THOM GROUP (EX THOM EUROPE)

Simplified joint stock company

55, rue d'Amsterdam

75008 Paris

Statutory auditors' report on the consolidated financial statements

For the year ended 30 September 2019

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Our responsibilities under those standards are further described in the "*Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 01/10/2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We bring to your attention the following matters:

- Note 3- C) "Goodwill" to the consolidated financial statements sets out the accounting rules and methods applicable to the measurement of goodwill,
- Note 3- C) "Brands" to the consolidated financial statements sets out the accounting rules and methods applicable to the measurement of trademarks,
- Note analysed the methods 3- C) "Leasehold rights" to the consolidated financial statements sets out the accounting rules and methods applicable to the measurement of leasehold rights.

As part of our assessment of the accounting rules and principles followed by your company, we analysed the methods adopted by your Company and the data and assumptions on the based assumptions.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Specific Verifications

We have also performed in accordance with professional standards applicable in France the specific verifications required by law and regulations of the information pertaining to the Group presented in the management report of The President.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the President.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Paris-La Défense and Paris, 20th December 2019

The Statutory Auditors

French original signed by

Deloitte & Associés **CERA**

Cécile REMY Jean Paul SEGURET Daniel BUCHOUX

THOM EUROPE SAS

Consolidated financial statements

Fiscal year starting October 1st, 2018 to September 30th, 2019

THOM GROUP

H3 Stroili OROVIVO 1856 SMiZZE

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1. Consolidated financial statements

a. Consolidated balance sheet

Assets	Notes	30/09/2019	30/09/2018
In €m			
Goodwill	a.	366.0	368.0
Leasehold rights	b.	128.8	139.3
Brands	b.	136.1	134.2
Other intangible assets	b.	15.4	6.2
Property, plant and equipment	c.	88.5	87.2
Financial assets	d.	15.8	14.5
Fixed assets		**750.5**	**749.4**
Inventories	e.	200.6	211.3
Trade receivables and related accounts	f.	8.5	9.7
Other receivables	g.	36.8	28.9
Prepaid expenses		15.1	15.6
Cash and cash equivalents	h.	64.7	31.1
Current assets		**325.7**	**296.7**
Deferred tax assets	**k.**	**9.8**	**24.1**
Loan-issuance fees	**l.**	**6.2**	**7.5**
Original issue discount	**l.**	**3.9**	**4.7**
Total assets		1 096.1	1 082.5

Equity and liabilities	Notes	30/09/2019	30/09/2018
In €m			
Share capital		219.5	219.5
Share premium		2.7	2.7
Consolidated reserves		(200.7)	(198.6)
Net income attributable to owners of the parent		8.2	(2.1)
Currency translation reserves		0.0	0.0
Equity attributable to owners of the parent	**i.**	**29.8**	**21.5**
Non-controlling interests		**0.0**	**0.0**
Provisions	**j.**	**11.1**	**9.9**
Deferred tax liabilities	**k.**	**-**	**14.9**
Bank loans	l.	0.2	10.2
Convertible bonds	l.	308.5	275.1
Senior debt	l.	568.7	568.7
Bank overdrafts	l.	-	0.1
Other financial liabilities	l.	1.4	0.7
Profit-sharing reserve	m.	2.2	2.3
Trade payables and related accounts	n.	81.5	104.5
Payroll and tax payables	o.	71.1	60.2
Fixed asset payables		12.6	6.8
Other payables	p.	7.3	5.5
Debt		**1 053.5**	**1 034.0**
Deferred revenues		**1.7**	**2.2**
Total equity and liabilities		1 096.1	1 082.5

b. Consolidated income statement

Income statement	Notes	30/09/2019	30/09/2018
In €m			
Sales	a.	737.1	711.6
Reversals of provisions	b.	22.9	17.5
Other operating income	c.	7.5	3.1
Costs of goods sold	d.	(241.8)	(240.0)
Other operating expenses	e.	(167.5)	(160.0)
Taxes and duties	f.	(9.7)	(9.5)
Personnel expenses	g.	(198.0)	(185.7)
Depreciation, amortization and provisions	h.	(57.5)	(55.8)
Operating income		**93.0**	**81.2**
Financial income (expenses)	i.	(61.0)	(64.2)
Recurring income		**32.0**	**16.9**
Non-recurring income (expenses)	j.	(15.5)	(14.0)
Income tax	k.	(8.3)	(5.1)
Net income		**8.2**	**(2.1)**
Net income attributable to non-controlling interests		(0.0)	(0.0)
Net income attributable to owners of the parent		**8.2**	**(2.1)**
Number of shares		*219,534,679*	*219,534,679*
Basic earnings per share (in €)		*0.04*	*(0.01)*
Diluted earnings per share (in €)		*0.04*	*(0.01)*

c. Consolidated cash-flow statement

Cash-flow statement In €m	30/09/2019	30/09/2018	Var.
EBITDA	**132.1**	**123.9**	**8.2**
CVAE & closed stores	(4.5)	(4.5)	(0.0)
Change in working capital	(6.6)	1.1	(7.7)
Income tax paid	(5.7)	(3.4)	(2.4)
Other operating income (expenses)	(3.8)	(3.6)	(0.1)
Net cash flows (used in)/from operating activities	**111.5**	**113.5**	**(2.0)**
Purchases of property, plant and equipment and intangible assets	(41.0)	(39.0)	(2.0)
Sales of property, plant and equipment and intangible assets	0.3	1.8	(1.5)
Change in receivables and payables on fixed assets	2.2	0.4	1.8
Net cash flows (used in)/from investing activities	**(38.6)**	**(36.8)**	**(1.7)**
Free Cash Flow	73.0	76.7	(3.7)
RCF drawing / repayment	(10.0)	-	(10.0)
Interests on loans and bonds	(26.1)	(27.7)	1.6
Other interests paid	(0.3)	-	(0.3)
Repayment of convertible bonds	-	(45.0)	45.0
CICE prefinancing	-	(5.7)	5.7
Other cash flows used in financing activities	(0.2)	(3.6)	3.3
Net cash flows (used in)/from financing activities	**(36.7)**	**(81.9)**	**45.3**
Net cash flows before specific projects	36.3	(5.3)	41.5
Acquisitions of Stroili and Oro Vivo	-	(0.2)	0.2
FY17A refinancing	-	(0.9)	0.9
Specific events	(2.6)	-	(2.6)
Net increase / (decrease) in cash and cash equivalents	33.7	(6.4)	40.1
Cash and cash equivalents at the beginning of the period	**31.0**	**37.4**	**(6.4)**
Cash and cash equivalents at the end of the period	**64.7**	**31.0**	**33.7**
Change in cash	33.7	(6.4)	40.1

d. Reconciliation of operating income to EBITDA

Reconciliation of operating income to EBITDA In €m	30/09/2019	30/09/2018	Var.
Operating Income	**93.0**	**81.2**	**11.8**
Reversals of provisions	(22.9)	(17.5)	(5.4)
Depreciation, amortization and provisions	57.5	55.8	1.7
CVAE	4.0	3.9	0.2
Contribution of closed stores	0.4	0.6	(0.1)
EBITDA	**132.1**	**123.9**	**8.2**

2. Key events

The following consolidated financial statements cover the 12-month period from October 1st, 2018 to September 30th, 2019.

a. Sales network

Thom Europe Group operates through its European subsidiaries 1,036 stores as of 30 September 2019 as well as 4 e-commerce websites. 28 stores were opened over the year ended 30 September 2019 (vs. 40 stores opened or acquired over the previous year). 49 stores were closed during the year (vs. 31 stores during the previous year).

b. Launch of new brands and trade names

The Group has decided to create a new brand named SMIZZE with the objective of becoming the place to be of new trends in affordable fashion jewelry. Four stores were opened over the year under this brand name, of which three in France and one in Belgium. These openings have been supported by a new e-commerce website.

