11 June 2019

QUIZ

QUIZ plc
("QUIZ" or the "Group")

Preliminary Results
For the year ended 31 March 2019

Sales growth across all channels despite challenging trading conditions

QUIZ, the omni-channel fast fashion brand, is pleased to announce its unaudited preliminary results for the year ended 31 March 2019 ("FY 2019").

Financial highlights:

	FY 2019	FY 2018	Year-on-year
Group Revenue	£130.8m	£116.4m	12%
Underlying[1] EBITDA	£4.6m	£12.5m	-63%
EBITDA	£4.2m	£11.5m	-65%
Underlying[1] Profit Before Tax	£0.6m	£9.6m	-94%
Profit Before Tax	£0.2m	£8.5m	-97%
Underlying Basic EPS (pence)[2]	0.33	6.33	- 95%
Dividend per share (pence)	1.20		
Net cash at period end	£7.5m	£9.2m	

- Group revenue increased 12% year on year reflecting strong across all channels:
  - Online revenue increased 34% year on year to £41.0m (FY 2018: £30.6m)
  - International sales increased 8% to £22.9m (FY 2018: ££21.2m)
  - Revenue from UK stores and concessions increased 4% to £66.9m (FY 2018: £66.4m)
- Group Gross margin at 60.7% (FY 2018: 63.0%)
- Healthy net cash position of £7.5m at the year-end (FY 2018: £9.2m)

Operational highlights:

- Online sales represented 31.4% of Group revenue (FY 2018: £26.3%)
- Active online customer base increased 56% to 576,000 (FY 2018: 370,000)
- During the year, QUIZ opened three new standalone stores and 25 new concessions, and closed two standalone stores and one concession
- Continued investment in online propositions with launch of QUIZ VIP delivery pass, partnership with Klarna and investment in an Emarsys platform to improve payment options and enhance customer personalisation
- Continued expansion of the range with successful launches of QUIZMAN, Swimwear and Petite ranges
- Gross cost savings of £2-3 million targeted in the medium term

Tarak Ramzan, Founder and Chief Executive Officer, commented:

"Despite the challenges faced by the Group during the Period, QUIZ's focus has remained as strong as ever on delivering great products at outstanding value, thereby strengthening our brand's positive reputation amongst a growing customer base. As a result, we have continued to achieve sales growth across our omnichannel model both in the UK and internationally.

"As announced in March, the Board and senior management team have carefully reflected on our business, strategy and prospects to ensure that we are able to navigate what remains a volatile trading environment and restore profitable growth. We have concluded this review process with sharpened focused and a clearer vision of what is required to ensure that QUIZ succeeds in a dynamic retail sector and achieves its strategic objectives.

"The QUIZ brand continues to gain momentum with a growing customer base. Whilst trading conditions have remained challenging in the year to date, the Board remains confident that underpinned by our flexible business model and an increasing online focus, the Group can return to sustainable profitable growth."

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 11 June 2019, commencing at 9.00am.

Enquiries:

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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 22 countries. The Group currently operates 73 standalone stores and 174 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.

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For further information:
https://www.quizclothing.co.uk/
http://www.quizgroup.co.uk/

CHAIRMAN'S STATEMENT

Introduction

During the year, the UK retail sector continued to be impacted by an accumulation of widely reported macro-economic and structural factors. QUIZ has not been immune to the exceptionally challenging retail environment which has had an impact on the Group's financial performance for the year.

Despite the trading challenges, QUIZ achieved sales growth across each of the Group's distribution channels: online, international, and stores and concessions.

However, as previously reported in March 2019, this sales growth was behind the Board's initial expectations for the year. As a result, there was a requirement to apply increased discounts to clear excess stock, particularly during the second half of the year, resulting in a greater proportion of lower margin sales than previously anticipated. These factors, coupled with the impact of investments made over the past 18 months in our team and infrastructure to support anticipated revenue growth as well as increased costs associated with obtaining and servicing online customers, resulted in a disappointing decline in full year profits.

Financial Results and Dividend

Group revenue of £130.9 million was 12% higher than the previous year's £116.4 million. However, a decline in the gross margin generated in combination with increased operating costs resulted in underlying Group profit before tax of £0.6 million (FY 2018: £9.6 million). Profit before tax reflecting non-underlying costs was £0.2 million (2018: £8.5 million).

The Group retains a solid balance sheet with cash less borrowings at the Period end amounting to £7.5 million (2018: net cash of £9.2 million). Net cash flow before dividend payments of £1.5 million and repayment of borrowings of £0.3 million are essentially neutral.

Given the decline in profits in the current year and further to the Business Review undertaken in recent months, the Board consider that it is appropriate to suspend dividend payments in order to restore profitability and support the growth of the business. As a result, the Board does not recommend the payment of a final dividend.

