,460)**
Other non-underlying costs	(1,490)	(437)	**(1,927)**
Intra-group management charge	1,885	(1,885)	**-**
Adjusted EBITDA	60,208	8,553	**68,761**
Depreciation, amortisation, impairment and loss on disposal of assets	(12,526)	(3,217)	**(15,743)**
Other non-trading fees(i)	(942)	(241)	**(1,183)**
Segment profit*	46,740	5,095	**51,835**
Exceptional administrative costs (note 4)			**(6,350)**
Net other finance costs			**(25,365)**
Profit before taxation for the financial period for continuing operations			**20,120**

(i) Other non-trading fees relates principally to legacy share-based payment charges and non-recurring professional and legal fees and management fees paid to the Group's former ultimate parent company. Non-trading fees are not adjusted from segment profit for the financial year 26 April 2020 onwards.

Entity-wide revenue disclosures

	52 week period ended 26 April 2020	52 week period ended 28 April 2019
	£'000	£'000
UK		
Luxury watches	475,870	471,717
Luxury jewellery	54,130	55,827
Fashion & classic (incl. jewellery)	29,911	33,614
Other	25,562	27,066
Total	**585,473**	**588,224**
US		
Luxury watches	203,998	159,729
Luxury jewellery	14,967	18,906
Fashion & classic (incl. jewellery)	538	953
Other	5,536	5,706
Total	**225,039**	**185,294**
Group - Continuing operations		
Luxury watches	679,868	631,446
Luxury jewellery	69,097	74,733
Fashion & classic (incl. jewellery)	30,449	34,567
Other	31,098	32,772
Total	**810,512**	**773,518**

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

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

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

3. Revenue

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

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

	52 week period ended 28 April 2019		
	Sale of goods	Rendering of services	Total
	£'000	£'000	£'000
UK	564,926	23,298	588,224
US	179,692	5,602	185,294
Total - Continuing operations	**744,618**	**28,900**	**773,518**

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

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

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

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

4. Exceptional items

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

	52 week period ended 26 April 2020 IFRS 16	52 week period ended 28 April 2019 IAS 17
	£'000	£'000
Exceptional cost of sales		
Expected credit losses [i]	(695)	-
Total exceptional cost of sales	**(695)**	**-**
Exceptional impairment of assets		
Impairment of property, plant and equipment [ii]	(3,764)	-
Impairment of right-of-use assets (IFRS 16) [ii]	(4,762)	-
Total exceptional impairment of assets	**(8,526)**	**-**
Exceptional administrative expenses		
Professional and legal expenses on business combinations[iii]	(310)	-
Guaranteed Minimum Pension (GMP) equalisation[iv]	-	(450)
Revision of estimates of payments to former owners	-	22
Exceptional items for Initial Public Offering[v]		
Share based payment in respect of the Chief Executive Officer and legacy arrangements	(3,314)	-
Bonus paid to employees on IPO	(2,071)	-
Professional and legal fees	(2,635)	(5,922)
Total exceptional administrative costs	**(8,330)**	**(6,350)**
Exceptional finance costs		
Early redemption fees (note 5)	(21,738)	-
Write off capitalised transaction costs on bond redemption (note 5)	(6,752)	-
Total exceptional finance costs	**(28,490)**	**-**
Total exceptional items - Continuing operations	**(46,041)**	**(6,350)**
Tax impact of exceptional cost of sales	180	-
Tax impact of exceptional impairment of assets	1,829	
Tax impact of exceptional administrative costs	1,138	77
Tax impact of exceptional finance costs	5,200	-
Tax impact of exceptional items	**8,347**	**77**

4. Exceptional items

(i) Expected credit losses

Linked to the exceptional circumstances caused by the global COVID-19 pandemic, the Group has identified an increase in the expected credit losses relating to trade receivables, linked to the financial issues which the pandemic has presented to individuals. The Group calculates the allowance for expected credit losses using the simplified approach which estimates the lifetime expected credit losses. Based on the Group's assessment of the future worsening economic environment in the US as a result of COVID-19, the Group has specifically increased the provision against in-house credit debtors by a further £695,000, which, when considered with the impairment to property, plant and equipment and right-of-use assets, is considered exceptional by its nature.

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

£3,764,000 of the impairment to property, plant and equipment and £4,762,000 of the impairment to right-of use assets have been classified as exceptional expenses due to the materiality and exceptional nature of these impairments. The COVID-19 pandemic and associated lockdown has significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand resulting in the impairments to property, plant and equipment as well as the right-of-use assets. These stores were impaired to their 'value in use' recoverable amount of property, plant and equipment of £101,306,000, and right-of-use assets of £251,642,000 which is their respective carrying values at the year-end.

(iii) Professional and legal expenses on business combinations

Professional and legal expenses on business combinations completed during the periods have been expensed to the Income Statement as an exceptional cost as they are regarded as non-trading, non-underlying costs and are considered to be material by nature.