The Group has decided to use the Goldshop brand in Germany for retail outlets located in the food malls. Five Oro Vivo stores were refurbished and rebranded from Oro Vivo to Goldshop in August 2019.

c. Incorporation of new companies

During the year, the Group has incorporated the following companies:

- THOM TRADE, a French SAS, with a capital of 50,000 euros, whose registered office is located at 55 rue d'Amsterdam – 75008 Paris, registered in the Paris Trade and Companies Register under number 849 570 965, (« Thom Trade »);
- THOM TRADE ITALY, an Italian Srl, with a capital of 200,000 euros, whose registered office is located at Assago (MI) Strada 1, Palazzo 6 complesso D 2 CAP 20090, registered in the Milan Trade and Companies Register under number 10829540961, (« Thom Trade Italy »).

The purpose of these two new companies is to develop wholesale business in European market by means of negotiating and operating exclusive supply agreements with third party brands. These two companies have no significant activities in fiscal year FY19.

d. Appointment of a new Executive Director at Oro Vivo

A new Executive Director was appointed at Oro Vivo in Germany on 14 October 2019. The mandate of the former Executive Director ended on the same date.

e. Working Sundays

The Group has decided to pay the "Dimanches du Maire" (Limited number of Sundays with opening authorizations from local authorities) at 200% of the regular wage with retroactive effect from February 2016, in accordance with article L 3245-1 of the Labour Act.

The costs respective to FY19 have been incurred in operating expenses, and those respective to prior fiscal years have been incurred in non-recurring expenses for 2.2 million euros, of which 1.6 million euros were paid in June 2019 and 0.6 million euros are accounted for in provisions for risks and charges as of 30 September 2019.

f. Strategic projects

The "Salesforce" project was initiated in the first quarter of calendar year 2018. Its purpose is to design a new platform for all Group's ecommerce sites. This platform has been operational since September 2019.

The "Shine 2020" project was initiated in the first quarter of calendar year 2018. Its purpose is to design the new ERP for the Group (SAP). The go live will be achieved step by step starting June 2020.

The projects mentioned above require significant internal and external resources until their completion. People have been fully dedicated to the project and isolated in a dedicated space. These people, some of whom have left an operational position, have been replaced. The Group has thus committed substantial resources to secure the success of these projects.

3. Accounting policies and measurement methods

a. Accounting policies

Thom Europe's consolidated financial statements for the year ended 30 September 2019 have been prepared in accordance with CRC Regulation No. 99-02 (French Accounting Regulation Committee) approved by the order of 22 June 1999.

b. Consolidation methods

All Thom Europe's subsidiaries are fully consolidated. The full consolidation method is applied to all subsidiaries over which the parent company exercises exclusive control. Exclusive control is presumed to exist when the parent company holds, either directly or indirectly, the majority of voting rights or appoints the majority of the members of the governing bodies of the subsidiary for two successive financial years or exercises dominant influence by virtue of a contract or clauses in the articles of association.

c. Measurement methods

Goodwill

Upon initial consolidation of a newly acquired company, identifiable assets acquired and liabilities assumed are re-measured and recorded at fair value. In the particular case of Thom Europe, the net book values of business goodwill, leasehold rights, brands and, to a lesser extent, inventories and property, plant and equipment were adjusted to be accounted for at fair value.

The excess of the securities purchase price (net of acquisition costs) over the fair value of identifiable assets acquired and liabilities assumed at the acquisition date is recognized as goodwill.

In accordance with §2110 of CRC Regulation No. 2005-10, analysis and expert assessments may be carried out as necessary and goodwill may be adjusted accordingly within a period ending at the end of the financial year following the year of acquisition. Nevertheless, at the end of the year of acquisition, a temporary assessment must be performed for items whose estimate is sufficiently reliable.

Goodwill is recorded at cost less accumulated impairment losses. Impairment losses cannot be reversed.

In accordance with order No. 2015-900 of 23 July 2015 and with regulation No. 2015-903 of 23 July 2015 - ANC No. 2015-07 Regulation (Consolidated accounts) that apply to financial years starting on or after 1 January 2016, THOM Europe SAS has qualified the utilization period of goodwill as unlimited. Consequently, no goodwill amortization has been recorded since 1 October 2016. The impact of this change in method is an improvement in net income of approximately 20 million euros per year.

Goodwill is subject to an annual impairment test based on the Group's operational split into Cash Generating Units (CGUs). The annual impairment testing consists in determining the recoverable value of the CGUs to which the goodwill is allocated and comparing them with the net book value of the assets concerned. The recoverable value of a CGU is determined based on its fair market value or value-in-use. The fair market value is determined based on the 2-last-year average EBITDA multiplied by a transaction multiple which reflects the acquisition value of Thom Europe in 2010 and current market multiples (method

combining comparable transactions and comparable stock market multiples). Goodwill was subject to impairment tests as of 30 September 2019.

Brands

Brands were valued based on forecast royalties perpetuity discounted. This approach equates a brand's value with the present value of theoretical royalties, net of tax and net of costs incurred in maintaining the brand. As such, royalties required to be paid for its use can be determined based on sales growth rates, which in turn depend on market outlook and royalty rates. Only brands that are commercially viable have been valued.

Considering that Group's brands represent indefinite life intangible assets, they are not amortized but are subject to an annual impairment test.

Leasehold rights

Only the portion of business goodwill that is subject to legal protection is recorded under leasehold rights. Any residual amount is recognized under goodwill. Legally-protected leasehold rights are not amortized. This is the case in France where the lessee of a commercial lease is entitled to an almost unlimited number of lease renewals. Consequently, the useful life of leasehold rights is undefined and indefinite.

Leasehold rights are subject to an annual impairment test. The required impairment is the difference between the net book value in the consolidated accounts and the fair market value determined from the valuations carried out by experts.

Leasehold rights related to stores abroad are not considered to have enough legal protection to be recognized under intangible assets. Consequently, the full amount paid is recorded under goodwill.

Other intangible assets

Software is recognized at cost and amortized over periods ranging from one to five years, depending on its useful life.

Property, plant and equipment

Property, plant and equipment are measured at cost. Depreciation is calculated based on the estimated useful lives of different categories of assets, in accordance with the legislation in force (straight-line method).

Estimated useful lives are as follows:

- Fixtures and fittings: 5 to 7 years
- Sales equipment: 3 years
- Office equipment: 3 years
- Office furniture: 10 years
- IT equipment: 3 years
- Machinery: 5 years

Fixed assets held under finance leases are recognized in the consolidated financial statements as if they had been acquired through financing. The assets are recorded under fixed assets on the balance sheet and

depreciated according to their expected useful lives. The lease obligations are recognized under financial debts. Lease rentals are split between debt repayments and financial interests.

Financial assets

Non-consolidated investments are recorded at cost. An impairment is recognized if their fair value falls below their purchase price.

Guarantee deposits granted to lessors are recorded under other financial assets on the consolidated balance sheet.

Inventories

Inventories are valued at actual acquisition costs when monitored on a unit basis and are valued under the weighted average cost method when monitored by reference. Actual cost and weighted average cost are both net of rebates as well as gold and US-dollar hedging costs (recorded when incurred).

