

5 June 2018

QUIZ

QUIZ plc

(“QUIZ” or the “Group”)

Preliminary results for the year ended 31 March 2018

“Strong omni-channel growth driven by international and outstanding online momentum”

QUIZ, the omni-channel fast fashion brand, is pleased to announce its preliminary results for the year ended 31 March 2018 (“FY 2018”).

Financial highlights:

million	FY 2018	FY 2017	Year-on-year growth
Group Revenue	£116.4	£89.8	30%
Underlying ¹ EBITDA	£12.7	£10.3	24%
EBITDA	£11.5	£10.3	
Underlying ¹ Profit Before Tax	£9.8	£8.1	20%
Profit Before Tax	£8.5	£8.1	
Underlying Basic EPS (pence) ²	6.48	5.33	22%
Dividend per share (pence)	0.80	-	
Net cash/(borrowings) at period end	£9.2	(£2.0)	

- Group revenue increased 30% year on year driven by strong growth across all channels:
 - Online revenue increased 158% to £30.6m (FY 2017: £11.9m)
 - Underlying International sales³ increased 32% to £21.2m (FY 2017: £16.0m)
 - Revenue from UK stores and concessions increased 12% to £64.6m (FY 2017: £57.5m)
- Underlying EBITDA increased 24% year on year to £12.7m (FY 2017: £10.3m)
- Maiden dividend of 0.8 pence per share proposed in respect of second half of FY 2018
- Successful placing on AIM in July 2017 raised £10.3m of new money for the business to help fund further expansion

Operational highlights:

- Active⁴ online customer base increased 87% to 370,000 (FY 2017: 198,000)
- Continued investment in online with new Android and iOS apps launched during the second half of FY 2018

- First international online partnership with Zalando launched early in FY 2018
- Local language website launched in Spain during the second half of FY 2018 alongside the opening of three Spanish standalone stores, QUIZ's first outside the UK and the Republic of Ireland
- First direct USA sales through department store outlets with a USA focused website launched at the end of FY 2018
- Continued UK expansion with five new stores and six concessions opened with existing UK partners
- During the year, QUIZ extended the space utilised in our distribution centre by 40% to 232,000 sq. ft at a cost of £0.8m

1. *Underlying EBITDA and Profit Before Tax: excludes the costs of admission to AIM and the Group reorganisation undertaken prior to admission, and share based payment charges. A reconciliation to reported (IFRS) results is included in the financial review below.*
2. *Underlying EPS: underlying PBT less tax at statutory rate divided by the number of shares on a pro forma basis, i.e. assuming that the number of shares in issue immediately post-IPO were in issue through the entire comparative period.*
3. *International sales comprise the results from QUIZ standalone stores and concessions in the Republic of Ireland, standalone stores in Spain and franchises in 20 countries. Underlying sales exclude non-recurring wholesale revenue in relation to Spain in the year ended 31 March 2017.*
4. *An active customer is a customer registered on our database who has transacted in the last 12 months.*

Tarak Ramzan, Founder and Chief Executive Officer, commented:

“We are pleased to report a very good performance for the QUIZ brand during the year with excellent progress achieved from our omni-channel growth strategy. The brand has continued to deliver rapid growth online, with revenues up 158% year on year, as well as strong growth in international target markets and across our UK store and concession estate.

“QUIZ is continuing to grow its reputation as a leading fast-fashion brand known for fantastic value and quality. We have further expanded the brand with the successful launches of our CURVE and Bridal ranges as well as the recent launch of QUIZMAN.com. More recently the QUIZ X TOWIE collection, our first male and female capsule collection has been very well received.

“With our attractive customer offer, well-invested infrastructure and omni-channel business model with the flexibility to increase investment in higher return areas, QUIZ is well positioned to deliver strong growth in the year ahead in-line with the Board’s expectations.”

Analyst meeting:

A meeting for sell-side analysts will be held at the offices of Hudson Sandler LLP, 25 Charterhouse Square, London EC1M 6AE on 5 June 2018, commencing at 9.30am.

Enquiries:

QUIZ plc

Tarak Ramzan, Chief Executive Officer
Gerry Sweeney, Chief Financial Officer
Sheraz Ramzan, Chief Commercial Officer

Via Hudson Sandler

Panmure Gordon
(Nominated Adviser and Sole Broker)

+44 (0) 207 886 2500

Ben Thorne / Alina Vaskina / Andrew Godber
(Corporate Finance)
Erik Anderson (Corporate Broking)

Hudson Sandler LLP (Public Relations)
Alex Brennan / Sophie Lister / Nelly Akpaka

+44 (0) 207 796 4133
quiz@hudsonsandler.com

Notes:

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

About QUIZ:

QUIZ is an omni-channel fast fashion brand, specialising in occasion wear and dressy casual wear.

QUIZ delivers a distinct proposition that empowers its fashion forward customers to stand out from the crowd.

QUIZ's buying and design teams constantly develop its own product lines, ensuring the latest glamorous looks at value prices. This fast, flexible supply chain, together with the winning formula of style, quality, value and speed-to-market has enabled QUIZ to grow rapidly into an international brand with more than 300 standalone stores, concessions, franchise stores, wholesale partners and international online partners in 20 countries. The Group currently operates 71 standalone stores and 147 concessions in the UK.

QUIZ operates through an omni-channel, fast fashion business model, which encompasses online sales, standalone stores, concessions, international franchises and wholesale arrangements.

To download images please visit: <http://www.quizgroup.co.uk/media-download-centre/>

For further information:

<https://www.quizclothing.co.uk/>

<http://www.quizgroup.co.uk/>

CHAIRMAN'S STATEMENT

Introduction

In our first preliminary results for the year as a public company it is my great pleasure to welcome our new shareholders to QUIZ.

FY 2018 was a transformational year for the business, which included the Company's successful admission to the AIM market of the London Stock Exchange in July 2017. We were pleased with the enthusiasm and support shown during the initial public offering ('IPO'), which reflected investors' recognition of QUIZ's strong brand and exciting growth prospects.

From a personal perspective, I am delighted to have joined QUIZ at such an exciting and important stage in its development. Underpinned by its omni-channel model, QUIZ is a dynamic and truly fast-fashion business with clear growth opportunities both in the UK and internationally. The business is led by a committed, talented and very ambitious management team and I am very confident that the Company will achieve its goal of becoming a leading, global fast-fashion brand.

Financial Results and Dividend*

QUIZ delivered a strong financial performance during FY 2018 with Group revenue increasing by 30% to £116.4 million (FY 2017: £89.8 million). This was driven by continued growth across each of our distribution channels, most notably Online. Online revenue year-on-year growth of 158% was underpinned by a very good performance on our own websites as well as exceptional demand for the brand across third-party websites.

Underlying operating profit increased 20% to £9.8 million (FY 2017: £8.1 million) and underlying EBITDA increased 24% to £12.7 million (FY 2017: £10.3 million). When the costs of the IPO transaction and the Group restructuring undertaken prior to the IPO (£1.0m) and the impact of share-based payments (£0.2 million) ("non-underlying costs") are deducted, operating profits were £8.6 million (FY 2017: £8.1 million) and EBITDA to £11.5 million (FY 2017: £10.3 million).

As a result, underlying profit before tax ("PBT") increased 20% to £9.8 million (FY 2017: £8.1 million) and underlying earnings per share rose 22% to 6.48 pence (FY 2017: 5.33 pence). Earnings per share reflecting the non-underlying costs noted above was 5.49 pence (FY 2017: 5.33 pence).