Business Review

The retail environment in the UK is continuing to experience an unprecedented pace of change with a combination of consumers continuing to spend more online and lower high-street footfall creating structural challenges for retailers across the UK high street. At the same time, the UK consumer has faced - and continues to face – extreme levels of macro-economic and political uncertainty which is impacting on consumer confidence.

As announced during March 2019, in light of the challenges faced by the Group and the lower than previously anticipated profit outcome for the year, the Board embarked upon a review of all aspects of the business to ensure that QUIZ remains well positioned to achieve its potential.

As a Board and senior management team we have reflected honestly on what has and has not worked well for the business over the past twelve months; what changes we need to make to ensure that we return to profitable growth; and how to best position the Group for long-term success.

In the longer term the rapidly changing retail environment requires the business to be flexible and to maximise sales where profitable growth can be achieved. Our omni-channel distribution model provides the necessary flexibility however, moving forward, this will have an even sharper focus on capturing the significant online opportunities available to QUIZ. This will be complemented by the active management of stores, which have an average lease length of 26 months, and concessions, which can be exited at short notice.

The Board has agreed that, whilst the business, brand and strategy remain fundamentally robust, some changes need to be made to the way we operate.

In terms of restoring profitability actions have been identified to eliminate, where practical, loss making activities and to target cost reductions across the business. Short term measures identified include:

- the termination of some third-party online contracts which, whilst contributing to sales growth, negatively impacted the profitability of the business;
- a reduction in our exposure to UK department stores;
- active management of the store estate as leases come up for renewal;
- Re-aligning the product offering to our core customer demographic;
- a greater focus on cost control with targeted cost savings having been implemented or identified.

The Board continues to believe that the Group's growth strategy remains valid and relevant and our aim remains to continue to develop sales and expand the QUIZ brand across the Group's omni-channel distribution model.

With these changes, as well as a meticulous and unwavering focus on operational execution, we are confident that profitable growth will be restored.

Outlook and Current Trading

We firmly believe that the QUIZ brand continues to have strong customer appeal and that the Group's omni-channel business model remains relevant and key to our long-term success. As a business, we are highly responsive to new trends and our proven, fast supply chain remains a major asset to ensure that QUIZ can succeed in a competitive market and deliver sustainable growth.

The foremost priority for the Group is to restore profitability. Going forward, a major focus will be on stabilising the UK's trading performance in what will remain - during the foreseeable future at least - a difficult and dynamic retail environment.

As has been widely reported the trading conditions on the UK high street have remained challenging since we issued our trading update in March. In the two months to 31 May, sales were consistent year on year. Excluding sales from trading relationships that have terminated in the year sales increased by 4%. Encouragingly, we have continued to see online sales growing on our QUIZ websites, albeit at more modest levels than experienced in the previous year. In this period, the growth through our online and international business was offset by a weaker performance through our UK stores and concessions where we continue to see suppressed consumer spending.

The QUIZ brand has strong appeal, we have a clear customer focus and our collections remain highly relevant for shoppers today. This is evidenced by our increasing active customer numbers and social media engagement. Underpinned by these attributes, as well as the flexibility of our model and the passion and dedication of our teams, we remain confident that QUIZ can mitigate and manage the near-term challenges and achieve its long-term potential as a leading international fashion brand.

Peter Cowgill

Non-Executive Chairman

CHIEF EXECUTIVE'S STRATEGIC REPORT

Introduction

Despite the challenges faced by the Group during the Period, QUIZ's focus has remained firmly on delivering great products at outstanding value, which has continued to strengthen our brand's positive reputation amongst a growing customer base. As a result, we have continued to achieve sales growth across our omnichannel model both in the UK and internationally:

	Year to 31 March 2019	Year to 31 March 2018	Year-on-year growth	Share of revenue 2019	Share of revenue 2018
Online	£41.0m	£30.6m	+ 34%	31.4%	26.3%
International	£23.0m	£21.2m	+ 8%	17.5%	18.2%
UK stores and concessions	£66.9m	£64.6m	+ 4%	51.1%	55.5%
Total	£130.9m	£116.4m	+ 12%		

Despite this, as described in the Chairman's Statement, the Group's profit outcome for the year has fallen below our expectations. As a result, since March, the Board and senior management team have carefully reviewed on our business, strategy and prospects to ensure that we are able to navigate what remains a volatile and dynamic UK trading environment and restore profitable growth. We have examined and analysed in detail QUIZ's strengths and unique attributes, the challenges we face, and the areas where we need to adapt and improve to ensure the brand continues to succeed and grow profitably.

Addressing four pressing challenges:

The business review identified four pressing challenges for the Group to manage and overcome:

A decline in footfall and spend in our UK store and concession estate

Volatile spending and suppressed consumer confidence in combination with a rapidly-growing proportion of overall retail spend online have contributed to several high-profile casualties on the UK high-street, including some of QUIZ's trading partners. The performance of QUIZ's store estate has also been impacted by lower customer footfall.