Inventory depreciation is recorded based on losses observed on defective products during the fiscal year compared to the opening balance. The loss rates thus calculated, after deductions of re-invoicing to suppliers and / or the melting value of gold products, are applied to inventories at closing, according to their ageing. The weight of the stocks by age is also tested, the change in inventories of the highest age group (as a % of the total stock) is depreciated at 50%.

Depreciation of raw materials is recorded when the market price is lower than the purchase price.

Trade receivables and related accounts

Trade receivables are recorded at their nominal value. A provision for depreciation is recognized when their recoverable value is lower than their net book value. Recoverable value is measured based on the overdue amounts and the age of the receivables.

Prepaid expenses

Prepaid expenses mainly include rents, insurance premiums and leasehold rights. Lease rights paid to lessors when opening new stores in shopping centers are recognized in the income statement over the duration of the lease.

Loan-issuance fees, bond discounts and bond premiums

Loan issuance fees are capitalized and amortized on a straight-line basis over the loan duration.

When bonds are issued above par, the premium is recorded as a liability and progressively recognized as a financial income over the bond duration.

When bonds are issued below par, the discount is recorded as an asset and progressively recognized as a financial expense over the bond duration.

Marketable securities

Marketable securities are recognized at cost. An impairment is recognized when their market value falls below their acquisition cost.

Deferred tax

Deferred taxes are recorded according to the liability method on the temporary differences between the carrying amount and tax base of assets and liabilities. Deferred taxes are measured using the enacted tax rates at the closing date expected to apply to taxable income when the temporary differences are expected to reverse. Deferred tax assets are recognized for tax loss carryforwards, but they are impaired if their recovery is not likely.

Provisions for risks and charges

Provisions for risks and charges are recognized for probable outflows of resources to third parties, without any benefit in return for the Group. They are estimated based on the most probable assumptions at the reporting date.

In April 2001, the Group launched a loyalty card scheme, which entitles customers a voucher after five purchases. The voucher amounts to 10% of the total amount paid for the five purchases and can only be used for subsequent purchases.

In compliance with Opinion no. 2004-E issued on 13 October 2004 by the French National Accounting Board, the Group recognizes provisions for customers' vested rights from first purchase and loyalty card issuance. Vested rights are calculated from the issuance date of the loyalty card, based on the estimated probability that a voucher will be issued and used, and using the average value of vouchers adjusted to cost price.

Foreign currency transactions

They mainly relate to purchases in foreign currencies. These purchases are initially recorded at the actual spot rate at the time the transaction is made. Foreign currency gains or losses generated by the hedging instruments implemented by the Group are then included in the costs of goods purchased.

Post-employment benefits

At retirement, Group's employees in France receive an indemnity in accordance with the provisions of the watch-jewelery retail collective agreement. This commitment represents an off-balance sheet item. The corresponding costs are incurred in the salaries on the effective year of employee departure.

In Italy, the TFR (Trattamento di fine Rapporto) is based on a compulsory employer contribution of 7.4% of gross salary. The expenses and liabilities are recorded in the income statement and the balance sheet. A portion of the TFR can be allocated to funds. Subscription to these funds is voluntary. The contribution is shared between the employee and the company.

In Germany, post-employment benefits are based on a compulsory employer contribution of 10% of gross salary. The expenses and liabilities are recorded in the income statement and the balance sheet.

Non-recurring income and expenses

Non-recurring income and expenses represent items arising from events or transactions that are clearly distinct from the ordinary activities of the Group. They mainly include store pre-opening costs (staff costs, rents, fees) and the costs related to disposed or closed stores, except for changes in depreciation of leasehold rights that are recognized in operating income and expenses.

4. Consolidation scope

As of 30 September 2019, the Group consisted of the following companies:

Consolidation scope						
Company	Legal form	Country	Control %	Interest %	Entry date	Consolidation method
Thom Europe	SAS	France	100.00%	100.00%	01/10/2010	Full consolidation
Thom	SAS	France	100.00%	100.00%	14/10/2010	Full consolidation
Histoire d'Or Monaco	SARL (Monaco)	Monaco	99.99%	99.99%	02/03/2011	Full consolidation
Histoire d'Or Belgium	SA (Belgique)	Belgium	100.00%	100.00%	14/10/2010	Full consolidation
Histoire d'Or - Joalharia e Relojoarl	Portuguese law	Portugal	100.00%	100.00%	14/10/2010	Full consolidation
Histoire d'Or	Srl	Italy	100.00%	100.00%	14/10/2010	Full consolidation
Thom Asia	Hong Kong law	Hong Kong	100.00%	100.00%	Apr. 2011	Full consolidation
Thom India	Indian law	India	100.00%	100.00%	Apr. 2014	Full consolidation
Thom Nederland	BV	Netherlands	100.00%	100.00%	24/02/2015	Full consolidation
Oro Vivo	AG	Germany	100.00%	100.00%	17/10/2016	Full consolidation
Stroili Oro	S.p.A	Italy	100.00%	100.00%	13/10/2016	Full consolidation
Thom Up	SAS	France	100.00%	100.00%	11/05/2018	Full consolidation
Histoire d'Or Luxembourg	SARL (Lux)	Luxembourg	100.00%	100.00%	01/06/2018	Full consolidation
Jools	SAS	France	100.00%	100.00%	28/05/2018	Full consolidation
Thom Trade	SAS	France	100.00%	100.00%	28/03/2019	Full consolidation
Thom Trade Italy	Srl	Italy	100.00%	100.00%	27/05/2019	Full consolidation

The closing date for all Group companies is 30 September, with the exception of Thom India due to local legislation.

Investments in Economic Interest Groups (EIG) which manage shopping centers and over which the Group has no significant influence are disclosed under financial assets.

Two new legal entities have been incorporated during the year:

- **Thom Trade SAS**: company incorporated under French law, whose object is the wholesale distribution of jewelries and watches by means of negotiating and operating supply agreements with third party brands;
- **Thom Trade Italy Srl**: company incorporated under Italian law, held by Thom and whose object is the wholesale distribution of jewelries and watches by means of negotiating and operating supply agreements with third party brands, as a complement to the traditional wholesale activity of Stroili in Italy.

5. Comparability

There were no significant events which would have materially affected the comparability of the consolidated accounts of fiscal years 2018 and 2019 presented in the notes to the financial statements.

The deployment of the financial consolidation software SAP BFC and the revision of the Group's chart of accounts may require accounting reclassifications. Such reclassifications are shown in a dedicated flow in the reconciliation tables.

Changes, if any, in the presentation of financial information are reconciled with the 2018 audited accounts.