The Board intends to pursue a progressive dividend policy as outlined in its IPO Admission Document, with dividends being paid in two tranches with one third in respect of the first half of the financial year and two thirds in respect of the second half. Further to the completion of the financial year, a dividend of 0.8 pence per share is proposed in respect of second half of FY 2018. Subject to approval at the AGM, this first dividend is expected to be paid on or around 14 September 2018.

Our Team

QUIZ has a talented and dynamic team whose skill, passion and commitment are central to the Group's continued growth and success. I would like to take this opportunity to thank all my colleagues for their commitment throughout this transformational year for the business.

Outlook and Current Trading

QUIZ is a distinctive fast fashion brand with a growing customer base and flexible omni-channel model. We have invested in the business to continue to drive growth across each of the brand's distribution channels. These attributes give us every confidence of successfully delivering the Board's strategy for growing QUIZ in the UK and internationally.

The Group's flexible omni-channel model allows management to focus on the areas where QUIZ can generate the highest growth. The Group will continue to increase its investment in areas generating strong returns, most notably across its online platforms.

As has been reported in the media, UK retail sector footfall softened in April and this impacted the performance of our UK stores and concessions sales channel during the month, while our Online and International business continued to perform well. Since then we have been encouraged by a strong recovery in UK store and concession sales.

With our attractive customer offer, well-invested infrastructure and omni-channel business model with the flexibility to increase investment in higher return areas, QUIZ is well positioned to deliver strong growth in the year ahead in line with the Board's expectations.

** Given the Company was formed on 23 March 2017 and acquired its subsidiaries on 23 March and 5 April 2017, there are no consolidated statutory comparative figures for the year ended 31 March 2017. In order to provide an understanding of the trading performance of the Group, comparative numbers have been presented on a basis consistent with the Group being in existence through the current and prior year. To provide comparability across reporting periods, the results within this Annual Report are presented on an "underlying" basis, adjusting for the impact of this year's IPO transaction, the Group restructuring undertaken prior to the IPO and the impact of share-based payments. A reconciliation between underlying and reported results is provided at the end of the Financial Review.*

CHIEF EXECUTIVE'S STRATEGIC REPORT

I am pleased to present the Group's first Strategic Report to shareholders following the Group's successful IPO in July 2017.

This is a very exciting time for the QUIZ brand as we continue to expand across our omni-channel model both in the UK and internationally whilst ensuring that our focus remains as strong as ever on delivering great products at outstanding value, thereby delighting our customers and providing compelling reasons to shop with QUIZ.

The Board's ambition is to develop QUIZ into a leading global fast-fashion brand. We have a clear customer focus, a proven "test and repeat" model and a first-class team, all underpinned by a well-invested infrastructure. With these strengths, we are confident that the Group will continue to deliver on its omni-channel growth opportunities and achieve its hugely exciting global potential.

Product and Brand USP

QUIZ is a distinctive fast fashion brand which has developed a specialisation in occasion wear and dressy casual wear for women. QUIZ's core business continues to deliver a distinct proposition that empowers fashion forward females to stand out from the crowd.

The QUIZ brand has appeal across a broad age range and offers clothing, footwear and accessories, including bags and jewellery, all of which follow the latest catwalk and fashion trends. QUIZ introduces new products each week as trends emerge throughout the season and then rapidly reacts to customer demand.

We were very pleased that the strength of the QUIZ brand was recognised at the 2018 Drapers Digital Festival where QUIZ was named 'Best Multichannel Retailer (turnover £25m-£200m)' and was praised by Drapers' expert judging panel. This recognition from one of the fashion industry's leading voices is a great endorsement of the strength of our brand. During the period, we were also shortlisted for Retail Week Awards 'Best Retailer under £250m' and 'Large Exporter of the Year' at the Scottish Export Awards.

Business Model

QUIZ's buying, design and merchandising teams work closely together and routinely monitor emerging trends each season. Together, they constantly develop QUIZ's own product lines ensuring that the Company delivers the latest glamorous looks at value for money prices. As a result of this reactive model and the Company's flexible and fast supply chain, QUIZ is able to adapt quickly to new trends and can usually have its products in its stores, concessions and online within two to four weeks from the point of order. Focusing on very short lead times, QUIZ's "test and repeat" supply chain is able to introduce new products within weeks of identifying trends, and to promptly reorder successful lines to meet customer demands.

The Group operates a truly omni-channel business model distributing products through e-commerce, stores, concessions, wholesale and franchise agreements.

Growth Strategy

The Group has a clear growth strategy to develop sales and expand the QUIZ brand across the Group's omni-channel distribution model. The Group has a particular focus on capturing the significant online opportunities available to QUIZ as well as on expanding internationally. This strategy is underpinned by investment in marketing, infrastructure and our first-class team.

The three pillars of QUIZ's growth strategy are as follows:

Strategic priorities

1. Online expansion

Accelerating the growth in our Online channel is the key priority for the Group.

In FY 2018, 26% of QUIZ's Group revenue was represented by Online and the Board believes that this can be grown further to at least 35% of total revenue in the medium term.

The online growth strategy includes developing the functionality and content of our own websites, improving our mobile applications, enhancing the service proposition for customers, launching further country specific websites in targeted international markets and expanding the brand's online presence through successful partnerships with third parties.

The Group will also extend the product offering online, with recent successful examples including the CURVE, Bridal and QUIZMAN ranges, and celebrity collaborations.

2. International expansion

The Board believes that international expansion offers a significant opportunity for the QUIZ brand.

In FY 2018, 18% of QUIZ's Group revenue was derived from international sales. The Group plans to expand its existing international footprint which is currently in 78 locations in 20 countries on four continents.

The Group's omni-channel operating model gives it a choice of multiple routes to international markets, including online, as well as standalone stores, concessions, and franchise and wholesale partners.

3. UK store and concession growth

A key part of our omni-channel model is our retail presence and there remains significant further growth potential for the brand in the UK through carefully targeted stores and concessions.

QUIZ currently operates 71 stores in the UK and the Board believes that there is currently the potential for a further 40 to 50 stores across the country in the medium to long term. Each new standalone store must meet a strict internal return-on investment criteria and QUIZ carefully selects sites on that basis.

The Group is also looking to open slightly bigger stores of approximately 2,500 to 3,500 sq. ft. to accommodate a broader product range.

Key Performance Indicators (KPIs)

QUIZ KPIs have been selected based on their link to the successful delivery of our strategy. Our strategic and financial KPIs are monitored by the Board on a regular basis.

Our financial KPIs monitor:

- Group revenue and in addition growth in each route to market: online, UK stores and concessions and international revenue;
- Group gross margin: maintaining overall product profitability whilst executing the Group's growth strategy;
- EBITDA margin: how we are controlling profitability and operating costs across the business; and
- Cash from operating activities: the conversion of profits into cash available to the business.

Financial KPIs

	FY 2018	FY 2017	Year-on-year growth
Underlying revenue ¹	£116.4m	£85.4m	36.4%
Gross margin	63.0%	62.7%	30bps
Adjusted EBITDA ²	10.9%	11.4%	(50)bps
Underlying cash from operating activities ³	£8.3m	£4.2m	£4.1m

1. Excludes non-recurring wholesale revenue in relation to Spain in the year ended 31 March 2017

2. Excludes the costs of the IPO transaction and the Group restructuring undertaken prior to the IPO (£1.0m) and the impact of share-based payments (£0.2 million) from FY 2018

3. Excludes settlement £1.3m owed from related parties subsequent to the IPO

Our strategic KPIs monitor:

- Active online customers; how we are growing the reach of the QUIZ brand;
- Online sales as % of turnover; how we are diversifying our revenues through growth in Online sales;
- International outlets serviced; how we are extending the international footprint of the QUIZ brand; and
- UK retail space; how we are developing the UK retail estate.