Whilst the QUIZ board continues to believe that stores and concessions will play an important role in the Group's strategy moving forward, we have taken the strategic decision to reduce exposure to UK department stores. At 31 March 2019, the brand operated 168 concessions across the UK. We anticipate this reducing by approximately 20 in the year ahead. A number of these closures have been executed and they will continue during the year. Further to a decline in sales in the current year the concessions that are generating little return or operating at a loss have been identified for closure and will be exited inexpensively after serving the appropriate notice period.

At the same time, the Group intends to actively manage its portfolio of 73 stores as leases come up for renewal. The average lease length across our estate is currently 26 months, with 33 store leases either subject to short notice to terminate the lease or subject to a lease due to expire over the next

24 months. We are focussed on ensuring returns can be generated from each store and if rental costs and business rates are at a level where this is at risk, we will exit stores as their leases expire.

In addition, with increasing online activity and omni-channel investment we can further utilise our store network for online collections, returns and improving stock availability across the estate.

The Group also intends to undertake initiatives to promote footfall into stores including trialling the introduction of new product categories in store.

The decline in gross margin

As a result of lower than anticipated sales during the year, the business undertook additional promotional activity in order to clear stock, resulting in lower gross margins.

Improvements in this area will come through a combination of improved sourcing, targeted price increases and managing stock allocations and purchases to reduce the amount of stock subject to markdowns.

Right-sizing our cost base

Since the Group's IPO in July 2017, we have invested meaningfully in our infrastructure and team to support our anticipated growth. Our revenue has not grown sufficiently to compensate for these increased costs and operating costs as a proportion of revenue have increased by 5.5% from 54.7% to 60.2% in the last 12 months

This level of costs is too high and inhibits our return to profitability. We have systematically reviewed costs and have targeted reductions across the business.

Optimising the omni-channel model

Whilst our online revenues have grown in the last year the costs required to serve this customer base have come under pressure. As the online market has increased the costs associated with customer acquisition have risen. In addition, the return rates from customers have gradually increased over time creating additional handling and delivery costs that need to be recovered.

In addressing the cost of customer acquisition, we are firstly introducing a number of actions to maximise the value of our existing customer business. These include the introduction of the QVIP delivery pass to improve order frequency, the introduction of a buy now pay later option to increase the average transaction value and an increased focus on targeting and re-engaging previous customers.

After testing different media formats last year, we are now refining marketing activities to concentrate on those with the highest Return on Investment.

We have identified various cost savings opportunities which will reduce distribution costs as a proportion of online sales in the year ahead.

Further to the initiatives regarding the right-sizing of our cost base and the optimisation of the omni-channel model the Board have targeted gross cost savings of between £2-3 million in the medium term.

Leveraging our key strengths:

The business review process provided an important opportunity to reflect on the Group's unique attributes that have made QUIZ the strong, international brand it is today. These strengths underpin the Board's strong confidence in QUIZ's ability to compete and succeed in the dynamic retail environment:

We have a strong and growing brand

QUIZ is a distinctive fashion brand which, over many years, 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.

We firmly believe that the QUIZ brand has a clear, differentiated position in the market and continues to resonate with a broad age range of customers. Online active customers increased by 56% in the year to 576,000 reflecting the appeal and growing awareness of the brand. The brand's social media engagement continues to increase significantly from the prior year with 44% and 18% increases in our Instagram and Facebook audiences respectively.

The strengths of our brand continue to enable QUIZ to expand into new product categories. At the end of the financial year, we launched our first ever swimwear range, which has been received well by customers. In addition, subsequent to the end of the financial year we have launched our Petite range which has received an positive initial reaction.

Our fast and flexible supply chain remains a key competitive advantage

The business has a well invested infrastructure and a proven successful supply chain. In an environment where customers seek to quickly replicate the latest looks seen on social media, the catwalk or television, our supply chain and ability to offer some products for sale in store and online in as little as two to three weeks from the point of order is a key strength for QUIZ.

QUIZ continues to introduce new products each week as trends emerge throughout the season and we have the ability to rapidly react to customer demand whilst in season in order to give the customer more of what they want. The Board believes this will be an increasingly important ingredient for success as customers have ever greater choice of where, when and how to shop.

QUIZ's online sales continue to experience very healthy growth

Sales growth through QUIZ's online channels remains very healthy reflecting: increased awareness of our brand driven by effective marketing; the strength of our products and collections; increased online traffic; and improved online conversion rates. The continued good growth in online sales – in particular through QUIZ's own websites - remains central to the Board's confidence in the Group's long-term growth prospects.

In FY 2019, online sales increased by 34% year on year and now represented 31% of QUIZ's Group revenue (2018: 26%). This was supported by very strong sales growth of 54% through QUIZ's own online channels.

The brand continues to have significant international potential

We continue to see a positive reaction to the QUIZ brand across International markets. Our mix of casual and occasion wear can be tailored for each market and our flexible approach as to our route to market has been beneficial.