(iv) Guaranteed Minimum Pension (GMP) equalisation

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

(v) Exceptional items for Initial Public Offering

The Group incurred costs in relation to the IPO, which included a one-off discretionary IPO bonus to employees and legal and professional costs. These costs will not re-occur in the future years and are linked to a significant one-off transaction (see note 13). Also included in exceptional IPO costs are share-based payments linked to the successful IPO process. £3,041,000 will be incurred in the 53 week period to 2 May 2021 in relation to these share-based payments. All of these costs are considered exceptional as they are linked to a unique non-recurring event and do not form part of the underlying trading of the Group.

For internal monitoring purposes, management and the CODMs review the results of the business on a pre-IFRS 16 basis and pre-exceptional basis (as noted within the segment reporting in note 2). As such, the following pre-IFRS 16 exceptional costs have been reported on an internal basis:

	52 week period ended 26 April 2020 IAS 17	52 week period ended 28 April 2019 IAS 17
	£'000	£'000
Total Exceptional cost of sales	(695)	-
Onerous leases – pre-IFRS 16 (vi)	(5,548)	-
Exceptional cost of sales (pre-IFRS 16)	**(6,243)**	**-**
Total exceptional impairment of assets	(8,526)	-
Impairment of property, plant and equipment - IFRS 16 impact	(3,292)	
Impairment of right-of-use assets (IFRS 16)	4,762	-
Exceptional impairment of assets (pre-IFRS 16)	**(7,056)**	**-**
Total exceptional administrative costs	**(8,330)**	**(6,350)**
Total exceptional finance costs	**(28,490)**	**-**
Total exceptional items - Continuing operations (pre-IFRS 16)	**(50,119)**	**(6,350)**
Tax impact of exceptional cost of sales (pre-IFRS 16)	1,438	-
Tax impact of exceptional impairment of assets (pre-IFRS 16)	1,512	-
Tax impact of exceptional administrative costs	1,138	77
Tax impact of exceptional finance costs	5,200	-
Tax impact of exceptional items	**9,288**	**77**

(vi) Onerous leases

On a pre-IFRS 16 basis, the Group has recognised an exceptional expense of £5,548,000 relating to onerous leases linked to the COVID-19 pandemic and associated lockdown which has significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand resulting in a number of stores being identified as loss making and, as such, an onerous lease provision has been put in place to provide for the future costs of fulfilling these contracts.

Exceptional items - Discontinued operations

During the prior period, the Group incurred an impairment on intangible assets and goodwill relating to the businesses carved out of £16,929,000. The impairment charge is regarded as a non-trading, non-underlying cost.

5. Finance costs

	52 week period ended 26 April 2020 IFRS 16	52 week period ended 28 April 2019 IAS 17
Finance costs	£'000	£'000
Interest payable on long term borrowings	5,373	22,443
Interest payable on short term borrowings	1,350	681
Amortisation and write off of issue costs	814	2,302
Other interest payable	10	108
Unwinding of discount on deferred consideration	190	239
Interest on lease liabilities (note 10)	11,782	-
Loss on repurchase of listed bonds	-	198
Unwinding of discount on provisions	-	84
Net foreign exchange loss on financing activities	-	327
Net interest expense on net defined benefit liabilities	70	31
	19,589	**26,413**
Exceptional finance costs		
Early redemption fees	21,738	-
Write off of capitalised transaction costs on bond redemption	6,752	-
	28,490	**-**
Total finance costs - Continuing operations	**48,079**	**26,413**

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

During the period to 28 April 2019, the Group repurchased the principal value of £17,076,000 of the listed bond note. Fees on early repayment of listed bond of £198,000 were recognised within Finance costs.

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

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

6. Taxation

The effective tax rate for underlying operations from continuing operations for the 52 week period ended 26 April 2020 was 19.6% (2019: 23.8%).

The tax rate for the current period varied from the standard rate of corporation tax in the UK due to the following factors:

	52 week period ended 26 April 2020		
	Underlying operations IFRS 16	Exceptional items IFRS 16	Total IFRS 16
	£'000	£'000	£'000
Profit before taxation from continuing operations	47,528	(46,041)	1,487
Notional taxation at standard UK corporation tax rate of 19%	9,030	(8,748)	282
Non-deductible expenses	1,026	651	1,677
Other differences	(491)	167	(324)
Overseas tax differentials	690	(417)	273
Effect of rate change	(828)	-	(828)
Adjustments in respect of prior periods	(100)	-	(100)
Tax expense reported in the Income Statement – Continuing operations	**9,327**	**(8,347)**	**980**

	52 week period ended 28 April 2019		
	Underlying operations IAS 17	Exceptional items IAS 17	Total IAS 17
	£'000	£'000	£'000
Profit before taxation from continuing operations	26,470	(6,350)	20,120
Notional taxation at standard UK corporation tax rate of 19%	5,029	(1,206)	3,823
Non-deductible expenses	250	1,129	1,379
Depreciation and amortisation on non-qualifying assets	578	-	578
Group relief	165	-	165
Impact of change in tax rates	(34)	-	(34)
Other	68	-	68
Adjustments in respect of prior periods	242	-	242
Tax expense reported in the Income Statement – Continuing operations	**6,298**	**(77)**	**6,221**