6. Notes to the Balance Sheet

a. Goodwill

Goodwill In €m	Opening	Acquisition	Disposal	Reclass.	Closing
Gross					
HOE & FMOH Groups	393.4	-	(2.9)	-	390.5
Acquisition of Stroili	83.8	-	-	-	83.8
Acquisition of Oro Vivo	2.8	-	-	-	2.8
Acquisitions in Belgium	1.0	-	-	0.1	1.2
Acquisitions in Italy (excluding Vendors)	2.9	-	-	-	2.9
Vendor acquisitions	2.6	-	-	-	2.6
Goodwill, gross	**486.6**	**-**	**(2.9)**	**0.1**	**483.7**
Amortization					
HOE & FMOH Groups	(116.1)	-	0.8	-	(115.3)
Acquisition of Stroili	(1.5)	-	-	-	(1.5)
Acquisition of Oro Vivo	-	-	-	-	-
Acquisitions in Belgium	(0.2)	-	-	-	(0.2)
Acquisitions in Italy (excluding Vendors)	(0.7)	-	-	-	(0.7)
Vendor acquisitions	(0.0)	-	-	-	(0.0)
Amortization	**(118.6)**	**-**	**0.8**	**-**	**(117.8)**
Net					
HOE & FMOH Groups	277.3	-	(2.1)	-	275.2
Acquisition of Stroili	82.4	-	-	-	82.4
Acquisition of Oro Vivo	2.8	-	-	-	2.8
Acquisitions in Belgium	0.8	-	-	0.1	0.9
Acquisitions in Italy (excluding Vendors)	2.1	-	-	-	2.1
Vendor acquisitions	2.6	-	-	-	2.6
Goodwill, net	**368.0**	**-**	**(2.1)**	**0.1**	**366.0**

Note: Until September 30th, 2016, goodwill was amortized over a 20-year period. Amortization started on October 14th, 2010 for the acquisitions of Histoire d'Or Europe (HOE) and Financière MO Holding (FMOH) Groups and from the relevant acquisition dates for the assets acquired in Belgium and Italy.

Since October 1st, 2016, Thom Europe SAS has qualified the goodwill utilization period as unlimited. Consequently, no goodwill amortization has been recognized since 1 October 2016, in accordance with paragraph 21130 of CRC Regulation No. 99-02.

Goodwill was subject to an annual impairment test based on the Group's operational split into Cash Generating Units (CGUs). The annual impairment test consists in determining the recoverable amounts of the CGUs to which the goodwill is allocated and comparing them with the carrying amounts of the relevant assets. The recoverable value of an CGU is determined based on fair market value, which is obtained with the multiple valuation method (cf. note 3.c). No impairment loss was recognized as of September 30th, 2019 as a result of the annual impairment tests.

The disposals for the year relate to the business goodwill of the stores that were sold or closed in France for a total amount of (2.1) million euros in net book value.

b. Intangible assets

Intangible assets In €m	Opening	Acquisition	Disposal	Reversal	Reclass.	Closing
Gross						
Leasehold rights	189.1	0.6	(7.2)	-	(0.1)	182.5
Brands	136.7	-	(0.0)	-	-	136.7
Software	13.3	2.6	(0.1)	-	1.2	17.0
Other	9.7	0.0	-	-	(7.9)	1.9
Intangible assets in progress	3.3	8.5	(0.1)	-	(1.3)	10.5
Intangible assets, gross	**352.2**	**11.8**	**(7.4)**	**-**	**(8.1)**	**348.5**
Amortization and depreciation						
Leasehold rights	(49.8)	(10.8)	2.4	4.1	0.4	(53.7)
Brands	(2.5)	(0.2)	0.0	2.0	-	(0.7)
Software	(11.0)	(1.5)	0.1	0.0	-	(12.4)
Other	(9.0)	(0.0)	-	0.0	7.5	(1.6)
Intangible assets in progress	-	-	-	-	-	-
Amortization and depreciation	**(72.4)**	**(12.5)**	**2.6**	**6.1**	**7.9**	**(68.3)**
Net						
Leasehold rights	139.3	(10.2)	(4.7)	4.1	0.3	128.8
Brands	134.2	(0.2)	(0.0)	2.0	-	136.1
Software	2.2	1.2	-	0.0	1.2	4.6
Other	0.7	0.0	-	0.0	(0.4)	0.3
Intangible assets in progress	3.3	8.5	(0.1)	-	(1.3)	10.5
Intangible assets, net	**279.7**	**(0.7)**	**(4.8)**	**6.1**	**(0.2)**	**280.2**

Note: As of September 30th, 2019, leasehold rights amounted to 128.8 million euros net book value and mainly relate to stores in France. Leasehold rights were subject to impairment tests. The required impairment is the difference between the net book value in the consolidated accounts and the fair market value determined from the valuations carried out by experts (cf. note 3.c).

As of September 30th, 2019, brands were recognized in the Group's balance sheet for 136.1 million euros net book value and mainly include: Stroili at 103 million euros, Histoire d'Or at 26.9 million euros, Trésor at 2.8 million euros, Franco Gioielli at 1.9 million euros and Marc Orian at 1.5 million euros.

Each brand was subject to an annual impairment test. They were valued based on the discounted cash-flows method, i.e. by discounting forecast royalties to perpetuity. The net book values of some brands are significantly lower than their value in use at the closing date for the Group's consolidated financial statements.

The impairment of the brand Trésor of 2 million euros in the opening balance sheet has been fully released at the closing date, following the valuation performed.

Some intangible assets such as business goodwill are not recognized as such on the balance sheet and are reclassified to goodwill.

The increase in intangible assets in progress mainly relates to SAP (7.9 million euros as of 30 September 2019).

c. Property, plant and equipment

Property, plant and equipment (PPE)							
In €m	Opening	Acquisition	Disposal	Reversal	Capitalization of leasing contracts	Reclass.	Closing
Gross							
Land	0.0	-	-	-	-	-	0.0
Buildings	0.2	0.0	-	-	-	-	0.2
Technical facilities, plant and equipment	9.5	1.2	(0.7)	-	-	0.4	10.5
General facilities	268.6	23.7	(17.1)	-	-	10.1	285.3
Tangible assets held under finance leases	13.2	-	(0.7)	-	1.0	-	13.5
PPE in progress	3.2	3.2	(0.0)	-	-	(2.6)	3.8
Property, plant and equipment, gross	**294.8**	**28.1**	**(18.4)**	**-**	**1.0**	**7.9**	**313.3**
Amortization and depreciation							
Land	-	-	-	-	-	-	-
Buildings	(0.1)	(0.0)	-	-	-	-	(0.1)
Technical facilities, plant and equipment	(7.1)	(1.4)	0.6	0.0	-	0.0	(7.8)
General facilities	(189.4)	(25.4)	15.1	1.2	-	(7.9)	(206.3)
Tangible assets held under finance leases	(11.0)	(0.2)	0.6	-	-	-	(10.6)
PPE in progress	(0.0)	-	-	0.0	-	-	(0.0)
Amortization and depreciation	**(207.5)**	**(27.0)**	**16.4**	**1.2**	**-**	**(7.9)**	**(224.8)**
Net							
Land	0.0	-	-	-	-	-	0.0
Buildings	0.1	(0.0)	-	-	-	-	0.1
Technical facilities, plant and equipment	2.5	(0.2)	(0.1)	0.0	-	0.4	2.6
General facilities	79.2	(1.7)	(1.9)	1.2	-	2.2	79.0
Tangible assets held under finance leases	2.1	(0.2)	(0.0)	-	1.0	-	2.9
PPE in progress	3.2	3.2	(0.0)	0.0	-	(2.6)	3.8
Property, plant and equipment, net	**87.2**	**1.1**	**(2.0)**	**1.2**	**1.0**	**0.0**	**88.5**

Note: General facilities mainly include fixtures and fittings of stores' network.

Investments during the year include store refurbishments as well as fixtures and fittings of the stores opened or acquired during the year.