Whilst each of these markets has its own challenges, we have grown revenue by 8% in the last year and these sales represent 18% of QUIZ's Group revenue (2018: 18%). We continue to identify opportunities to extend our sales through low-risk, low-cost International expansion.

We continue to be recognised as an industry leader

We were delighted to be named International Fashion Retailer of the Year at the Drapers Awards 2018. The judges awarded QUIZ the accolade due to its successful international financial performance, omni-channel business model, international growth strategy and understanding of its markets, coupled with a strong product offer that resonates with our customers. During the period, we were also shortlisted for Fashion Retailer of the Year at the Evening Express Retailer 2018 awards, International Growth Retailer of the Year at Retail Week Awards 2019 and Fashion Retail Business of the Year (£101million to £500m turnover) and Best Use of Influencer campaign at The Drapers Awards 2018.

Strategy to delivery long-term profitable growth:

Business model

QUIZ distributes its brand through three main channels: retail (stores and concessions); online; and international (which includes wholesale and franchise agreements). We operate stores and concessions across the UK, Europe, North America and Asia, and localised e-commerce sites in the UK, Spain and USA. We also have an e-commerce business with some of our concession partners.

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 is able to have its products in its stores, concessions and online within 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's omni-channel growth strategy remains focused on delivering progress across each of the following three pillars:

Continued online expansion

Accelerating growth in our online channel is the priority for the Group. Areas of focus include: launching further websites in targeted international markets, and expanding the brand's online presence through carefully selected third parties. In addition, the Group intends to continue to extend the product offering online to drive sales growth, with recent successful examples including the introduction of a Petite collection and Swimwear range as well as numerous celebrity collaborations throughout the Period.

Sales through selected third-party websites remain an important pillar important for generating revenues and expanding the awareness of the QUIZ brand. During the Period, we terminated arrangements with two of our third-party website partners which, whilst contributing to sales growth, were negatively impacting the business and our resources. During the year, the Group introduced two new third-party online partners in the United Kingdom who are sourcing product from the Group on a wholesale basis.

During the period, we invested in a new CRM system to drive better personalisation, content and incentives to each customer which in turn maximises conversions and margins.

Post period end, we have launched our new exclusive delivery pass, QVIP which offers customers unlimited free delivery and collect in store for a small annual fee. We believe that this is an important step in our journey to help better serve our customers and increase customer engagement.

We have also launched a trial for the use of Klarna, a ‘buy now, pay later’ payment platform technology to make it even easier for our customers to pay for goods.

International expansion

We continue to review opportunities for further international growth by expanding in existing markets as well as extending into new territories. QUIZ’s international footprint currently extends across 125locations in 22 countries on four continents. The Board believes that international expansion continues to offer a significant opportunity for the QUIZ brand with our omni-channel model allowing a flexible approach to market entry dependent the dynamics of that market.

Awareness of QUIZ internationally continued to strengthen during FY 2019. This resulted in an 8% increase in international revenue to £23.0 million (FY 2018: £21.2 million), now representing 18% of Group revenue (FY 2018: 18%).

Our stores and concessions in Ireland and Spain performed in line with expectations during the period with revenues increasing by £0.9 million. Our performance in Spain has steadily strengthened during the year and we will continue to assess QUIZ’s growth opportunities in the Spanish market as we move forward. Sales in the USA increased during the year and contributed to the £0.9 million uplift in franchise sales. We continue to review the potential for QUIZ in the North American market.

UK stores and concessions

Whilst acknowledging the challenging and dynamic retail environment in the UK, we continue to believe UK stores and concessions will make a profitable contribution for QUIZ going forward. Sales from UK stores and concessions were up 4% 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.

During the year the Group opened three new standalone stores and twenty-five new concessions. As part of the Group’s active management of its retail portfolio, we closed two standalone stores and one concession. Average total retail square footage increased by 9% to 210,000 sq. ft. during the year (FY 2018: 193,000 sq. ft.).

Further to opening new stores in Romford and Arndale subsequent to the year-end, QUIZ currently operates 73 stores in the UK and the Board believes that there is the potential for further stores in high footfall locations. The Group will continue to prioritise the opening of stores to accommodate a broader product range with every new store being carefully evaluated against strict return on investment criteria.

At the end of the financial year, QUIZ operated 168 concessions in the UK. As outlined earlier in this Strategic Review, the Board has taken the strategic decision to reduce exposure to UK department stores reflecting the trading challenges faced by some of our trading partners. We anticipate this reducing QUIZ’s concession presence by approximately 20 concessions during the current year.

Post period end, Debenhams, one of QUIZ’s concession partners, named the 22 of the 50 stores it has earmarked for closure. QUIZ is present in ten of the affected stores. The annual turnover from these concessions is less than £2million per annum. We note that these stores are likely to be open for most if not all of FY 2020.

Marketing investment

Underpinning the growth and expansion of the QUIZ brand is the Group’s approach to targeted and returns driven marketing investment. During the year, total marketing investment increased by 83%

to £4.6m (FY 2018: £2.5m) supporting growth in brand awareness. This increase in investment was focussed on digital and social marketing to generate new customers for all sales channels, as well as increasing shopping frequencies and basket sizes. Marketing investment as a proportion of Group sales was 3.6%.