Strategic KPIs

	FY 2018	FY 2017	Year-on-year growth
Active online customers	370,000	198,000	87%
Online sales as a % of turnover	26.3%	13.2%	99%
International outlets serviced	78	66	18%
UK retail space – square footage	193,000	185,000	5%

Business Review

FY 2018 was a transformative year for the Group as the QUIZ brand continued to expand across its omni-channel business model, most notably Online where we have excellent momentum.

Supporting the brand's growth is a highly effective marketing investment and a true fast-fashion DNA which runs through the business from our buying and merchandising teams to the supply chain. This is a real competitive advantage in an age where customers want to be able to buy the styles they want as new fashion trends emerge.

Consistent with our plans for growth outlined at the time of the Group's IPO, the strongest sales growth during the year was achieved in our Online and International business where we continue to see very exciting opportunities for QUIZ.

Online expansion

We are delighted with the exceptionally strong online sales growth of 158% during FY 2018 which was ahead of the Board's initial expectations for the year. The Group's online growth was supported by increased awareness of the QUIZ brand which drove increased traffic and improved conversion rates across the QUIZ website as well as third-party websites. The Group's online performance also benefited from commencing sales on the Next website in October 2016 and with Zalando in May 2017.

Active online customers increased by 87% to 370,000 (FY 2017: 198,000) and website traffic increased 68% year-on-year.

We are continuing to invest in achieving our significant online potential including introducing iPads across our entire store estate and digital kiosks in selected stores during the first half of the year allowing customers in store to access the entire product and size range. In addition, during the second half of the year we launched new Android and iOS apps which improved integration with our social media and advertising campaigns and enhanced the shopping and brand experience for customers. We are pleased by the early impact that these launches have had on sales.

In May 2017, we announced a partnership with Zalando, QUIZ's first international online partner.

In September 2017, we launched a local language website in Spain to support our omni-channel growth plans in that market. We are encouraged with the performance so far and towards the end of the period increased marketing investment to drive website traffic and brand awareness. In addition, the Group launched a website in the USA at the end of the year.

Taking the brand overseas – accelerating international growth

International consumers continue to respond positively to the QUIZ brand. Our international business continues to expand with our omni-channel model allowing a flexible approach dependent upon the market.

We believe the QUIZ brand has the potential to grow in a number of international markets and awareness of QUIZ internationally continued to strengthen during FY 2018. This resulted in a 32% increase in international revenue to £21.2 million (FY 2017: £16.0 million, excluding non-recurring wholesale revenue in relation to Spain in FY 2017).

We continued to expand in the Republic of Ireland with the opening of a new standalone store in Dublin, in October 2017, and a new concession earlier in the year. As a result, QUIZ now has seven stores and 20 concessions in the Republic of Ireland (FY 2017: six stores and 19 concessions).

In the first half of the year, the Group opened its first standalone stores outside the UK and Ireland with three stores in Madrid, Spain. These openings were supported by the launch of QUIZ's Spanish language website, mentioned above, and we are pleased with the steady progress made in this market in recent months.

In December 2017, QUIZ had a landmark moment when we made our first direct sales in the US through a New York department store. Towards the end of the year, as mentioned previously, we launched a USA website. Sales have recently commenced to a number of stores and a third party website on a wholesale basis. The initial positive response provides insights and encouragement with regards to the development of our own website.

The global growth potential for QUIZ was further demonstrated with new franchises in Dubai, UAE and Morocco, bringing the total number of international outlets to 78 points of sale at the year-end (FY 2017: 66 points of sale).

We are pleased with the performance of our franchise operations in the Middle East against difficult market conditions and we are reviewing further expansion opportunities in this area.

We continue to review opportunities for further international expansion by expanding in our existing markets as well as extending into new regions.

Profitable UK store and concession development

QUIZ's UK store and concession portfolio remains a very profitable and important part of the Group's omni-channel growth strategy. QUIZ currently operates 71 stores and 147 concessions in the UK.

Sales from UK stores and concessions were up 12% during the year, demonstrating the quality of our store estate, the strength of our product range and growing awareness and appeal of the QUIZ brand. As a fast-fashion business, we continually refresh in-store merchandising, thereby providing clear reasons for customers to visit our stores and shop with QUIZ.

During the year the Group opened five new standalone stores and six new concessions with existing UK partners. As part of the Group's active management of its retail portfolio, we closed two standalone stores and four concessions in the year. Total retail square footage increased by 5% to 193,000 sq. ft. during the year (FY 2017: 185,000 sq. ft.).

Each new standalone store must meet a strict internal return on investment criteria and QUIZ carefully selects sites on that basis. For new stores the targeted payback period is 24 months and flexible five-year leases reduces exposure to upward rent reviews. For new concessions, the targeted payback period is 12 months.

In the year ahead, we will continue to appraise new store openings as we expand the reach of the QUIZ brand and our omni-channel model. In April, post the year-end, the Group opened a new flagship store in the Bluewater Shopping Centre. The store includes high level digital screens in the store front windows showcasing the latest looks, as well as digital kiosks for customers to browse and order the entire collection whilst in-store. The Bluewater store also offers click and collect service on QUIZ's full product range, for shoppers to order online and collect the next day, demonstrating the strength and flexibility of our omni-channel model. We are pleased with the performance of the Bluewater store to date and we anticipate opening between five and seven new UK stores in the year ahead.

Product extension

The Group continues to extend its collection in order to offer our customers more of the products and latest looks that they want for any occasion. In April 2017, we launched our inaugural Bridal range online fronted by Love Islands' Olivia Buckland. The first collections sold out reflecting very strong customer demand and effective brand partnership. Following the sell-out success of the debut Bridal collection, in January 2018 we launched a second range of statement dresses for fashion conscious brides to be. The new collection caters to the glamorous bridal party with a selection of show stopping bridal gowns and beautiful bridesmaid's dresses to compliment all shapes and styles. We remain very pleased with the sales progress so far.

Our Curve Range was launched in April 2017. Available online, on the QUIZ website and through a number of third parties, this has proved popular with our customers with sales exceeding expectations in the year.

Post the year-end, the Group launched QUIZMAN, the trial of a new online menswear product category. QUIZMAN.com, which is a standalone e-commerce site dedicated to fast-fashion menswear, will provide men with an array of the latest smart casual outfits for any occasion, whether that's a tailored blazer or classic chinos, smart tees or denim. The QUIZMAN USP is smart style for casual and dressy wear. We are pleased with the initial reaction to the collection and are excited by its potential.

Marketing and brand development

Underpinning the expansion of the QUIZ brand is our approach to targeted and returns driven marketing investment, including celebrity collaborations, search engine optimisation, pay per click, social media campaigns, digital and above the line advertising and PR. During the year, total marketing investment increased 139% to £2.5 million (FY 2017: £1.0 million) supporting growth in footfall and awareness. The brand's social media engagement has increased significantly from the prior year with 100% and 43% increases in our Instagram and Facebook audiences respectively.

During the first half of the year, the Group increased investment in awareness-driving campaigns including a collaboration with Love Island's Gabby Allen, which saw us work with the TV star on two exclusive collections. The partnership also included a programme of in-store, media and influencer events plus offline marketing such as advertising on the London Underground, where the Group also increased investment across the year.