7. Earnings Per Share (EPS)

	52 week period ended 26 April 2020	52 week period ended 29 April 2019
Basic and diluted		
EPS	0.2p	(1.0)p
EPS - Continuing operations	0.2p	7.6p
EPS adjusted for exceptional items - Continuing operations	16.3p	11.1p
EPS adjusted for exceptional items and pre-IFRS 16 - Continuing operations	16.6p	-
EPS (Discontinued operations)	-	(8.6)p

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

	52 week period ended 26 April 2020	52 week period ended 28 April 2019
	£'000	£'000
Profit/(loss) after tax attributable to equity holders of the parent company		
Continuing operations	507	13,899
Discontinued operations	-	(15,668)
Profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings	**507**	**(1,769)**
Profit after tax attributable to equity holders of the parent company - Continuing operations	507	13,899
Add back:		
Exceptional cost of sales – Continuing operations, net of tax	515	-
Exceptional impairment of assets – Continuing operations, net of tax	6,697	
Exceptional administrative expenses - Continuing operations, net of tax	7,192	6,273
Exceptional finance costs - Continuing operations, net of tax	23,290	-
Profit adjusted for exceptional items for continuing operations	**38,201**	**20,172**
Pre-exceptional IFRS 16 adjustments, net of tax	625	-
Profit adjusted for exceptional items and IFRS 16 for continuing operations	**38,826**	**20,172**

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

	52 week period ended 26 April 2020	52 week period ended 28 April 2019
Weighted average number of shares:	'000	'000
Weighted average number of ordinary shares in issue	233,773	182,000
Weighted average shares for basic and diluted EPS	**233,773**	**182,000**

As discussed in note 1, the Group performed a group reorganisation. As part of this process, Watches of Switzerland Group PLC (formerly Watches of Switzerland Group Limited) was inserted above Jewel UK Midco Limited in the Group's structure. As at 26 April 2020, the share capital presented in the Consolidated Balance Sheet reflects that of the company Watches of Switzerland Group PLC.

As at the prior period, 28 April 2019, Watches of Switzerland Group PLC only had 1 share in issue. As such, for comparative purposes, we have presented the weighted average number of shares for the prior period being the number of shares in Watches of Switzerland Group PLC immediately prior to the IPO, occurring on 4 June 2019.

8. Intangible assets

	26 April 2020				
	Goodwill	Brands	Agency agreement	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
Net book value					
At 28 April 2019	109,666	9,613	2,281	6,169	127,729
Impact of IFRS 16	-	-	-	(277)	(277)
At 29 April 2019*	109,666	9,613	2,281	5,892	127,452
Additions	-	-	-	1,651	1,651
Acquired on business acquisition (note 14)	26,092	-	-	-	26,092
Amortisation charge for the period	-	(343)	(268)	(1,783)	(2,394)
Foreign exchange differences	799	507	113	63	1,482
At 26 April 2020	**136,557**	**9,777**	**2,126**	**5,823**	**154,283**

In the current year, the Group acquired Macrocom (1077) Limited, a business consisting of four stores based within the UK, and recognised goodwill of £26,092,000 as part of the transaction (note 14). The Group identified no additional intangible assets on the acquisition of this business.

During the 52 week period to 26 April 2020, the Group has revised the useful economic life attributed to the brand recognised on the acquisition of Mayors Jewelers in October 2017. Since the acquisition, the Group's strategy has developed to reflect the successful dual branding in the US with the Mayors brand name being considered a key element of the US growth strategy. This is evidenced by the significant capital expenditure in refurbishing existing stores as well as relocating old Mayors stores and keeping the Mayors branding. Based on this change in brand strategy, the Group has changed the estimate of the useful life of the brand to a more relevant period which reflects the history, investment and long-term plan for the Mayors brand – from 10 years to 30 years. The Group will account for this prospectively and as such the comparative results have not been restated, in line with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The impact to the Income Statement for the 52 week period to 26 April 2020 was a £1,025,000 reduction in amortisation.

9. Property, plant and equipment

	26 April 2020		
	Land and buildings	Fittings and equipment	Total
	£'000	£'000	£'000
Net book value			
At 28 April 2019	1,905	99,363	101,268
Impact of IFRS 16	-	(1,586)	(1,586)
At 29 April 2019*	1,905	97,777	99,682
Additions	613	21,742	22,355
Depreciation	(327)	(15,248)	(15,575)
Impairment	-	(227)	(227)
Impairment – exceptional items	(95)	(3,669)	(3,764)
Disposals	(55)	(3,726)	(3,781)
Arising on business combinations (note 14)	-	980	980
Foreign exchange differences	7	1,713	1,720
At 26 April 2020	**2,048**	**99,342**	**101,390**

*As part of the transition to IFRS 16, the Group has not applied the practical expedient noted within paragraph C10(b) of the standard but has performed an impairment assessment on initial application. As part of this assessment, the Group has calculated the valuation by performing a discounted cash flow for each CGU (being individual stores) and therefore determining the recoverable value for each CGU. The Group has then compared the recoverable value to the net book value of the property, plant and equipment and right-of-use asset associated with that CGU and recognised an impairment on initial application.