During the Period, QUIZ launched numerous targeted marketing campaigns. We partnered twice with The Only Way is Essex (TOWIE) to create its first ever male and female capsule collections in collaboration with TOWIE's very own Chloe Lewis, Lauren Pope and Dan Edgar. The partnership saw a number of the cast wearing QUIZ fashion pieces in scenes for broadcast along with outfits promoted across the casts and shows social channels. In the summer, we launched a special honeymoon capsule collection with Love Island's soon to be newlyweds, Olivia Buckland and Alex Bowen.

These campaigns blend offline and online advertising targeted towards our key customer demographics. Looking ahead we will be unwavering in our focus to ensure all campaigns provide return on investment and that we are continually refreshing our offering and brand relevance.

Post period end, we launched our first collaboration with TV star Samantha Faiers which has yielded a positive initial reaction. The 37-piece seasonal collection channels Samantha's glamorous style with a selection of on-trend outfits that are fitting for any summer occasion.

Strategic KPIs

	2019	2018	Change
Active customers	576,000	370,000	+56%
Online sales as a % of turnover	31.4%	26.3%	+5.1%
International outlets serviced	125	78	+47
UK retail space - square footage	210,000	193,000	+9%

Our Team

I would like to take this opportunity to thank each of my colleagues who have worked extremely hard during what has been a challenging year. They have retained an unwavering focus on customers despite the difficult trading environment and I am very thankful for their outstanding dedication, skill and passion.

Tarak Ramzan
Chief Executive Officer

FINANCIAL & BUSINESS REVIEW

Basis of Preparation

To provide comparability across reporting periods, the results within this Financial Review are presented on an "underlying" basis, adjusting for the £0.4 million bad debt provision arising from the House of Fraser Administration in the current year and the £1.0 million cost of admission to AIM and the Group reorganisation prior to admission ("non-underlying costs"). A reconciliation between underlying and reported results is provided at the end of this Financial Review.

Group Overview

Group revenue of £130.9 million was 12% higher than the previous year's £116.4 million.

Further to a decline in the gross margin generated and increased operating costs, underlying operating profits were restricted to £0.6 million (2018: £9.6 million). Including the non-underlying costs, operating profits were £0.2 million (2018: £8.6 million).

Financial KPIs

	2019	2018	Change
Underlying revenue	£130.9m	£116.4m	+ 12.4%
Gross margin	60.7%	63.0%	- 2.3%
Adjusted EBITDA % [1]	3.5%	10.7%	- 7.2%
Cash from operating activities [2]	£7.2m	£9.1.m	- £1.9m

1. *Excludes the £0.4 million bad debt provision arising from the House of Fraser Administration in the current year and the £1.0 million cost of admission to AIM and the Group reorganisation prior to admission*
2. *Excludes the items noted in 1. and the prior year excludes settlement £1.3m owed from related parties subsequent to the IPO*

Underlying EBITDA generated declined by 63% to £4.6 million (2018: £12.5 million) which represented an EBITDA margin of 3.5% (2018: 10.7%). Including the non-underlying costs, EBITDA was £4.2 million (2018: £11.5 million).

Underlying Group profit before tax ('PBT') was £0.6 million (FY 2018: £9.6 million). Profit before tax reflecting non-underlying costs was £0.2 million (2018: £8.5 million).

Further to this, the underlying earnings per share declined 95% to 0.33 pence (2018: 6.33 pence). Earnings per share reflecting non-underlying costs was 0.09 pence (2018: 5.49 pence).

Cash less borrowings at the period end amounted to £7.5 million (2018: net cash of £9.2 million). The most significant cash flows in the year related to the £6.8m of operating cash flow generated in the year and £6.1 million of capital expenditure incurred during the year.

Revenue

Group revenue increased by 12% to £130.9 million from £116.4 million in FY 2018, with growth being recorded across all three of our revenue channels, as shown below:

	Year to 31 March 2019	Year to 31 March 2018	Year-on-year growth	Share of revenue 2019	Share of revenue 2018
Online	£41.0m	£30.6m	+ 34%	31.4%	26.3%
International	£23.0m	£21.2m	+ 8%	17.5%	18.2%
UK stores and concessions	£66.9m	£64.6m	+ 4%	51.1%	55.5%

Total	£130.9m	£116.4m	+ 12%

Online

The 34% growth in online revenues to £41.0 million was primarily driven by strong growth on the QUIZ websites, which recorded a revenue increase of 58% in the year. This growth reflects a 56% uplift in the number of active customers at 31 March 2019 to 576,000 (2018: 370,000). Our increased marketing activity in the year helped drive website traffic up 43% year on year, primarily driven by mobile.