The Group has signed in 2019 some financial lease contracts in respect of store and IT equipment. These contracts have been accounted for in accordance with IAS17 as authorized by CRC Regulation No. 99-02. The assets acquired under finance leases were capitalized based on the present value of future lease payments for 1 million euros. They are then amortized on a straight-line basis over their estimated economic useful lives.

d. Financial assets

Financial assets						
In €m	Opening	Acquisition	Disposal	Reversal	Reclass.	Closing
Non-consolidated investments and related receivables	1.0	0.0	(0.3)	-	0.0	0.8
Loans granted to employees	0.1	0.0	(0.0)	-	-	0.1
Guarantee deposits	13.7	2.0	(0.7)	-	-	14.9
Financial assets, gross	**14.8**	**2.0**	**(1.0)**	**-**	**0.0**	**15.8**
Depreciation	(0.3)	-	0.3	-	-	(0.0)
Financial assets, net	**14.5**	**2.0**	**(0.7)**	**-**	**0.0**	**15.8**

Note: Guarantee deposits relate to the Group's real property leases. Changes during the year are explained by the guarantee deposits on stores opened or closed during the year, the recovery of deposits related to negotiation of first demand guarantee, as well as the reassessment of guarantee deposits conducted once per year by the lessors as part of contractual indexation.

Investments mainly relate to the non-controlling interests in the EIGs that own shopping centers. They are not consolidated.

e. Inventories

Inventories In €m	30/09/2019	30/09/2018
Raw materials and packaging inventories	9.9	7.6
Finished goods	206.9	217.8
Inventories, gross	**216.8**	**225.3**
Depreciation	**(16.2)**	**(14.0)**
Inventories, net	**200.6**	**211.3**

Note: Raw materials mainly include gold.

Stroili's and Oro Vivo's contributions to net inventories as of 30 September 2019 were 85.2 million euros and 12.8 million euros respectively.

Finished goods are mainly located in stores. The decrease in net inventories of 10.7 million euros recorded over the year is mainly explained by actions undertaken to optimize supply chains and stores' network development (net change in openings of (21) retail outlets).

Inventory depreciation is recorded based on losses on defective and unsold products of the year, compared to previous year's inventories. This depreciation is completed by a test on the weights of slow-moving items.

f. Trade receivables and related accounts

Trade receivables and related accounts In €m	30/09/2019	30/09/2018
Trade receivables, gross	8.7	9.9
Impairment	(0.2)	(0.2)
Trade receivables, net	**8.5**	**9.7**

Note: Trade receivables mainly include invoicing to suppliers (centralization, marketing and commercial cooperation services), to affiliates (sales of finished goods, royalties) and to training organisms.

Trade receivables and related accounts are all due within less than one year.

g. Other receivables

Other receivables In €m	30/09/2019	30/09/2018
Donwpayments and deposits to suppliers	3.1	3.2
Credit notes from suppliers	9.6	8.1
Insurance receivables	0.2	-
Personnel receivables	0.9	0.8
VAT	12.1	7.2
Income tax receivables	3.5	2.6
French employment and competitiveness tax credit (CICE)	4.5	3.8
Other tax receivables (including IRES/IRAP)	1.7	1.6
Other	1.3	1.7
Other receivables, gross	**36.9**	**29.1**
Depreciation	**(0.1)**	**(0.2)**
Other receivables, net	**36.8**	**28.9**

Note: Other receivables are all due within less than one year with the exception of the employment and competitiveness tax credit receivable in France (CICE) which is due in more than one year.

Effective January 1st, 2019 the CICE was replaced by a reduction in social security contribution (cf. notes 7.g and 7.k).

h. Cash and cash equivalents

Cash and cash equivalents In €m	30/09/2019	30/09/2018
Marketable securities	-	-
Cash	64.7	31.1
Cash and cash equivalents	**64.7**	**31.1**

i. Shareholders' equity

Equity In €m	Share capital	Share premium	Consolidated reserves	Net income	Currency translation reserves	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity at 30 September 2018	**219.5**	**2.7**	**(198.6)**	**(2.1)**	**0.0**	**21.5**	**0.0**	**21.5**
Increase in share capital	-	-	-	-	-	-	-	-
Allocation of net income	-	-	(2.1)	2.1	-	0.0	-	0.0
Net income for the year	-	-	-	8.2	-	8.2	0.0	8.2
Currency translation adjustment	-	-	(0.0)	-	0.0	0.0	-	0.0
Equity at 30 September 2019	**219.5**	**2.7**	**(200.7)**	**8.2**	**0.0**	**29.8**	**0.0**	**29.8**

Note: The capital is divided into 219,532,679 ordinary shares and 2,000 preference shares of 1 euro each, fully subscribed and paid.

Share premium is made of:

- 2,540,000 share purchase warrants issued on October 14th, 2010 at a unit price of 1 euro for a total of 2,540,000 euros. Each warrant gives to its holder the right to purchase a number of company shares at the price of 1 euro per share; the number of shares that may be purchased will depend on economic criteria determined upon the sale of the company shares by the main Shareholder.

- The capital increase of 2,000 preference shares on April 30th, 2015 is accompanied by an additional paid-in capital of 190,000 euros. Each preference share gives to its holder the right to benefit from any issue of new shares according to economic criteria determined upon the sale of the company shares by the largest Shareholder.

Basic and diluted net earnings per share were a profit of 0.04 euro as of September 30th, 2019 vs. a loss of 0.01 euro as of September 30th, 2018.

j. Provisions for risks and charges

Provisions for risks and charges					
In €m	Opening	Increase	Reversals used	Reversals unused	Closing
Provisions for loyalty vouchers	7.8	8.1	-	(7.6)	8.3
Social litigations	1.4	0.4	(0.1)	(0.2)	1.5
Commercial, tax and other litigations	0.7	1.0	(0.3)	(0.1)	1.4
Total provisions	9.9	9.5	(0.4)	(7.9)	11.1

Note: Provisions in respect of loyalty scheme are calculated based on probable future costs incurred by the Group (cf. note 3.c).

k. Deferred tax

Deferred tax assets				
In €m	Opening	Variation	Reclass.	Closing
Tax losses carried forward	13.4	(4.6)	-	8.8
Non-deductible financial insterests carried forward	-	2.7	-	2.7
Employee profit-sharing	1.2	0.3	-	1.5
Hedging instruments	-	1.3	-	1.3
Amortization, depreciation and provision	5.3	0.1	-	5.5
Leasehold rights and business goodwill	1.7	(0.2)	-	1.5
Fair value of assets	1.9	(0.1)	-	1.9
Other temporary differences	0.6	0.3	-	0.8
Netting of deferred tax assets and liabilities by tax jurisdiction	-	-	(14.2)	(14.2)
Total deferred tax assets	24.1	(0.1)	(14.2)	9.8

Deferred tax liabilities				
In €m	Opening	Variation	Reclass.	Closing
Leasehold rights and business goodwill	14.9	(1.0)	(0.8)	13.1
Fair value of assets	-	(0.0)	0.1	0.0
Finance leases	-	0.0	0.4	0.4
Other temporary differences	-	0.3	0.4	0.7
Netting of deferred tax assets and liabilities by tax jurisdiction	-	-	(14.2)	(14.2)
Total deferred tax liabilities	14.9	(0.7)	(14.2)	-

Note: Deferred tax assets on tax loss carryforwards mainly relate to France and amounted to 8.8 million euros as of September 30th, 2019 against 13.4 million euros as of September 30th, 2018. The decrease of (4.6) million euros is mainly attributable to their utilization, France having reported taxable profit for the year.

As of September 30th, 2019 unused tax loss carryforwards for which no deferred tax assets were recognized had a potential positive impact on the future tax expense of 7 million euros (of which 3.9 million euros from HDO Srl in Italy and 3 million euros from Oro Vivo in Germany).