In line with IAS 36 'Impairment of assets', the impairment identified has been apportioned on a weighted basis between the non-current assets associated with the CGU. The impairment has been recognised under IFRS 16 when this would not have been recognised under the previous standard due to differences in the discount rates used to calculate the right-of use assets on transition (weighted average rate of 4.73%) and the discount rate used to discount future cash flows. This has been treated as an IFRS 16 adjustment.

Despite impairments being recognised on assets held by CGUs, no impairment has been recognised on goodwill or other intangible assets. As explained within the accounting policies and note 1, CGUs are grouped together for the purposes of testing goodwill and other intangible assets for impairment. As such, impairments have been recognised at the lowest level of testing but there is no indication of goodwill or other intangible assets being impaired.

As the Group has applied the modified retrospective transition methodology, prior period balances have not been restated for the purposes of IFRS 16.

Impairment of property, plant and equipment and right-of-use assets
During the period, the Group has recognised an impairment charge of £3,991,000 (2019: £nil) relating to property, plant and equipment and £5,398,000 relating to right-of-use assets as a result of store impairment testing. £3,764,000 of the impairment to property, plant and equipment and £4,762,000 of the impairment to right-of use assets have been classified as exceptional expenses due to the materiality and exceptional nature of these impairments. The COVID-19 pandemic and associated lockdown has significantly impacted the profitability of the Group and future economic outlook of the retail industry. The Group reviewed the profitability of its store network, taking into account the period of non-essential retail store closures and potential future impact on consumer demand resulting in the impairments to property, plant and equipment as well as the right-of-use assets. These stores were impaired to their 'value in use' recoverable amount of property, plant and equipment of £101,390,000, and right-of-use assets of £251,642,000 which is their respective carrying values at the year-end.

10. Leases
Group as a lessee
IFRS 16 'Leases' has been applied for the first time in the 52 week period to 26 April 2020. The modified retrospective transition methodology has been applied as at the initial date of application, 29 April 2019, and prior period comparative results have not been adjusted. As such, the tables below are solely for the 52 week period to 26 April 2020.

Right-of-use assets have been grouped into two groups being 'Properties' and 'Other'. Properties are defined as land and buildings leased for our stores and offices which are generally leased for between 5 and 20 years with some office buildings leased for longer. Other leases are mainly motor vehicles which are in general taken out for 4 years. There are several lease contracts that include extension and termination options and variable lease payments. Management assess the lease term at inception based on facts and circumstances applicable to each property including the period over which the investment appraisal was initially considered.

Management reviews the retail lease portfolio on an ongoing basis, taking into account retail performance and future trading expectations. In certain instances, management may exercise break options, negotiate lease reductions or decide not to negotiate a lease extension at the end of the lease term. The most significant factor impacting future lease payments is changes management choose to make to the store portfolio.

A number of the retail property leases incur payments based on a percentage of revenue achieved at the location. Changes in future variable lease payments will typically reflect changes in the Group's retail revenues. In line with IFRS 16, variable lease payments which are not linked to an index are not included in the lease liability.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

10. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets

	Properties	Other	Total
	£'000	£'000	£'000
As at date of initial application - 29 April 2019	244,247	742	244,989
Additions	8,041	419	8,460
Leases acquired on business combination (note 14)	14,218	-	14,218
Leases renewed during the period	23,870	-	23,870
Disposals	(2,648)	(14)	(2,662)
Depreciation	(35,828)	(284)	(36,112)
Lease modifications	(219)	-	(219)
Impairment	(636)	-	(636)
Impairment – exceptional items	(4,762)	-	(4,762)
Foreign exchange differences	4,490	6	4,496
At 26 April 2020	**250,773**	**869**	**251,642**

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

Lease liabilities

	Properties	Other	Total
	£'000	£'000	£'000
As at date of initial application – 29 April 2019	(283,970)	(568)	(284,538)
Additions	(8,041)	(419)	(8,460)
Leases acquired on business combination (note 14)	(14,034)	-	(14,034)
Leases renewed during the period	(23,870)	-	(23,870)
Disposals	3,306	14	3,320
Interest	(11,756)	(26)	(11,782)
Lease modifications	219	-	219
Payments	36,062	306	36,368
Foreign exchange differences	(5,175)	(6)	(5,181)
At 26 April 2020	**(307,259)**	**(699)**	**(307,958)**

The following are the amounts recognised in Consolidated Income Statement:

	52 week period ended 26 April 2020
	£'000
Depreciation expense of right-of-use assets	36,112
Interest expense on lease liabilities	11,782
Gain on lease disposal	(658)
Impairment of right-of-use assets	5,398
Expense relating to short-term leases (included within cost of sales)	1,305
Variable lease payments (included within cost of sales)	4,148
Total amount recognised in the Consolidated Income Statement	**58,087**

Rental expense for contracts not in the scope of IFRS 16 totalled £15,605,000. Contracts not in the scope of IFRS 16 are contracts that were considered to be leases under IAS 17 which do not meet the definition under IFRS 16, principally because the supplier is considered to have substantive substitution rights over the associated assets. A reconciliation from the prior period disclosure for operating lease commitments to lease liabilities has been included within note 1.