Social influencers play an integral role in our marketing strategy from how we create content for social channels to how to engage online with customers. During the year to coincide with celebrity collaborations and new product drops, we shot campaigns in locations such as Miami, Ibiza and Morocco which generated traffic online and increased awareness.

In May 2018, QUIZ was delighted to partner with The Only Way is Essex (TOWIE) to create its first male and female capsule collections in collaboration with TOWIE's Chloe Lewis, Lauren Pope and Dan Edgar. The partnership brings together TOWIE's signature glamour and QUIZ's stylish looks.

In addition, the Group has been investing in international marketing to establish and grow the brand in Spain, with a digital marketing and influencer outreach campaign supporting the website, and tactical offline marketing activity supporting the three store openings in Madrid.

Infrastructure

The Group's growth during the period has been supported by our state of the art distribution centre, which was opened during 2016 and has provided the base for the business to grow revenues profitably.

During the year, we extended the space utilised in our distribution centre by 40% to 232,000 sq. ft at a cost of £0.8 million. This extension is primarily to ensure that we can meet the increasing requirements of our online business. As part of this work, the number of packing stations available to help fulfil online sales will be increased from 24 to 78.

We have continued to invest in our infrastructure in relation to IT and software developments. Spend across these areas amounted to £1.3 million during the year.

We have also undertaken work to refurbish and extend the amount of space at head office. The space being converted was used as a distribution centre prior to 2016. This extension will accommodate the enlarged marketing and newly created web development teams. The cost of this development during the period amounted to £0.4 million.

Developing our first-class team

We were delighted to strengthen our team at the time of the IPO with the appointment of Peter Cowgill as independent Non-Executive Chairman and Charlotte O'Sullivan as Independent Non-Executive Director. They joined Roger Mather, an Independent Non-Executive Director, on our Board and are each bringing significant experience to complement and add to the existing skills of the executive management team.

The Group has also made a number of senior appointments as we have increased investment in our future growth. These included a Head of Marketing and a Head of IT during the first half of the year. Post year-end, we appointed our first Ethical Compliance Manager. The new appointment comes as part of QUIZ's ambitious growth plans and the business's commitment to ensure that all products are sourced responsibly and produced in a safe working environment where workers' rights are respected.

Future Prospects

QUIZ is a distinctive fast fashion brand with our core business selling great quality and value for money women's occasion wear and dressy casual wear that is relevant to a wide age group. We will continue to develop our products and collections to ensure that we further build our reputation as a leading fast fashion brand with a compelling and unique proposition.

We are pleased with the performance of our new Bluewater store and will continue to expand our business where we can meet our strict investment criteria. We will continue to invest in our store estate, our distribution facility and our IT infrastructure. As a result, we would anticipate capital expenditure of approximately £4m in the current year.

The trading environment is expected to remain challenging in the UK with much publicised and industry wide pressures on consumer spending and costs. However, we have a clear strategy for growth underpinned by a strong brand, outstanding marketing capability, a well-invested infrastructure and talented team. Our flexible omni-channel model allows QUIZ to focus on those areas where we can generate the highest growth and the Group will continue to increase its investment, most notably online and international, where we are achieving outstanding growth.

With our operational momentum and an omni-channel business model, I am confident that QUIZ will continue to deliver strong growth on its journey to becoming a global leading fast fashion brand.

FINANCIAL REVIEW

Basis of Preparation

QUIZ plc was admitted to AIM on 28 July 2017 (the “IPO”).

Given the Company was formed on 22 March 2017 and acquired its subsidiaries on 23 March and 5 April 2017, there are no consolidated statutory comparative figures for the year ended 31 March 2017. In order to provide an understanding of the trading performance of the Group, comparative numbers have been presented on a basis consistent with the Group being in existence through FY 2018 and FY 2017.

In addition, to provide comparability across reporting periods, the results within this Financial Review are presented on an “underlying” basis, adjusting for the £1.0 million cost of this year’s IPO transaction and the Group restructuring undertaken prior to the IPO and the £0.2 million charge recorded for share-based payments. A reconciliation between underlying and reported results is provided at the end of this Financial Review.

Group Overview

Group revenue of £116.4 million was 30% higher than the previous year’s £89.8 million.

Underlying operating profits increased 20% to £9.8 million (FY 2017: £8.1 million). Including the non-underlying costs operating profits were £8.6 million (FY 2017: £8.1 million).

The underlying EBITDA generated increased 24% to £12.7 million (FY 2017: £10.3 million) which represented an EBITDA margin of 10.9% (FY 2017: 11.4%). Including the non-underlying costs EBITDA was £11.5 million (FY 2017: £10.3 million).

Underlying Group profit before tax (“PBT”) was £9.8 million (FY 2017: £8.1 million), an increase of 20% on the prior period. Profit before tax reflecting non-underlying costs was £8.5 million (FY 2017: £8.1 million).

Further to this the underlying earnings per share rose 22% to 6.48 pence (FY 2017: 5.33 pence). Earnings per share reflecting non-underlying costs was 5.49 pence (FY 2017: 5.33 pence).

Cash less borrowings at the period end amounted to £9.2 million (FY 2017: net borrowings of £2.0 million). This reflects the £10.3 million inflow further to the IPO in July FY 2017. Capital expenditure of £6.3 million was incurred during the year.

Revenue

Group revenue increased by 30% to £116.4 million from £89.8 million in FY 2017 driven by strong growth across all three of our strategic pillars as shown below:

	FY 2018	FY 2017	Year-on-year growth	Share of revenue FY 2018	Share of revenue FY 2017
Online	£30.6m	£11.9m	158%	26.3%	13.9%
International – underlying	£21.2m	£16.0m	32%		
International – non-recurring	-	£4.4m			
International – total	£21.2m	£20.4m	4%	18.2%	18.8%
UK stores and concessions	£64.6m	£57.5m	12%	55.5%	67.3%
Total	£116.4m	£89.8m	30%		

Online

The 158% growth in online revenues to £30.6 million has been achieved through strong growth on the QUIZ websites and through sales through third-party websites in the UK and international markets.

Sales through QUIZ's own websites increased by 102% in the year. This growth reflects the 87% uplift in the number of active customers at 31 March 2018 which totalled 370,000 (FY 2017: 198,000). Our increased marketing activity in the year has also helped drive website traffic up 68.3% year on year, primarily driven by mobile.

The stronger growth in sales through third-party websites reflects the impact of commencing sales on the Next website in October 2016 and through Zalando in Germany in May 2017.

International markets contributed £2.3 million to online sales in the year (FY 2017: £1.3 million).

International

International sales include revenue from QUIZ standalone stores and concessions in the Republic of Ireland, standalone stores in Spain and franchises in 20 countries.

We have continued to see a positive response to the QUIZ brand across different markets with revenues increasing 32% (30% in constant currency) to £21.2 million (FY 2017: £16.0 million, excluding non-recurring wholesale revenue in relation to Spain). Of the £4.2 million uplift in sales £1.7 million was generated from our international franchise partners and the balance reflect increased revenues from our stores and concessions in Ireland and Spain.

UK stores and concessions

Sales in the Group's UK standalone stores and concessions increased 12% to £64.6 million (2017: £57.5 million) with each channel growing in-line with expectations.

During the year five new stores and six new concessions were opened and two stores and four concessions were closed. Further to these changes total selling space across the stores and concessions increased by 5% from 193,000 sq. ft. to 185,000 sq. ft. over the period.