Growth recorded through third-party websites was lower than sales achieved through our own websites which is partially reflective of our decision to exit two of the five third-party websites we previously engaged with.

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 8% to £23.0 million (2018: £21.2 million). Of the £1.8 million uplift in sales, £0.9 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 4% to £66.9 million (2018: £64.6 million).

During the year three new stores were opened and two stores were closed. In addition, twenty-five new concessions were opened with one being closed. The majority of the concessions opened were in Outfit stores and are typically generating lower revenues than our average concession and are not staffed by QUIZ employees. Further to these changes, total selling space across the stores and concessions increased by 9% from 193,000 sq. ft. to 210,000 sq. ft. over the period.

Sales growth in UK stores and concessions was driven by the additional sales space introduced in the in current and prior year which compensated for the like-for-like performance.

Gross Margin

Gross margin at 60.7% was 2.3% lower than the prior year. Whilst the decline was partially attributable to the change in the revenue mix experienced during the year, it was primarily driven by the increased level of discounting undertaken during the year.

We remain focussed on efficient sourcing and product selection to minimise the need for discounted prices to improve the gross margin recorded.

Underlying Operating Costs

Underlying operating costs increased by 24% in 2019 from £63.7million to £78.8 million. These costs represented 60.2% of revenue (2018: 54.7%).

Underlying administrative costs increased by 29% to £54.8 million (2018: £42.4 million).

Total employment costs, including agency costs, have risen by £4.4 million or 22% to £24.3 million (2018: £19.9 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.

The increase in administrative costs also reflects the increase in marketing spend in the year to £4.7 million (2018: £2.5 million). This spend was 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 tube and bus campaigns.

Distribution costs increased 13% to £24.1 million (2018: £21.4 million). These costs reflect (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 higher carriage costs being incurred to service the additional online revenues.

Depreciation and amortisation increased by 39% from £2.9 million to £4.0 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. In addition, the charge reflects the write down of assets in concessions which have been identified for closure in the current year.

Non-underlying Operating Costs

Non-underlying operating expenses totalled £0.4 million (2018: £1.0 million). In the current year, the cost relates to the bad debt provision arising from the Administration of House of Fraser. The prior year £1.0 million cost related to that year's IPO transaction and the Group restructuring undertaken prior to it.

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 48.1% (2018: 20.2%). Given the small level of profitability recorded the limited amount of expenses which are disallowable for tax purposes has a larger impact on the effective rate recorded.

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 2019 were 0.09 pence per share (2018: 5.49 pence).

The underlying basic earnings per share for 2019, which is calculated using the underlying profit before tax less tax at the effective statutory rate, were 0.33 pence (2018: 6.33 pence)

Dividends

During the financial year a dividend of 0.8p per share was paid in September 2018 and 0.4p per share paid in March 2019.

Given the decline in profits in the current year and further to the Business Review undertaken in recent months the Board consider that it is appropriate to suspend dividend payments to preserve cash whilst it restores its profitability and to support the growth of the business. As a result, do not recommend the payment of a final dividend.

Cash Flow and Cash Position

Net cash at the period end amounted to £7.5 million (2018: net cash of £9.2 million).

Net cash flow from operating activities was £6.8 million (2018: £9.4 million), a reduction of £2.6 million.

Whilst underlying EBITDA generated in the year declined £7.9 million, working capital movements improved by £4.4 million relative to the previous year.

Receivables increased by £2.8 million in the year. However, this was offset by a £0.3 million reduction to inventory of £14.5 million and a £5.0 million increase in trade and other payables.

We have continued to invest in the business with £1.2 million spent on intangible assets and £4.9 million on property, plant and equipment. The increase in intangible assets reflects additions to computer software as we invest in our IT systems and websites. The spend on property, plant and equipment includes £2.4 million on new stores and refurbishments in the UK and £1.1 million on extending our distribution facility. Investment also included computer equipment of £0.5 million and software of £1.2 million.

There were £0.3 million of borrowings repaid in 2019 (2018: £1.2 million). This reflects the repayment of 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 and to improve the performance of the business.

Reconciliation of Underlying and Reported (IFRS) Results

In establishing the underlying operating profit, the costs adjusted include the £0.4 million bad debt provision arising from the Administration of House of Fraser and, in the prior year, a £1.0 million cost related to that year's IPO transaction and the Group restructuring undertaken prior to it.