Impairment of right-of-use assets

The Group has incurred an impairment charge of £5,398,000 in the 52 week period ended 26 April 2020 in relation to right-of-use assets. See note 9 for further disclosure relating to impairment of non-current assets including right-of-use assets.

11. Government grants

During the 52 week period to 26 April 2020, government grants have been received to support certain administrative expenses during the COVID-19 pandemic. All attached conditions were complied with before recognition in the Consolidated Income Statement.

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

Below is the reconciliation of Government grants receivable:

	52 week period ended 26 April 2020	52 week period ended 28 April 2019
	£'000	£'000
Opening balance	-	-
Released to Income Statement	2,575	-
Receivable at period end	**2,575**	**-**

Below is the reconciliation of Government grants received:

	52 week period ended 26 April 2020	52 week period ended 28 April 2019
	£'000	£'000
Opening balance	-	-
Received during the year	(1,330)	-
Released to Income Statement	144	-
Balance at period end	**(1,186)**	**-**

12. Borrowings

	26 April 2020 IFRS 16	28 April 2019 IAS 17
	£'000	£'000
Current		
Short term borrowings	82,649	27,103
Finance lease liabilities (IAS 17)	-	110
	82,649	27,213
Non-current		
Listed bond	-	247,924
Term Loan	120,000	-
Associated capitalised transaction costs	(2,928)	(8,040)
	117,072	239,884
Total borrowings	**199,721**	**267,097**

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

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

During the period to 28 April 2019, the Group repurchased the principal value of £17,076,000 of the listed bond note. Fees on early repayment of listed bond of £198,000 were recognised within Finance costs.

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

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

The listed bond and term loan are presented net of capitalised transaction costs. Capitalised transaction costs are amortised using the effective interest rate. As at 4 June 2019, the Group had £6,752,000 of capitalised transaction costs relating to the listed bond notes. The repurchase of the listed bond notes is deemed to be an extinguishment of a financial liability and as such, the capitalised transactions costs have been expensed and treated as an exceptional expense in the 52 week period ended 26 April 2020.

Short term borrowings consist of the revolving credit facility noted above and an asset backed lending (ABL) facility held in US Dollars of $60,000,000. The ABL facility expires in April 2023 and interest is currently charged at US LIBOR plus 1.50%. The margin on the ABL facility ranges from 1.25% to 1.75%. Amounts outstanding on the revolving credit facility totalled £50,000,000 (2019: £nil) and amounts outstanding on the ABL facility totalled £32,649,000 (2019: £27,123,000) - $40,000,000 (2019: $35,000,000)

Amounts undrawn on the facilities totalled £16,325,000 (2019: £59,260,000). Borrowing on the US ABL facility is restricted to the lower of $60,000,000 and the borrowing base which is determined by reference to the assets held by the US entities.

12. Borrowings (continued)

Analysis of net debt

	28 April 2019	Impact of IFRS 16[1]	29 April 2019	Cash flow	Non-cash changes[2]	Foreign exchange	**26 April 2020**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Cash and cash equivalents	34,538	-	34,538	37,023	-	1,366	72,927
Short term borrowings	(27,103)	-	(27,103)	(53,923)	-	(1,623)	(82,649)
Listed bonds	(247,924)	-	(247,924)	247,924	-	-	-
Term loan	-	-	-	(120,000)	-	-	(120,000)
Finance lease liabilities	(110)	110	-	-	-	-	-
Net debt excluding capitalised transaction costs (Pre-IFRS 16)	**(240,599)**	**110**	**(240,489)**	**111,024**	**-**	**(257)**	**(129,722)**
Capitalised transaction costs	8,040	-	8,040	2,568	(7,722)	42	2,928
Net debt (Pre-IFRS 16)	**(232,559)**	**110**	**(232,449)**	**113,592**	**(7,722)**	**(215)**	**(126,794)**
Current lease liability	-	(45,992)	(45,992)	36,368	(36,107)	(474)	(46,205)
Non-current lease liability	-	(238,546)	(238,546)	-	(18,500)	(4,707)	(261,753)
Total net debt	**(232,559)**	**(284,428)**	**(516,987)**	**149,960**	**(62,329)**	**(5,396)**	**(434,752)**

1. Refer to note 1 for a full reconciliation of the impact of IFRS 16.

2. Non-cash changes include interest charges as well as additions and revisions to lease liabilities.
Cash and cash equivalents consists of cash at bank and in hand of £70,850,000 (2019: £26,960,000) and cash in transit of £2,077,000 (2019: £7,578,000).