In addition to this increased selling space our increased marketing activity has helped increase traffic in store.

Further to this, sales growth in UK stores and concessions was achieved in approximately equal parts from a strong like-for-like performance and through new store and concession openings.

Gross Margin

Gross margin at 63.0% was 0.3% higher than the prior year. It was pleasing to deliver this increase in gross margin despite the cost pressures experienced in the year and the change in the revenue mix experienced during the year.

This improvement reflects the continued focus on efficient sourcing and ensuring that customers can obtain product at their preferred price through providing a wider range of products and prices.

Underlying Operating Costs

Underlying operating costs increased by 32% in 2018 from £48.1 million to £63.5 million. These costs represented 52.1% of revenue (FY 2017: 51.2%).

Underlying administrative costs increased by 22% to £42.2 million (FY 2017: £34.5 million). Personnel costs have risen from by £5.8 million or 37% to £21.4 million (FY 2017: £15.6 million) which reflects the increased resource to service the additional revenue as well as the continued investment in our

central functions to support future growth. During the year we have expanded our buying, merchandising and marketing teams and strengthened our IT resources.

The increase in administrative costs also reflects the increase in marketing spend in the year to £2.5 million (£1.0 million). This spend is focussed on digital and social marketing to generate new customers for all sales channels, as well as increasing shopping frequencies and basket sizes. This is complemented by offline advertising activity such as London Underground tube and bus campaigns.

Distribution costs increased 57% to £21.4 million (FY 2017: £13.6 million). This increase reflects (i) the cost of carriage to stores, concessions and franchises as well as online customers and (ii) commission paid to third-parties who sell product on behalf of QUIZ. The uplift in these costs primarily reflects the higher commission costs incurred associated with a higher proportion of sales being made through third-parties which have a higher cost to serve than sales generated through our own websites.

Depreciation and amortisation increased by 36% from £2.1 million to £2.9 million. This reflects the continued investment in the business including spend in our distribution centre in the current and previous year, continued spend on IT and software and the continued rollout of new stores.

Non-underlying Operating Costs

Non-underlying operating expenses totalled £1.2 million (FY 2017: £Nil). This included the £1.0 million cost of this year's IPO transaction and the Group restructuring undertaken prior to the IPO and the £0.2 million charge recorded for share-based payments.

Finance Costs

There are limited finance costs incurred by the Group. Interest costs are largely limited to the costs relating to the remaining term loans which were drawn down prior to the IPO to fund capital projects.

Taxation

The reported tax rate in the current is 20.2% (FY 2017: 18.4%).

The Group's effective tax rate in future years is expected to be broadly in-line with the statutory rate.

Earnings per Share

Basic earnings per share for 2018 were 5.49 pence per share (FY 2017: 5.33 pence).

The underlying basic earnings per share for 2018, which is calculated using the underlying profit before tax less tax at the effective statutory rate, were 6.48 pence (FY 2017: 5.33 pence)

To provide a meaningful comparison of earnings per share across each period the weighted average number of shares in issue has been restated on a pro forma basis to reflect the post-IPO capital structure. The pro forma assumes that the number of shares in issue post-IPO were in issue throughout the current and previous period.

Dividends

As set out in the Admission Document, the Board intends to pursue a progressive dividend policy whilst understanding the need to retain sufficient earnings for the future growth of the Group. Therefore, any dividend will be paid in two tranches of one third in respect of the first half of the Company's financial year and two thirds in respect of the second half of the Company's financial year.

Further to the completion of the financial year, a dividend of 0.8 pence per share is proposed. Subject to approval at the AGM, this first dividend is expected to be paid on or around 14 September 2018 to shareholders on the register at 16 August 2018.

Cash Flow and Cash Position

Cash net of borrowings at the period end amounted to £9.2 million (FY 2017: net borrowings of £2.0 million), an improvement of £11.2 million which primarily reflects the £9.3 million inflow from new shares, net of expenses, issued as part of the IPO process.

Net cash flow from operating activities was £9.4 million (FY 2017: £4.4 million), an improvement of £5.0 million.

The primary improvement relates to the working capital where the outflow in the year equated to £2.2 million which compares favourably to the £5.9 million outflow in the previous year.

Debtors reduced by £1.0 million in the year which reflects the settlement of £1.3 million of balances due from connected companies further to the Group's IPO. Inventory increased by £5.4 million to £14.7 million which reflect the increased revenue in the business along with the higher level of stock being held by third party websites and franchise customers.

We have continued to invest in the business with £0.9 million spent on intangible assets and £5.4 million on property, plant and equipment. The increase in intangible assets reflects £0.7 million of additions to computer software as we invest in our IT systems and websites and £0.2 million on establishing the QUIZ trademarks in different territories. The spend on property, plant and equipment includes £2.5 million on new stores in the UK and internationally, £1.0 million at our distribution facility, £0.4 million on extending the head office and the completion of an in-house photography studio.

Investment in computer equipment of £0.6 million which included the roll out of iPads to store staff which has helped drive further online sales.

There were £1.2m of borrowings repaid in 2018 (FY 2017: £1.8 million). This reflects the repayment of £0.6 million of loan balances to connected parties prior to the IPO and £0.6 million of repayments on term loans previously drawn down to fund capital expenditure.

The continued strong cash position provides a solid base to support our plans for future growth.

Reconciliation of Underlying and Reported (IFRS) Results

In establishing the underlying operating profit, the costs adjusted include £1.0 million (FY 2017: £Nil) related to the cost of the Company's admission to AIM that was completed in July and the costs related to the pre-IPO restructuring of the Group (the "IPO costs") and £0.2 million of costs related to share-based payments (FY 2017: £Nil).

A reconciliation between Underlying and Reported results is provided below:

	Year to 31 March 2018				Year to 31 March 2017
	Underlying £000	IPO Costs £000	Share Based Payment £000	Reported £000	Reported and Underlying £000
Revenue	116,430	-	-	116,430	89,767
Gross profit	73,329	-	-	73,329	56,256
Other operating costs (net)	(63,532)	(1,037)	(188)	(64,757)	(22,726)
Operating profit	9,797	(1,037)	(188)	8,572	8,135
Finance costs(net)	(23)	-	-	(23)	(23)
Profit before tax	9,774	(1,037)	(188)	8,549	8,112
Operating profit	9,797	(1,037)	(188)	8,572	8,135
Dep'n and amortisation	2,892	-	-	2,892	2,124
EBITDA	12,689	(1,037)	(188)	11,464	10,259

QUIZ plc
Consolidated statement of comprehensive income

		Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
	Notes		
Continuing operations			
Revenue	2	116,430	89,767
Cost of sales		<u>(43,101)</u>	<u>(33,511)</u>
Gross profit		73,329	56,256
Recurring administrative costs		(42,366)	(34,527)
Non-recurring administrative costs	3	<u>(1,037)</u>	<u>-</u>
Total administrative costs		(43,403)	(34,527)
Distribution costs		(21,369)	(13,602)
Other operating income		15	8
Total operating costs		<u>(64,757)</u>	<u>(48,121)</u>
Operating profit	5	8,572	8,135
Finance income	6	30	7
Finance costs	6	(53)	(30)
Profit before income tax		<u>8,549</u>	<u>8,112</u>
Income tax charge	7	(1,724)	(1,495)
Total comprehensive income for the period		<u>6,825</u>	<u>6,617</u>
Basic earnings per share	8	<u>5.49p</u>	<u>5.33p</u>
Diluted earnings per share	8	<u>5.49p</u>	<u>5.32p</u>

All of the above income is attributable to the shareholders of the Company.