I. Financial debts

Financial debts In €m	< 1 year	1 to 5 years	> 5 years	30/09/2019	30/09/2018
Principal and capitalized interests	-	-	276.2	276.2	246.3
Accrued and capitalized interests of the year	-	-	32.3	32.3	28.8
Convertible bonds	**-**	**-**	**308.5**	**308.5**	**275.1**
	-	-	-	-	-
Principal	-	565.0	-	565.0	565.0
Accrued interests	3.7	-	-	3.7	3.7
Senior Debt	**3.7**	**565.0**	**-**	**568.7**	**568.7**
	-	-	-	-	-
RCF	-	-	-	-	10.0
Accrued interests, accrued commitment fees	0.2	-	-	0.2	0.2
Bank loans	**0.2**	**-**	**-**	**0.2**	**10.2**
	-	-	-	-	-
Bank overdrafts	**-**	**-**	**-**	**-**	**0.1**
	-	-	-	-	-
Debts on finance leases	0.3	1.1	-	1.4	0.6
Other financial debts	**0.3**	**1.1**	**-**	**1.4**	**0.6**
	-	-	-	-	-
Total financial debts	**4.2**	**566.1**	**308.5**	**878.8**	**854.8**

Convertible bonds

Thom Europe has issued 3 bonds convertible into shares (OCA): 225,049,000 convertible bonds (OCA1) and 3,360,000 convertible bonds (OCA2) issued on October 14th, 2010 with a nominal value of 1 euro; and 1,140,000 convertible bonds (OCA3) issued on October 14th, 2011 with a nominal value of 1 euro. The OCA1, OCA2 and OCA3 that are not converted into shares will be redeemed on August 7th, 2025. The bonds can be converted into shares at any time within the 30 days prior to the maturity date. The new shares will be paid-up based on one new share with a nominal value of 1 euro for 10 bonds with a nominal value of 1 euro each.

The OCA1, OCA2 and OCA3 bear fixed-rate interest. Interest is capitalized on October 14 each year and is redeemable at the maturity of the bonds. The interest expenses of the year were 33.5 million euros.

Senior Debt

The tranche B of the senior debt (Term Loan B) was withdrawn on August 7th, 2017 for an amount of 565 million euros, redeemable at maturity in 2024. The TLB bears interest at Euribor floored at 0% plus a 4.25% margin as of 30 September 2019. The Group's debt reduction (de-leveraging) has resulted into an improvement in the applicable margin.

The 1% Original Issue Discount (OID) on the subscription of the TLB (Term Loan B) is accounted for as a redemption premium. It amounts to 5.7 million euros and is amortized over the term of the debt.

Bank loans

In addition to the TLB, a revolving credit facility (RCF) of 90 million euros is available for a period of 6 years, bearing interest at Euribor floored at 0% plus a 3.25% margin as of 30 September 2019 for the drawn amount and 35% of the same rate for the undrawn amount. The Group's debt reduction (de-leveraging) has resulted into an improvement in the applicable margin. As of September 30th, 2019, this credit line was not used.

m. Employee profit-sharing reserve

Profit-sharing reserve		
In €m	30/09/2019	30/09/2018
Profit-sharing reserve	2.2	2.3
Profit-sharing reserve	2.2	2.3

Note: The employee profit-sharing reserve is the amount placed by employees in blocked current account. The account bears interest at the average rate of yield of bonds in private companies increased by 1 percentage point. The management of employee profit-sharing is outsourced to Amundi.

n. Trade payables and related accounts

Trade payables and related accounts		
In €m	30/09/2019	30/09/2018
Trade payables and related accounts	81.5	104.5
Trade payables and related accounts	81.5	104.5

Note: Trade payables and related accounts are due within less than one year.

o. Payroll and tax payables

Payroll and tax payables		
In €m	30/09/2019	30/09/2018
Payroll liabilities	24.8	23.6
Social security contributions	14.1	14.8
TFR	2.7	3.0
Employee profit-sharing	4.6	3.5
VAT	14.1	8.3
Income tax	5.6	1.6
Other taxes and duties	5.2	5.4
Total payroll and tax payables	71.1	60.2

Note: Payroll and tax payables have a due date of less than one year, except for the TFR (Trattamento di fine rapporto) in Italy of 2.7 million euros and the employee profit-sharing reserve of the year in France of 4.6 million euros which are both due for more than 5 years.

As mentioned in note 3.c, a portion of the TFR can be allocated to funds. Subscription to these funds is voluntary. The contribution is shared between the employee and the company.

The employee profit-sharing in France will be allocated to the profit-sharing reserve account during the financial year 2019-2020 for the portion placed by employees in blocked current account (cf. note 6.m).

p. Other payables

Other payables		
In €m	30/09/2019	30/09/2018
Downpayments from customers	3.5	3.2
Credit notes issued	1.2	1.0
Gift cards issued	0.6	0.2
Vouchers issued	0.6	1.0
Other	1.4	0.2
Total other payables	7.3	5.5

7. Notes to the income statement

a. Sales

Sales		
In €m	**30/09/2019**	**30/09/2018**
France	433.9	410.2
Foreign	266.4	260.4
Sales to affiliates	3.4	2.1
Stores sales	**703.8**	**672.7**
Sales of precious metals	30.6	35.3
Invoicing to suppliers	1.8	2.1
Purchasing & logistics services	0.4	0.4
Other income	0.6	1.1
Other sales	**33.3**	**38.8**
Total sales	**737.1**	**711.6**

Note: Stroili's contribution to sales of precious metals amounted to 24.7 million euros for the year ended 30 September 2019.

b. Reversals of provisions

Reversals of provisions		
In €m	**30/09/2019**	**30/09/2018**
Reversals of provisions for risks and charges	8.2	8.3
Release of impairment on inventories	7.2	5.1
Release of impairment on fixed assets	7.4	3.9
Release of impairment on current assets	0.1	0.2
Total reversals of provisions	**22.9**	**17.5**

Note: Reversals of provisions for risks and charges include a reversal of opening provisions for loyalty vouchers of 7.6 million euros.

Provisions for depreciation of inventories in the opening balance sheet are systematically reversed and new provisions are fully recorded at the closing date, in the same way as provisions for loyalty vouchers (cf. note 7.h).

Reversals of depreciation for fixed assets mainly include the reversals of depreciation of leasehold rights of closed stores of 2.7 million euros and the reversal of depreciation of the Trésor brand of 2 million euros (cf. note 6.b).

c. Other operating income

Other operating income			
In €m		30/09/2019	30/09/2018
Income from insurance for theft of merchandise		0.4	0.5
Income from insurance for destruction of goods		0.2	0.1
Reinvoicing of training costs		0.5	0.1
Franchise royalties		0.4	0.3
Other	(1)	6.0	2.1
Total other operating income		7.5	3.1

(1) Other income of 6 million euros includes the capitalization of ERP-SAP integration costs for 3.5 million euros, and the reclassification of demonstration products to fixed assets for 1.9 million euros (cf. note 7.j).