The Group has initially applied IFRS 16 'Leases' at 29 April 2019, which requires the recognition of lease liabilities for lease contracts that were previously classified as operating leases. As part of the transition to IFRS 16, finance lease liabilities have been transferred to lease liabilities and accounted for in line with IFRS 16. The only movement on the former finance lease liability (2019: £110,000) was a £110,000 cash payment. As a result, the Group recognised £284,538,000 of lease liabilities from those lease contracts as at the date of initial application and £307,958,000 as at 26 April 2020.

Covenant calculations are performed before the impact of IFRS 16 and therefore excludes the lease liabilities.

On 14 May 2020, The Group entered into a new £45,000,000 financing facility agreed under the Governments' CLBILS scheme. Subsequent to this, all lenders have agreed an amendment to the banking covenant which applies to the reporting periods of April 2020 and October 2020. For further details refer to note 17.

13. Equity

On 24 May 2019, the Company acquired the entire shareholding of Jewel UK Midco Limited and its related subsidiaries by way of a share for share exchange with Jewel Holdco S.á r.l., becoming the Group's immediate parent company. The insertion of the Company on top of the existing Jewel UK Midco Limited group does not constitute a business combination under IFRS 3 'Business combinations' and instead has been accounted for as a group reorganisation. Merger accounting was used to account for the insertion of the company. The effect was an increase in share capital, to reflect the underlying capital structure of the Company, with the offset posted to a newly created merger reserve. The reorganisation was undertaken as part of the IPO with the company being both created and inserted as part of the process. As at 24 May 2019, the Group financial statements were adjusted to include the assets and liabilities as well as reflecting the capital structure of the Company.

On 28 May 2019, the Company waived its right to an amount of £11,501,000 receivable from a related entity, Jewel UK Topco Limited. The waiver has been considered to be a distribution in law and as such has been accounted for directly in equity.

On 30 May 2019, the Company was re-registered as a public limited company under the Companies Act 2006. On the 4 June 2019, the Company was admitted for listing on the London Stock Exchange. The Company issued 57,455,554 shares for £2.70 each with a nominal value of £0.0125p recognising additional share capital of £718,000 and share premium of £154,412,000.

Incremental expenses of £7,290,000 which are directly attributable to the primary issue of shares has been offset against the share premium recognised in line with IAS 32 'Financial instruments: presentation'.
The movement on share capital is reflected as follows:

	Nominal value	Share capital		Share premium	Merger reserve
	£	Shares	£'000	£'000	£'000
As at 28 April 2019 Per Annual Report and Accounts (Jewel UK Midco Limited)	**0.0010**	**66,308,371**	**66**	**-**	**-**
Group reorganisation					
Remove Jewel UK Midco Limited (Nominal value £0.001)	0.0010	(66,308,371)	(66)	-	66
Insert Watches of Switzerland Group PLC (Nominal value £0.0125)	0.0125	182,000,000	2,275	-	(2,275)
Initial public offering					
Raising of shares on IPO	0.0125	57,455,554	718	154,412	-
Directly attributable costs	-	-	-	(7,290)	-
Balance at 26 April 2020	**0.0125**	**239,455,554**	**2,993**	**147,122**	**(2,209)**

14. Business combinations

On 3 March 2020, the Group acquired 100% of the share capital of Macrocom (1077) Limited, a company which owned four stores previously trading under the brand name Fraser Hart in Stratford, Brent Cross, Kingston and York for £32,036,000. The business contributed revenue of £897,000 from the date of acquisition to 26 April 2020. These stores were closed on 23 March 2020 because of COVID-19 resulting in the acquisition contributed a net loss of £387,000 to the Group from the date of acquisition to 26 April 2020. The goodwill arising on the acquisition is attributable to the key strategic locations to improve the Group's UK store portfolio.

The following table summarises the consideration paid for Macrocom (1077) Limited and the fair value of assets acquired and liabilities assumed at the acquisition date for each of the applicable periods:

Consideration at 3 March 2020	£'000
Initial cash consideration	31,083
Deferred consideration	953
Total consideration (100% holding)	**32,036**

	Initial assessment of values on acquisition
	£'000
Inventories	4,559
Property, plant and equipment	980
Trade and other receivables	109
Right-of-use assets	14,218
Lease liabilities	(14,034)
Deferred tax	112
Total identifiable net assets	**5,944**
Goodwill	26,092
Total assets acquired	**32,036**

As at 12 August 2020 the final consideration payable has not been finalised. An amount £1,500,000 is held with a third party on retention subject to the finalisation of the working capital adjustment as set out in the sale and purchase agreement. This amount is accounted for as restricted cash.

Fair value adjustments were made to uplift property, plant and equipment to reflect the fair value of the assets acquired. Trade and other receivables relate solely to prepaid expenses and as such, the fair value is equal to that of the gross contractual amount.