A reconciliation between Underlying and Reported results is provided below:

	2019			2018		
	Underlying	Bad debt	Reported	Underlying	IPO costs	Reported
Revenue	130,898	-	130,898	116,430	-	116,430
Gross profit	79,400	-	79,400	73,329	-	73,329
Other operating costs	(78,820)	(369)	(79,189)	(63,720)	(1,037)	(64,757)
Operating profit	580	(369)	211	9,609	(1,037)	8,572
Finance costs (net)	5	-	5	(23)	-	(23)
Profit before tax	585	(369)	216	9,586	(1,037)	8,549
Operating profit	580	(369)	211	9,609	(1,037)	8,572
Dep'n and amortisation	4,012	-	4,012	2,892	-	2,892
EBITDA	4,592	(369)	4,223	12,501	(1,037)	11,464

QUIZ plc

Consolidated statement of comprehensive income
Year ended 31 March 2019

	Notes	**2019 £000**	2018 £000
Continuing operations			
Revenue	3	**130,898**	**116,430**
Cost of sales		**(51,498)**	**(43,101)**
Gross profit		**79,400**	**73,329**
Recurring administrative costs		**(54,760)**	**(42,366)**
Non-recurring administrative costs	4	**(369)**	**(1,037)**
Total administrative costs		**(55,129)**	**(43,403)**
Distribution costs		**(24,066)**	**(21,369)**
Other operating income		**6**	**15**
Total operating costs	6	**(79,189)**	**(64,757)**
Operating profit		**211**	**8,572**
Finance income	7	**36**	**30**
Finance costs	7	**(31)**	**(53)**
Profit before income tax		**216**	**8,549**
Income tax charge	8	**(104)**	**(1,724)**
Profit for the year		**112**	**6,825**
Other comprehensive income:			
Foreign currency translation differences – foreign operations		(46)	47
Profit and total comprehensive income for the year attributable to owners of the parent		**66**	**6,872**
Profit per share:			
Basic earnings per share	9	**0.09p**	**5.49p**
Diluted earnings per share	9	**0.09p**	**5.49p**

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

QUIZ plc

Consolidated statement of financial position
As at 31 March 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Assets			
Non-current assets			
Property, plant and equipment	11	**15,983**	**14,793**
Intangible assets	12	**8,230**	**7,289**
Total non-current assets		**24,213**	**22,082**
Current assets			
Inventories	13	**14,453**	**14,717**
Trade and other receivables	14	**12,552**	**9,774**
Cash and cash equivalents	22	**7,555**	**9,883**
Total current assets		**34,560**	**34,374**
Liabilities			
Current liabilities			
Trade and other payables	15	**(17,099)**	**(12,090)**
Loans and borrowings	16	**(40)**	**(641)**
Derivative financial liabilities	17	**(5)**	**(5)**
Corporation tax payable		**(452)**	**(1,127)**
Total current liabilities		**(17,596)**	**(13,863)**
Non-current liabilities			
Loans and borrowings	16	**—**	**(41)**
Deferred tax liabilities	18	**(378)**	**(412)**
Total non-current liabilities		**(378)**	**(453)**
Net assets		**40,799**	**42,140**
Equity			
Called-up share capital	20	**373**	**373**
Share premium	20	**10,315**	**10,315**
Merger reserve	20	**915**	**915**
Retained earnings	20	**29,196**	**30,537**
Total equity		**40,799**	**42,140**

QUIZ plc

Consolidated statement of changes in equity
Year ended 31 March 2019

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2017		1,454	-	-	23,471	24,925
Impact of Group reconstruction		**(1,095)**	-	**915**	**-**	(180)
New shares issued (net of expenses)	**20**	**20**	**10,315**	-	**-**	10,335
Shares cancelled on conversion of shares		**(6)**	-	-	**-**	(6)
Credit arising on conversion of shares		**-**	-	-	**6**	6
Profit and total comprehensive income for the year		**-**	-	-	**6,872**	**6,872**
Share-based payments charge		**-**	-	-	**188**	**188**
At 31 March 2018		**373**	**10,315**	**915**	**30,537**	**42,140**
Profit and total comprehensive income for the year		-	-	-	66	66
Share-based payments charge		-	-	-	84	84
Dividends paid	10	-	-	-	(1,491)	(1,491)
At 31 March 2019		**373**	**10,315**	**915**	**29,196**	**40,799**

QUIZ plc

Consolidated cash flow statement
Year ended 31 March 2019

	Notes	**Year ended 31 March 2019 £000**	Year ended 31 March 2018 £000
Cash flows from operating activities			
Cash generated by operations			
Operating profit		**211**	**8,572**
Depreciation of tangible assets		**3,767**	**2,761**
Amortisation of intangible assets		**245**	**130**
Share-based payment charges		**84**	**188**
Exchange movement		**(29)**	**37**
Decrease/(increase) in inventories		**264**	**(5,405)**
(Increase)/decrease in receivables		**(2,779)**	**959**
Increase in payables		**5,012**	**2,358**
Decrease in provisions		**-**	**(162)**
Net cash from operating activities		**6,775**	**9,438**
Interest paid		**(31)**	**(63)**
Income taxes paid		**(814)**	**(2,023)**
Net cash generated by operating activities		**5,930**	**7,352**
Cash flows from investing activities			
Payments to acquire intangible assets		**(1,186)**	**(903)**
Payments to acquire property, plant and equipment		**(4,957)**	**(5,435)**
Payments to facilitate Group reconstruction		**—**	**(180)**
Interest received		**36**	**30**
Net cash used in investing activities		**(6,107)**	**(6,488)**
Cash flows from financing activities			
Repayment of borrowings		**(254)**	**(1,231)**
Net proceeds from share issue		**—**	**10,335**
Dividends paid		**(1,491)**	**—**
Net cash (used in)/generated by financing activities		**(1,745)**	**9,104**
Net (decrease)/increase in cash and cash equivalents		**(1,922)**	**9,968**
Cash and cash equivalents at beginning of year		**9,495**	**(484)**
Effect of foreign exchange rates		**(18)**	**11**
Cash and cash equivalents at end of year	22	**7,555**	**9,495**