d. Costs of goods sold

Costs of goods sold		
In €m	30/09/2019	30/09/2018
Purchase of finished goods and raw materials	(233.3)	(259.2)
Change in inventories	(8.5)	19.2
Total costs of goods sold	(241.8)	(240.0)

e. Other operating expenses

Other operating expenses			
In €m		30/09/2019	30/09/2018
Real property leases		(80.9)	(78.6)
Expenses related to real property leases		(10.5)	(10.4)
Advertising		(20.0)	(19.2)
Transport		(7.1)	(6.5)
Insurance		(1.9)	(1.8)
Maintenance		(6.0)	(5.9)
Consultancy fees		(9.3)	(8.3)
Bank fees		(3.2)	(2.9)
Information system and technology		(2.5)	(2.6)
Telecommunication and network expenses		(3.1)	(3.3)
Energy and utilities		(5.5)	(5.6)
Travel, accomodation and courtesy costs		(4.2)	(4.1)
Other	(1)	(13.1)	(10.8)
Total		(167.5)	(160.0)

(1) Other costs for (13.1) million euros mainly include the cost of temporary workers, the lease costs of company cars and other miscellaneous charges.

f. Taxes and duties

Taxes and duties		
In €m	30/09/2019	30/09/2018
Territorial Economic Contribution (French levy)	(1.4)	(1.2)
Payroll-related taxes	(1.9)	(1.9)
Taxes on commercial premises	(0.8)	(0.8)
Social Solidarity Contribution (French levy)	(0.7)	(0.7)
Contribution on corporate added value (CVAE in France)	(4.0)	(3.9)
Other taxes and duties	(0.8)	(0.9)
Total taxes and duties	(9.7)	(9.5)

g. Personnel expenses

Personnel expenses		
In €m	30/09/2019	30/09/2018
Wages and salaries	(147.8)	(140.0)
Social security charges	(45.4)	(45.6)
French tax credit for employment and competitiveness (CICE)	0.7	4.0
Employee profit-sharing	(5.5)	(4.2)
Total personnel expenses	(198.0)	(185.7)

Note: Effective January 1st, 2019 the French tax credit for employment and competitiveness (CICE) was replaced by a reduction in social security contributions.

Employee profit-sharing is social contribution included.

h. Depreciation, amortization and provisions

Depreciation, amortization and provisions		
In €m	30/09/2019	30/09/2018
Depreciation and amortization of fixed assets	(37.9)	(37.2)
Depreciation of inventories	(9.5)	(8.8)
Impairment of trade receivables	(0.1)	(0.1)
Provisions for risks and charges	(8.8)	(8.5)
Amortization of borrowing issuance costs	(1.3)	(1.3)
Total	(57.5)	(55.8)

Note: Provisions for risks and charges include provisions for loyalty vouchers of 8.1 million euros.

Provisions for depreciation of inventories in the opening balance sheet are systematically reversed and new provisions are fully recorded at the closing date, in the same way as provisions for loyalty vouchers.

i. Financial income and expenses

Financial income and expenses		
In €m	30/09/2019	30/09/2018
Interests on bank borrowings and Revolving Credit Facility	(26.1)	(27.6)
Amortization of bond redemption premium	(0.8)	(0.8)
Capitalized interests on convertible bonds	(33.5)	(32.6)
Financial expenses related to customer deferred payments	(0.9)	(0.9)
Foreign currency exchange	0.9	(1.3)
Other	(0.6)	(1.0)
Financial income (expense)	(61.0)	(64.2)

j. Non-recurring income and expenses

Non-recurring income and expenses			
In €m		**30/09/2019**	**30/09/2018**
Pre-opening costs	**(1)**	(2.5)	(2.7)
Indemnities paid to personnel		-	(1.4)
Other income and expenses	**(2)**	(2.2)	(2.2)
Non-recurring gain (loss) on operations		**(4.6)**	**(6.3)**
Income from disposals of leasehold rights (and equivalents)		0.3	1.8
Net book values of disposed fixed assets	**(3)**	(8.9)	(9.5)
Non-recurring amortization, depreciation and provisions	**(4)**	(2.3)	-
Non-recurring gain (loss) on disposals of fixed assets		**(10.9)**	**(7.7)**
Total non-recurring income & expenses		**(15.5)**	**(14.0)**

(1) Pre-opening costs of (2.5) million euros are costs incurred for the opening of new stores or for the refurbishment of existing stores when the refurbishment involves store closure for an extended period. These expenses mostly include rents, staff costs and fees.

(2) Other non-recurring income and expenses of (2,2) million euros net mainly include:

- A payment of (1.6) million euros in June 2019 following the Group's decision to pay the Mayor-approved Sundays worked ("Dimanches du Maire") at 200% of the regular wage with retroactive effect from February 2016, in accordance with article L 3245-1 of the Labour Act. Furthermore, a provision for risks and charges has been accounted for (0.6) million euros (cf. (4) below)
- An income of 0.9 million euros related to payments received following the early termination of a lease contract.

(3) The net book value of disposed fixed assets of (8.9) million euros mainly include the disposals of goodwill, leasehold rights and facilities of closed stores, as well as scraps in respect of store refurbishments.

(4) Non-recurring amortization and depreciation mainly include:

- A provision for risks and charges for (0.6) million euros related to the retroactive application of a change in remuneration scheme for the "Dimanches du Maire" Sundays worked in France (cf. (2) above).
- A provision for depreciation of demonstration products of (1.1) million euros. The Groupe has revised its strategy related to demonstration products and now considers that those products will no longer be sold and will be used exclusively to support the sales. The demonstration products that used to be recorded in inventories have been transferred to fixed assets and are amortized over their useful lives (5 years).

k. Income tax expense

Breakdown of net tax expense

Income tax expense		
In €m	30/09/2019	30/09/2018
Current income tax expense	(8.8)	(5.0)
Deferred income tax expense	0.5	(0.0)
Total income tax expense	(8.3)	(5.1)

Note: The net income tax expense for the year amounted to (8.3) million euros vs. a (5.1) million euros last year and is detailed as follows:

- The net income tax expense recognized by the tax group for French companies amounted to (6.6) million euros against (1) million euros last year. The increase of (5.6) million euros is attributed to the Group's operating performance.
- The net income tax expense recognized by foreign subsidiaries amounted to (1.7) million euros against (4.1) million euros last year. The decrease of 2.4 million euros is mainly attributed to the recognition by Stroili of a deferred tax asset of 2.7 million euros on the financial interest expenses that could not be deducted in prior years and that can be carried forward without time limitation.

Reconciliation of theoretical tax expense to effective tax expense

Tax proof			
In €m		30/09/2019	30/09/2018
Income before tax		16.5	2.9
Theoretical tax rate in France		34.43%	34.43%
Theoretical tax expense expected		**(5.7)**	**(1.0)**
Tax rate differential on foreign income		1.7	0.9
Non-deductible financial expenses in France		(5.2)	(5.1)
Utilization and/or recognition of non-deductible financial expenses carried forward	(1)	3.4	0.4
Depreciation and/or unrecognition of tax losses	(2)	(1.1)	(1.2)
IRAP		(1.4)	(1.3)
CICE	(3)	0.2	1.4
Other		(0.2)	1.0
Effective tax expense recognized		(8.3)	(5.1)

(1) Stroili's financial interest expenses that could not be deducted in prior years and that can be carried forward without time limitation have been used during the year for 0.7 million euros (0.4 million euros last year), the unused balance has been fully recognized for 2.7 million euros.

(2) Oro Vivo's tax loss carryforwards of the year have not been recognized as a measure of prudence.

(3) Effective January 1st, 2019, the French tax credit for employment and competitiveness (CICE) was replaced by a reduction in social security contributions (cf. notes 6.g et 7.g).