QUIZ plc
Consolidated statement of financial position

		31 March	31 March
		2018	2017
	Notes	£000	£000
Assets			
Non-current assets			
Property, plant and equipment	10	14,793	12,119
Intangible assets	11	7,289	6,516
Total non-current assets		<u>22,082</u>	<u>18,635</u>
Current assets			
Inventories	13	14,717	9,312
Trade and other receivables	14	9,774	10,733
Cash and cash equivalents		9,883	2,059
Total current assets		<u>34,374</u>	<u>22,104</u>
Liabilities			
Current liabilities			
Trade and other payables	15	(12,090)	(9,732)
Loans and borrowings	16	(641)	(3,788)
Derivative financial liabilities	17	(5)	(15)
Corporation tax payable		(1,127)	(1,426)
Total current liabilities		<u>(13,863)</u>	<u>(14,961)</u>
Non-current liabilities			
Loans and borrowings	16	(41)	(279)
Deferred tax liabilities	18	(412)	(574)
Total non-current liabilities		<u>(453)</u>	<u>(853)</u>
Net assets		<u>42,140</u>	<u>24,925</u>
Equity			
Called up share capital		373	1,454
Share premium		10,315	-
Merger reserve		915	-
Translation reserve		145	98
Retained earnings		30,392	23,373
Total equity		<u>42,140</u>	<u>24,925</u>

QUIZ plc
Consolidated statement of changes in equity

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Share capital		
Balance at beginning of period	1,454	3,454
Cancellation of preference shares	-	(2,000)
Impact of Group reconstruction	(1,095)	-
New shares issued	20	-
Shares cancelled on conversion of shares	(6)	-
Balance at end of period	<u>373</u>	<u>1,454</u>
Share premium		
Balance at beginning of period	-	-
New shares issued (net of expenses)	10,315	-
Balance at end of period	<u>10,315</u>	<u>-</u>
Merger reserve		
Balance at beginning of period	-	-
Impact of Group reconstruction	915	-
Balance at end of period	<u>915</u>	<u>-</u>
Translation reserve		
Balance at beginning of period	98	5
Impact of Group reconstruction	47	93
Balance at end of period	<u>145</u>	<u>98</u>
Profit and loss account		
Balance at beginning of period	23,373	16,770
Credit arising on conversion of shares	6	-
Total comprehensive income	6,825	6,617
Share based payments charge	188	-
Dividends	-	(14)
Balance at end of period	<u>30,392</u>	<u>23,373</u>
Total equity at beginning of period	<u>24,925</u>	<u>20,229</u>
Total equity at end of period	<u>42,140</u>	<u>24,925</u>

QUIZ plc
Consolidated Cash Flow Statement

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Cash flows from operating activities		
Cash generated by operations		
Operating profit	8,572	8,135
Depreciation of tangible assets	2,761	2,046
Amortisation of intangible assets	130	78
Share based payment charges	188	-
Exchange movement	37	23
Increase in stocks	(5,405)	(3,123)
Decrease/(increase) in debtors	959	(4,424)
Increase in creditors	2,358	1,443
(Decrease)/increase in provisions	(162)	174
Net cash from operating activities	<u>9,438</u>	<u>4,352</u>
Interest paid	(63)	(33)
Income taxes paid	<u>(2,023)</u>	<u>(1,077)</u>
Net cash generated in operating activities	<u><u>7,352</u></u>	<u><u>3,242</u></u>
Cash flow from investing activities		
Payments to acquire intangible assets	(903)	(33)
Payments to acquire property, plant and equipment	(5,435)	(3,537)
Payments to facilitate Group reconstruction	(180)	-
Interest received	30	7
Net cash used in investing activities	<u><u>(6,488)</u></u>	<u><u>(3,563)</u></u>
Cash flows from financing activities		
Proceeds of new borrowings	-	591
Repayment of borrowings	(1,231)	(1,831)
Repayment of finance leases		(1)
Net proceeds from share issue	10,335	-
Dividends paid	-	(14)
Net cash generated/(used) by financing activities	<u><u>9,104</u></u>	<u><u>(1,255)</u></u>
Net increase/(decrease) in cash and cash equivalents	<u>9,968</u>	<u>(1,576)</u>
Cash and cash equivalents at beginning of period	(484)	1,022
Effect of foreign exchange rates	11	70
Cash and cash equivalents at end of period	<u><u>9,495</u></u>	<u><u>(484)</u></u>

QUIZ plc

Notes to the Consolidated Financial Statements

I Accounting Policies

Reporting Entity

The Company was incorporated and registered in Jersey on 22 March 2017 as QUIZ Limited, a private limited company, and on 17 July 2017 was re-registered as a public limited company. Kast Services Limited became a subsidiary of the Company with effect from its incorporation on 23 March 2017 and Kast Retail Ltd, Tarak International Limited and Shoar (Holdings) Limited became subsidiaries of the Company following the completion of share exchange agreements on 5 April 2017. The Company is now the parent holding company of the Subsidiaries (together the “Group”).

Basis of Preparation

This condensed consolidated financial information for the year ended 31 March 2018 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the European Union (“Adopted IFRSs”), IFRS IC Interpretations and the Companies (Jersey) Law 1991.

The financial information contained in this preliminary announcement for the years ended 31 March 2018 and 31 March 2017 does not comprise the group’s statutory financial statements within the meaning of Companies (Jersey) Law 1991 but has been derived from the statutory accounts for the year ended 31 March 2018. Statutory accounts for the year ended 31 March 2018 will be filed with the Jersey Companies Registry in due course. The auditors’ report on the statutory accounts for the year ended 31 March 2018 is unqualified, does not draw attention to any matters by way of emphasis and does not contain any statement under any matters that are required to be reported by exception under Companies (Jersey) Law 1991.

Comparatives

The historical financial information incorporates the financial statements of the group and entities controlled by the Group (its subsidiaries) to 31 March 2018.

Given the Company formed on 22 March 2017 and acquired its subsidiaries on 23 March and 5 April 2017 there are no consolidated statutory comparative figures for the year ended 31 March 2017.

The financial statements consolidate Kast Services Limited which became a subsidiary on 23 March 2017 and those companies that became subsidiaries on 5 April 2017; Kast Retail Limited (and its subsidiary, Kast Franchise Spain SL), Tarak International Limited, Shoar (Holdings) Limited (and its subsidiary, Tarak Retail Limited). All intercompany transactions and balances between Group companies are eliminated.

Prior to becoming subsidiaries of the Company, each company in the Group operated under the QUIZ brand and was closely controlled by a common management team and shareholders. Management decisions were taken in consideration of the development of all the companies operating in concert throughout all the preceding periods.

The Directors have considered the accounting policy that should be applied in respect of the consolidation of the Group formed in anticipation of Admission to AIM. They have concluded the transactions described above represented a combination of entities under common control and in accordance with IAS 8 ‘Accounting policies, changes in accounting estimates and errors’ have considered FRS 102 Section 19, which the directors believe reflects the economic substance of the transaction. Under this standard, assets and liabilities are recorded at book value, not fair value,

intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the legal acquirer, no goodwill is recognised and comparative amounts, if applicable, are restated as if the combination had taken place at the beginning of the earliest accounting period presented. Therefore, although the group reconstruction did not take place until 5 April 2017, these financial statements are presented as if the group structure had always been in place, using merger accounting principles.