The values stated above are the initial assessment of the fair values of assets and liabilities on acquisition. These will be finalised within the coming year.

Acquisition-related costs of £310,000 have been charged to exceptional items in the Consolidated Income Statement for the 52 week period ended 26 April 2020 (see note 4).

Had the acquisition been consolidated from 29 April 2019, the Consolidated Income Statement for the period would show:

	Acquisition	Consolidated results for the period	Proforma results
	29 April 2019 to 2 March 2020	52 week period ended 26 April 2020	52 week period ended 26 April 2020
	£'000	£'000	£'000
Revenue	21,463	810,512	831,975
Profit for the period	4,371	507	4,878

15. Financial instruments

Categories

	26 April 2020 IFRS 16	28 April 2019 IAS 17
	£'000	£'000
Financial assets – held at amortised cost		
Trade and other receivables*	8,158	30,697
Cash and cash equivalents	72,927	34,538
	81,085	**65,235**
Financial liabilities – held at amortised cost		
Interest-bearing loans and borrowings:		
Listed bonds (net of capitalised transaction costs)	-	(239,884)
Term loans (net of capitalised transaction costs)	(117,072)	-
Revolving credit facility	(82,649)	(27,103)
Finance lease liability (IAS 17)	-	(110)
Trade and other payables**	(117,228)	(132,523)
	(316,949)	**(399,620)**
Lease liability (IFRS 16)	(307,958)	-
	(624,907)	**(399,620)**

*Excludes prepayments of £1,396,000 (2019: £9,485,000) that do not meet the definition of a financial instrument.

**Trade payables excludes property lease incentives of £16,000 (2019: £18,010,000), customer deposits of £17,306,000 (2019: £5,083,000) and deferred income of £4,143,000 (2019: £2,046,000) that do not meet the definition of a financial instrument.

15. Financial instruments (continued)

Fair values

At 26 April 2020, the fair values of each category of the Group's financial instruments are materially the same as their carrying values in the Group's Balance Sheet based on either their short maturity or, in respect of long term borrowings, interest being incurred at a floating rate.

The fair value of listed bonds was as follows:

	26 April 2020		28 April 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Listed bonds	-	-	239,884	254,940

Listed bonds were held at amortised cost net of capitalised borrowing costs in the previous financial year.

Fair value hierarchy

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

Hierarchy level	Inputs	Financial instruments
Level 1	Quoted markets in active markets for identical assets or liabilities	Listed bonds (disclosure)
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)	Not applicable
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable market data)	Not applicable

16. Contingent Liabilities

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

On 17 March 2019, a claim was brought against three US subsidiaries of the Company, including Watches of Switzerland Group USA, Inc., in the U.S. District Court for the Southern District of Florida by a class who, in the two years prior to filing the complaint, had engaged in debit or credit card transactions with the Group in the United States and who were issued customer receipts that displayed more than the last five digits of the credit or debit card number used in connection with the transaction. The suit alleges violations of the FACTA legislation, which requires persons that accept credit and/or debit cards for the transaction of business to truncate all but the last five digits of the card number on printed receipts provided to consumers, as a means of protecting against identity theft and fraud. Because the suit is protracted, and no specific monetary amount has been claimed, the potential liability in respect of such claim or any related claims is difficult to quantify. The Company has robustly defend itself and, at this point in time, the claim has been stayed by the Florida courts. Our legal costs of defending the claim are insured subject to the policy excess.

Following the carve out of The Watch Lab, certain leases are held on an agency basis, on behalf of The Watch Lab, and certain leases continue to be guaranteed by the Group. The maximum liability that could crystallise under these obligations is £1,661,000.

17. Post-balance sheet events

The following non-adjusting events have occurred since 26 April 2020:

- On 14 May 2020, the Group entered into a new £45,000,000 financing facility which was agreed under the Governments' CLBILS scheme. This comprised of an additional term loan of £22,500,000 with a term of 18 months and a revolving credit facility of £22,500,000 for the same period. For the term loan, Interest is currently being charged at LIBOR plus 0.6% which will rise to LIBOR plus1.1% in the last 6 months. For the revolving credit facility, interest is charged at LIBOR plus 2.6%. The additional facility is secured by way of fixed and floating charges over certain UK assets. At 12 August 2020, the £22,500,000 term loan was fully drawn down and none of the revolving credit facility was drawn.

- All lenders within the existing UK facilities have agreed to an amendment to the banking covenants, as noted within note 1, which applies to the reporting periods of October 2020 and April 2021 where the fixed charge and leverage covenants have been waived. The Group must maintain a minimum headroom in its facilities of £20,000,000 from June 2020 to September 2021

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

- In addition to the year-end receivable, the Group has received a further £5,992,000 of government grants and assistance available after the balance sheet date. These monies have been used to support our colleagues, and certain administrative expenses, during the ongoing Covid-19 pandemic

- The majority of our US stores began to reopen in May 2020, and the majority of our UK store portfolio reopened in June in accordance with government guidelines

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.