8. Other information

a. Subsequent events

- On November 22nd, 2019, the Company was notified by the authority about the nonfulfillment of the obligations towards its employees working on ordinary Sundays in France. The Company and its legal adviser are examining the authority's observations and preparing a response.
- The Company is considering a capital increase as well as a modification of the terms and conditions of the existing preference shares:
  - The subscription by FG IV to a capital increase of the Company, with the elimination of the shareholders' preferential rights, for a total amount of 319,998 euros, through the issuance of 319,998 preference shares "ratchet" ("ADP R2") with a nominal value of 1 euro each;
  - The subscription by FG V to a capital increase of the Company, with the elimination of the shareholders' preferential rights, for a total amount of 160,000 euros, through the issuance of 160,000 preference shares "ratchet" ("ADP R3") with a nominal value of 1 euro each, issued at par.

  The Company is also considering a modification of the rights and benefits attached to the existing preference shares "ratchet" consecutively to the above operations.
- On October 2nd, 2019 the Company changed its corporate name to Thom Group SAS.

b. Off-balance sheet commitments

i. Post-employment benefits (France)

As of September 30th, 2019, post-employment benefits in France are off-balance sheet and amounted to 390 thousand euros. The main actuarial assumptions remain the same as for the previous year and are as follows:

- Discount rate: 1.04%
- Salary increase rate: 2.5%
- Calculation of employee turnover by socio-professional category based on historical data at each entity
- INSEE mortality table (T168)

ii. Pledges

- Pledged securities accounts containing Thom shares for the benefit of TLB investors and issuers of the Revolving Credit Facility
- Pledge on inter-company loans and current accounts held by Thom Europe and Thom for the benefit of the above-mentioned parties
- Pledge on bank accounts of Thom Europe and Thom for the benefit of the above-mentioned parties
- Pledge on brands held by Thom Europe and Thom for the benefit of the above-mentioned parties

iii. Hedges

Due to its activity, the Group is exposed to changes in foreign exchange rate (USD/EUR), gold price and Euribor interest rate in respect of its senior debt. These changes may negatively impact the Group's earnings and financial statements. The Group follows a centrally administered risk management policy and uses various derivative financial instruments to hedge its exposure to these risks.

As of September 30th, 2019, the fair values of these instruments are as follows:

		30/09/2019			30/09/2018		
In €m		**Fair Value**	**On B/S**	**Off B/S**	**Fair Value**	**On B/S**	**Off B/S**
Currency hedge USD/EUR		1.7	-	1.7	1.0	-	1.0
Gold price hedge		1.9	-	1.9	(1.4)	-	(1.4)
Euribor hedge	**(1)**	0.0	0.4	(0.4)	0.2	0.2	(0.0)
Total		4.0	0.4	3.6	(0.2)	0.2	(0.4)

(1) Premiums paid for caps used for hedging Euribor interest rate related to the senior debt (TLB) have been recognized in the balance sheet and amortized over the duration of the contracts. The remaining balance amounted to 0.4 million euros as of September 30th, 2019 against 0.2 million euros as of September 30th, 2018. The increase is due to the conclusion of new contracts to extend the duration of the hedge.

Currency hedge

A significant portion of Group companies' purchases are denominated in USD. The EUR/USD exchange rate risk is hedged by currency forwards and structured product. As of September 30th, 2019, the Group's long positions aggregated 49.5 million USD (against 42 million USD as of September 30th, 2018), hedging nearly all its USD-denominated payment needs for the next fiscal year.

Currency hedge (purchase of USD against EUR)		
In USD million	**30/09/2019**	**30/09/2018**
Collar		
Notional amount in USD	**35.0**	**30.0**
Expiry:		
- due within one year	*35.0*	*30.0*
- due in more than one year	-	-
Forward contracts		
Notional amount in USD	**14.5**	**12.0**
Expiry:		
- due within one year	*14.5*	*12.0*
- due in more than one year	-	-

Gold fixing hedge

The Group purchases products containing gold at a minimum quantity of 1,600 ounces of gold per month. Gold price risk is hedged by swaps and synthetic calls. As of September 30th, 2019, the Group's long positions aggregated 20.800 ounces of gold, hedging the minimum purchase quantities of gold within 13 months following the end of this fiscal year; and the sale of 3,220 ounces of gold, hedging the stock disposals within 12 months following the end of this financial year.

Gold price hedge In ounces	30/09/2019	30/09/2018
Swaps		
Hedged quantity (ounces)	**6 480**	**16 200**
- Purchase against EUR	*7 600*	*12 600*
- Purchase against USD	*2 100*	*3 600*
- Sale against EUR	*(3 220)*	-
Expiry:		
- due within one year	*4 880*	*13 200*
- due between one and two years	*1 600*	*3 000*
Synthetic calls		
Hedged quantity (ounces)	**11 100**	**6 000**
- Purchase against EUR	*11 100*	*6 000*
- Purchase against USD	-	-
Expiry:		
- due within one year	*11 100*	*6 000*
- due between one and two years	-	-

Euribor interest rate hedge

Euribor interest rate risk related to the senior debt (TLB) is hedged through interest rate caps for 508.5 million euros until August 7, 2021, then for 113 million euros until August 7th, 2023.

iv. Commitments received

As of September 30th, 2019, the Group has a revolving credit facility of 90 million euros, of which 4.5 million euros are, by way of a letter of credit issued by a French bank participating in the RCF, used to counter-guarantee the guarantees granted by an Italian bank in favor of lessors.

The Groupe also has a guarantee payable on first demand to guarantee the payment of head office rents for an amount of 0.5 million euros.

v. Commitments given

Group's cash generation for the year 2019 triggered an early repayment of 8.4 million of the senior debt of in May 2020 because of "Excess Cash-Flow" as defined in the terms and conditions of the TLB contract.

Other commitments given by Thom Europe as of September 30th, 2019:

- Bank guarantees in favor of lessors for 566 thousand euros
- A bank guarantee in favor of a supplier for 305 thousand euros

Commitments given by Oro Vivo as of September 30th, 2019

- Bank guarantees in favor of lessors for 0,7 million euros.

Commitments given by Stroili as of September 30th, 2019

- Bank guarantees in favor of lessors for 17 million euros.

c. Headcount

The Group's headcount reached 4,746 Full-Time Equivalents (FTE) for the year ended September 30th, 2019, against 4,671 FTE las year. This increase mainly results from an increase in the number of employees at stores, in line with Group's performance, and from the strengthening of headquarters functions.

d. Company officers' and directors' remuneration

The compensation paid during the last 12 months to the members of governing bodies cannot be disclosed as this would imply disclosing individual remuneration. No post-employment or long-term benefits have been granted to Senior Executives. No remuneration has been paid to the Chairman of Thom Europe.

Attendance fees paid over the last 12 months amounted to 25 thousand euros net.

e. Statutory auditors' fees

Satutory auditors' fees	30/09/2019			30/09/2018		
In €m	**Deloitte**	**Aca-Nexia**	**Other**	**Deloitte**	**Aca-Nexia**	**Other**
Certification of statutory and consolidated accounts	0.3	0.1	0.0	0.3	0.1	0.1
Thom Europe SAS	*0.0*	*0.0*	-	*0.0*	*0.0*	-
Fully consolidated subsidiaries	*0.2*	*0.1*	*0.0*	*0.2*	*0.1*	*0.1*
Services other than certification of accounts	-	-	0.0	-	-	0.0
Total	**0.3**	**0.1**	**0.0**	**0.3**	**0.1**	**0.1**

THOM GROUP

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