Going concern

The directors have prepared trading and cash flow forecasts for a period of one year from the date of approval of these financial statements. The directors have a reasonable expectation that the Group has adequate cash headroom. Accordingly, the financial statements of the Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (“Adopted IFRSs”), IFRS IC Interpretations and the Companies (Jersey) Law 1991.

2 Revenue

An analysis of revenue by geographical destination is as follows:

	2018	2017
	£000	£000
United Kingdom	92,894	68,063
Rest of the world	23,536	21,704
	<u>116,430</u>	<u>89,767</u>

As at 31 March 2018 non-current assets in the United Kingdom were £19,959,000 (2017: £17,408,000) with £2,123,000 (2017: £1,227,000) located in the Rest of the World.

3 Non-recurring administrative costs

Non-recurring administrative costs in the year ended 31 March 2018 of £1.0m related to Placing and Admission to AIM by the Company and the Group reorganisation undertaken in preparation of this process.

There were no non-recurring costs in the year ended 31 March 2017.

4 Employee benefit expenses

Employment costs average monthly number of employees (including directors) during the period was as follows:

	2018	2017
	£000	£000
Wages and salaries	15,840	14,760
Social security costs	1,021	784
Other pension costs	66	57
	<u>16,927</u>	<u>15,601</u>
	No.	No.
Retail	1,305	1,276
Distribution	30	22
Administration	140	92
	<u>1,475</u>	<u>1,390</u>

Included above is £517,000 in respect of directors' remuneration (FY 2017 - £193,000)

5 Operating profit

Operating profit is stated after charging:

	2018	2017
	£000	£000
Cost of inventories recognised as an expense	43,101	33,511
Distribution costs	16,927	13,602
Employment costs	21,369	15,601
Depreciation	2,761	2,046
Amortisation	130	78
Operating lease payments	5,831	5,346
Non-recurring administrative costs	1,037	-
Share-based payment charges	188	-
Other expenses	16,514	11,448
	<u>107,858</u>	<u>81,632</u>

Included in the above are the costs associated with the following services provided by the Company's auditors:

	2018	2017
	£000	£000
Audit services		
Audit of the Company and the consolidated financial statements	10	-
Audit of the Company's subsidiaries	35	32
Total audit fees	<u>45</u>	<u>32</u>
Fees relating to the Admission to AIM	140	-
All other services	11	2
Total fees payable to the Company's auditors	<u><u>196</u></u>	<u><u>34</u></u>

6 Finance income and expense

	2018	2017
	£000	£000
Interest on cash deposits	13	2
Other interest	17	5
Finance income	<u>30</u>	<u>7</u>

	2018	2017
	£000	£000
Interest on loans and overdrafts	37	30
Other interest	16	-
Finance expense	<u>53</u>	<u>30</u>

7 Income Tax

	2018	2017
	£000	£000
Current income tax		
UK corporation tax – current year	1,814	1,309
UK corporation tax – prior year	(65)	(192)
Foreign tax	137	204
Deferred tax – current year	(117)	17
Deferred tax – effect of adjustment in tax rate	(53)	-
Deferred tax – prior year	8	157
Tax on profit on ordinary activities	<u>1,724</u>	<u>1,495</u>
Reconciliation of effective tax rate		
Profit on ordinary activities before taxation	8,549	8,112
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2017 – 20%)	1,624	1,622
Expenses not deductible for tax purposes	314	61
Effect of adjustment in tax rate	(53)	-
Adjustments to previous periods	(84)	(35)
Foreign tax adjustments	(77)	(153)
	<u>1,724</u>	<u>1,495</u>

The UK corporation tax rate will reduce to 17% (effective 1 April 2020), as enacted on 15 September 2016. This will reduce the Group's future current tax charge accordingly.

8 Earnings per share

	2018	2017
Number of shares:	No.	No.
Weighted number of ordinary shares outstanding	124,230,905	124,230,905
Effect of dilutive options	93,127	93,127
Weighted number of ordinary shares outstanding- diluted	124,324,032	124,324,032
Earnings:	£000	£000
Profit basic and diluted	6,825	6,617
Profit adjusted	8,050	6,617
Earnings per share:	Pence	Pence
Basic earnings per share	5.49	5.33
Adjusted earnings per share	6.48	5.33
Diluted earnings per share	5.49	5.32
Adjusted diluted earnings per share	<u>6.47</u>	<u>5.32</u>

The adjusted profit after tax for 2018 and adjusted earnings per share are shown before non-recurring costs (net of tax) of £1.0m (2017: £Nil) and share based payment charges of £0.2m (2017: £Nil). The directors believe that the adjusted profit after tax and the adjusted earnings per share measures provide additional useful information for shareholders on the underlying performance of the business. These measures are consistent with how underlying business performance is measured internally. The adjusted profit after tax measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

9 Dividends

	2018	2017
	£000	£000
Dividends on preference shares	<u>-</u>	<u>14</u>

The dividends relate to preference shares and represent a dividend of 1 pence per share. They were paid in the period in which they were declared. The preference shares were cancelled during the year.

A final dividend in respect of 2018 of 0.8 pence per share, amounting to a dividend payable of £993,847 is to be proposed at the Annual General Meeting on 5 September 2018.

10 Property, Plant and Equipment

	Leasehold property £000	Motor vehicles £000	Computer equipment £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 April 2017	649	166	1,119	17,622	19,556
Additions	729	36	555	4,115	5,435
Disposals	-	(82)	-	(104)	(186)
At 31 March 2018	<u>1,378</u>	<u>120</u>	<u>1,674</u>	<u>21,633</u>	<u>24,805</u>
Depreciation					
At 1 April 2017	411	118	458	6,450	7,437
Charge	94	32	190	2,445	2,761
Disposals	-	(82)	-	(104)	(186)
At 31 March 2018	<u>505</u>	<u>68</u>	<u>648</u>	<u>8,791</u>	<u>10,012</u>
Net book value					
At 31 March 2018	<u>873</u>	<u>52</u>	<u>1,026</u>	<u>12,842</u>	<u>14,793</u>
At 31 March 2017	<u>238</u>	<u>48</u>	<u>661</u>	<u>11,772</u>	<u>12,119</u>

11 Intangibles

	Goodwill £000	Computer software £000	Trademar ks £000	Total £000
Cost				
At 1 April 2017	6,175	633	-	6,808
Additions	-	738	165	903
Disposals	-	-	-	-
At 31 March 2018	<u>6,175</u>	<u>1,371</u>	<u>165</u>	<u>7,711</u>
Depreciation				
At 1 April 2017	-	292	-	292
Charge	-	118	12	130
Disposals	-	-	-	-
At 31 March 2018	<u>-</u>	<u>410</u>	<u>12</u>	<u>422</u>
Net book value				
At 31 March 2018	<u>6,175</u>	<u>961</u>	<u>153</u>	<u>7,289</u>
At 31 March 2017	<u>6,175</u>	<u>341</u>	<u>-</u>	<u>6,516</u>

The goodwill arose when Shoar (Holdings) Limited acquired the entire share capital of Tarak Retail Limited in 2012. And reflects the difference between the fair value of the consideration transferred and the fair value of assets and liabilities purchased. Goodwill is assessed for impairment by comparing the carrying value to value in use calculations. Values have been estimated using cash flow projections based on detailed budgets and forecasts over the period to 31 March 2019, with a growth rate of 2%. and a discount rate of 10% applied, being the Directors' estimate of the Group's cost of capital, with no terminal value. The budgets and forecasts are based on historical data and the past experience of the Directors as well as the future plans of the business. The Directors do not consider goodwill to be impaired

12 Investments

The subsidiaries held and consolidated in these financial statements is set out below:

Subsidiary	Principal activity	Country of incorporation	% shares
Kast Retail Limited	Operating stand-alone clothing stores in the UK	UK	100
Kast International Spain S.L.	Operating stand-alone clothing stores in Spain	Spain	100
Kast Services Limited	Holds Intellectual Property for the QUIZ Group	UK	100
Shar (Holdings) Limited	Holding company	UK	100
Tarak Retail Limited	Operating concessions on department stores in the UK	UK	100
Tarak International Limited	Online sales, concessions and franchise stores outwith the UK	UK	100

All shares held by the Company are ordinary equity shares.