4-Wall EBITDA

Net margin less store costs.

Why used

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

Reconciliation to IFRS measures

(£m)	FY20	FY19
Revenue	810.5	773.5
Cost of inventory expensed	(510.6)	(488.9)
Other	4.8	5.6
Net margin	304.7	290.2
Store costs	(178.2)	(172.4)
4-Wall EBITDA	126.5	117.8

Adjusted EBIT/operating profit

Operating profit before exceptional items and IFRS 16 impact.

Why used

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

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

Reconciliation to IFRS measures

Reconciled in note 2 to the Consolidated Financial Statements.

Adjusted EBITDA

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

Why used

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

Reconciliation to IFRS measures

Reconciled in note 2 of the Consolidated Financial Statements.

Adjusted EBITDA pre-exceptional, store opening and closing costs and other non-underlying items

Adjusted EBITDA adjusted for store opening and closing costs, other non-underlying items and exceptional items. Shown on a continuing basis and before the impact of IFRS 16 'Leases'.

Why used

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

This measure was linked to management incentives in the 2019 financial year.

Reconciliation to IFRS measures

Reconciled in page x of the Financial Review.

Adjusted EBITDA margin %
Adjusted EBITDA margin divided by revenue.

Why used
Measure of profitability.

Reconciliation to IFRS measures
Not applicable.

Adjusted basic Earnings Per Share
Earnings per share before exceptional items and IFRS 16 impact.

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

Reconciliation to IFRS measures
Reconciled within note 10 of the financial statements

Adjusted profit before tax
Profit before tax before exceptional items and IFRS 16 impact.

Why used

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

Reconciliation to IFRS measure

(£m)	FY20	FY19
Profit before taxation from continuing operations	1.5	20.1
Exceptional items	46.0	-
Pre-exceptional IFRS 16 adjustment*	1.9	6.4
Adjusted profit before tax	**49.4**	**26.5**

Pre-exceptional IFRS adjustment is made up of:

(£m)	FY20
IFRS 16 impact on profit before taxation	**(2.2)**
Onerous lease exceptional item	**5.5**
Exceptional impairment of property, plant & equipment	**3.3**
Exceptional impairment of right-of-use assets	(4.7)
Total	**1.9**

Average selling price (ASP)
Revenue (including sales related taxes) generated in a period from sales of a product category divided by the total number of units of such products sold in such period.

Why used
Measure of sales performance.

Reconciliation to IFRS measures
Not applicable.

Constant currency basis

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

Why used

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

Reconciliation

(£/$m)	
FY20 Group Revenue (£)	810.5
FY20 US Revenue ($)	286.8
FY20 US Revenue (£) @ FY20 Exchange rate	225.0
FY20 US Revenue (£) @ FY19 Exchange rate	220.4
FY20 Group Revenue (£) @ Constant currency	**805.9**
FY20 Exchange rate	£1 : $1.274
FY19 Exchange rate	£1 : $1.301

Exceptional items

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

Why used

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

Reconciliation to IFRS measures

Disclosed in note 4 of the Consolidated Financial Statements.

Net debt

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

Why used

Measures the Group's indebtedness.

Reconciliation to IFRS measures

(£m)	**FY20**	**FY19**
Total net debt – as per note 19 of the financial statements	434.8	232.6
Add back:		
Capitalised borrowing costs	2.9	8.0
Less:		
Lease liabilities (IFRS 16)	(308.0)	-
Net debt excluding capitalised transaction costs	**129.7**	**240.6**

Net margin

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

Why used

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

Reconciliation to IFRS measures

(£m)	**FY20**	**FY19**
Revenue	810.5	773.5
Cost of inventory expensed	(510.6)	(488.9)
Other	4.8	5.6
Net margin	304.7	290.2

Net margin %

Net margin % is calculated as net margin as a percentage of revenue.

Why used

Direct indicator of profitability.

Reconciliation to IFRS measures

Net margin £304.7m divided by revenue £810.5m.

Return on Capital Employed (ROCE)

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

Why used

ROCE demonstrates the efficiency with which the Group utilises capital.

Reconciliation to IFRS measures

Adjusted EBIT of £55.9m divided by the average capital employed, which is calculated as follows:

£m	FY20	FY19
Total assets (note 1 to the Consolidated Financial Statements)	595.7	512.7
Current liabilities (note 1 to the Consolidated Financial Statements)	(229.3)	(170.6)
Capital employed	366.4	342.1
Average capital employed	354.2	

OTHER DEFINITIONS

Compound Annual Growth Rate (CAGR)

CAGR is average increase in annual revenue that revenue would be required to grow from its beginning balance to its ending balance.

Continuing basis

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

Expansionary capital expenditure/capex

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

Luxury watches

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

Luxury jewellery

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

Non-core stores

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

Store maintenance capital expenditure/capex

Capital expenditure which is not considered expansionary.