13 Inventories

	2018	2017
	£000	£000
Finished goods and goods for resale	<u>14,717</u>	<u>9,312</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 Trade and other receivables

	2018	2017
	£000	£000
Trade receivables – gross	6,701	6,581
Allowance for doubtful debts	(340)	(50)
Trade receivables - net	<u>6,361</u>	<u>6,531</u>
Other receivables	584	590
Prepayments and accrued income	2,829	2,330
Amounts owed by related parties	-	1,282
	<u><u>9,774</u></u>	<u><u>10,733</u></u>

The Directors consider that the fair value of trade and other receivables is not materially different from the carrying value.

15 Trade and other payables

	2018	2017
	£000	£000
Trade payables	7,479	5,585
Other taxes and social security costs	394	502
Accruals	3,094	3,124
Deferred income	578	177
Other creditors	500	294
Amounts due to related parties	45	50
	<u><u>12,090</u></u>	<u><u>9,732</u></u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the fair value of trade and other payables is not materially different from the carrying value.

16 Loans and borrowings

	2018	2017
	£000	£000
Bank loans	294	969
Bank overdrafts	388	2,543
Directors loans	-	555
	<u><u>682</u></u>	<u><u>4,067</u></u>
Current	641	3,788
Non-current	41	279
	<u><u>682</u></u>	<u><u>4,067</u></u>

Bank loan, overdraft and other credit facilities are secured by an unlimited multilateral and cross company guarantee given by Kast Retail Limited and Tarak International Limited and also by a limited guarantee given, and by a floating charge over the assets of Kast Retail Limited and Tarak International Limited. The bank also holds a right of set-offs between Kast Retail Limited and Tarak International Limited.

In addition, bank overdraft and other credit facilities are secured by a bond and floating charge from Tarak Retail Limited over the whole of its property and undertakings.

Bank overdrafts are annual facilities, subject to review at various dates during 2018 and 2019 and are repayable on demand.

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

17 Derivative financial instruments

	2018	2017
	£000	£000
Foreign currency options	<u>5</u>	<u>15</u>

Forward foreign exchange contracts are used to hedge exposure to fluctuations in foreign exchange rates that arise in the normal course of the Group's business.

As at 31 March 2018, the Group had commitments to buy the equivalent of £2,550,000 of Chinese Renminbi (FY 2017: £940,000) and sell the equivalent of £1,140,000 of Euros (FY 2017: £630,000).

18 Deferred tax

The following is an analysis of the deferred tax liabilities, net of deferred tax assets:

	2018	2017
	£000	£000
Accelerated capital allowances		
Balance brought forward	574	399
(Credit)/charge to income statement	(112)	174
Effect of foreign exchange rates	2	1
Balance at end of period	<u>464</u>	<u>574</u>
Other short-term timing differences		-
Balance brought forward	-	-
Credit to income statement	(52)	-
Balance at end of period	<u>(52)</u>	<u>-</u>
Total deferred tax liability at end of period	<u>412</u>	<u>574</u>

There is no unprovided deferred tax in the current period for the Group (2017: £nil).

19 Financial Instruments

The following table shows the carrying amounts and fair values of financial assets and liabilities. All financial liabilities are measured at amortised cost. The derivative liability is measured at fair value, is level 2 in the fair value hierarchy.

	2018	2017
	£000	£000
Category of Financial Instruments		
Carrying value of financial assets:		
Cash and cash equivalents	9,883	2,059
Trade and other receivables	6,945	8,403
Total financial assets	<u>16,828</u>	<u>10,462</u>
Carrying value of financial liabilities:		
Trade and other payable	(7,446)	(5,929)
Bank and other borrowings	(682)	(4,067)
Total financial liabilities	<u>(8,128)</u>	<u>(9,996)</u>

The fair value and carrying value of financial instruments have been assessed and there is deemed to be no material differences between fair value and carrying value.

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated P-1 and A-1, based on Moody's ratings.

20 Financial commitments

Capital Commitments

The Group has capital commitments of £391,000 at 31 March 2018 (FY 2017: £nil) which were not provided in the financial statements.

Operating Leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases which fall due as follows:

	2018	2017
	£000	£000
Within one year	5,840	5,941
From two to five years	11,189	14,393
In more than five years	899	1,162
	<u>17,928</u>	<u>21,496</u>

21 Share Based Payments

The movement in awards during the year was:

	CSOP	ESOP	Warrants	Total
Opening balance	-	-	-	-
Granted during the year	582,786	323,601	186,335	1,092,722
Lapsed during the year	(14,693)	-	-	(14,693)
	<u>568,093</u>	<u>323,601</u>	<u>186,335</u>	<u>1,078,029</u>

All share options were valued using the Black-Scholes model. Expected volatility was determined by management, using comparator volatility as a basis. The expected life of the options was determined based on management's best estimate. The expected dividend yield was based on the anticipated dividend policy of the Company over the expected life of the options. The risk-free rate of return input into the model was a zero-coupon government bonds with a life in line with the expected life of the options.

The inputs to the model were as follows:

	CSOP and ESOP	Warrants
Weighted average share price	160.9p	160.9p
Weighted average exercise price	161.0p	80.5p
No. of employees	61	1
Shares under option	891,694	186,335
Expected volatility	31.4%	31.4%
Expected life (years)	4	2
Risk-free rate	0.5%	0.5%
Possibility of ceasing employment before vesting	10%	10%
Expectations of meeting performance criteria	100%	100%
Expected dividend yield	2.0%	2.0%

The Group recognised a total expense of £188,000 during the year (FY 2017: Nil) relating to equity-settled share-based payments, including employer's National Insurance contributions of £26,000 (FY 2017: Nil).

Company Share Option Plan ("CSOP")

The Group operated a share option scheme during the period for certain employees under the CSOP, which allows tax advantaged options to be granted over the Company's shares to selected employees of the Group. The different options vest after three years and have an exercise life between three and ten years from grant date. The exercise of the options is subject to continued employment over the vesting period.

Executive Share Option Plan ("ESOP")

The Group operated a share option scheme during the period for certain employees under the Executive Share Option Plan ("ESOP"). The different options vest after three years and have an exercise life between three and ten years from grant date. The exercise of the options is subject to continued employment over the vesting period.

Warrants

The Company entered into a Warrant Instrument with its Chairman, Peter Cowgill dated 18 July 2017, pursuant to which Peter Cowgill may subscribe for up to 186,335 Ordinary Shares and exercisable in whole or in part at a subscription price equal to 80.5 pence. The warrants are exercisable until the earlier of (i) their full exercise, (ii) Peter Cowgill ceasing to be a director, or (iii) a takeover of the Company.