Notes to the Group financial statements

Year ended 31 March 2019

1 Significant accounting policies

General information

Quiz Plc (the 'parent company') is a public limited company, incorporated and domiciled in Jersey. It is listed on AIM. The registered office of the Company is 61 Hydepark Street, Glasgow, G3 8BQ.

Basis of preparation

These financial statements for the year ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS"), IFRS IC interpretations and the Companies (Jersey) Law 1991.

These are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Monetary amounts in these financial statements are rounded to the nearest thousand. Foreign operations are included in accordance with the policies set out below.

The annual financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are carried at fair value.

The preparation of financial statements in conformity with International Financial Reporting Standards adopted by the European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The financial information contained in this preliminary announcement for the years ended 28 February 2019 and 28 February 2018 does not comprise the group's statutory financial statements within the meaning of Companies (Jersey) Law 1991. The financial information for the year ended 31 March 2019 is extracted from the Group financial statements of which the audit is substantially complete. Statutory accounts for the year ended 28 February 2019 will be filed with the Jersey Companies Registry in due course. The accounting policies are consistent with those disclosed in the Groups audited financial statements for the year ended 31 March 2018 other than the application of new accounting standards noted below.

Initial application of IFRS 9 Financial Instruments

The Group has applied IFRS 9 Financial Instruments for the first time in the year ended 31 March 2019. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement.

As a result of the adoption of IFRS 9 the Group has adopted consequential changes to IAS 1 Presentation of Financial Statements. In addition, the Group has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosure to the current year only.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows and/or sell the financial assets. All the Group's financial assets were previously classified as loans and receivables under IAS 39 and are classified as assets at amortised cost under IFRS 9.

The only change in measurement of financial assets on application of IFRS 9 arises from impairment of financial assets. IFRS 9 requires impairments of financial assets to be assessed using an 'expected loss' model.

Currently the Group have recognised impairment loss on an individual basis, based on various indicators, such as significant financial difficulty or expected bankruptcy. The amount of the provision as at 31 March 2019 is £506,000.

Using the expected loss model the Group calculated a provision of £77,000. As a result, the adjustment required on transition to IFRS 9 is not considered to be material for the current year financial statements.

The application of IFRS 9 has not changed the measurement of the Group's financial liabilities or the Group's accounting policies for the recognition or derecognition of financial instruments.

Initial application of IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 Revenue from Contracts with Customers for the first time in the year ended 31 March 2019.

In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application. The impact of the adoption as at 1 April 2018 was to recognise and record a refund liability in relation to online sales. The amount of provision calculated as at 31 March 2018 was £200,000. No adjustment is required as at 1 April 2018. As at 31 March 2019, the amount of provision calculated is £280,000 with a revenue element deemed not to be material.

Therefore, the impact on the transition to IFRS 15 on Quiz's revenue recognised at 1 April 2018 and 31 March 2019 is deemed not material and a transition adjustment is not required.

There has been no impact on earnings per share due to reflecting the impact of the new standard as at 1 April 2018. There has been no impact on accounting for costs and the Group statement of cash flows.

Going concern

The Directors have prepared trading and cash flow forecasts for a year 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 IFRS"), IFRS IC interpretations and the Companies (Jersey) Law 1991.

2 New accounting pronouncements

The financial statements have been prepared in accordance with accounting policies that are consistent with those applied above. The following new or revised standards or interpretations apply to accounting years beginning after 1 April 2018:

New or revised standards or interpretations	Effective for accounting years commencing on or after
IFRS 16 Leases	1 January 2019
Annual improvements to IFRS 2015 – 2017 cycle	1 January 2019
Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020

Title of standard	**IFRS 16 *Leases***
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact	The management has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £23,248,000, see note 23. Of these commitments, approximately £400,000 relate to short-term leases which will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments the group expects to recognise right-of-use assets of approximately £23,100,000 on 1 April 2019, lease liabilities of £23,200,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 March 2019). Net current assets will be £5,000,000 lower due to the presentation of a portion of the liability as a current liability.
Mandatory application date/ Date of adoption by group	The Group will apply the standard from 1 April 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

3 Revenue

An analysis of revenue by geographical destination is as follows:

	2019	2018
	£000	£000
Online	**41,018**	30,641
International	**22,978**	**21,218**
UK stores and concessions	**66,902**	64,571
	130,898	**116,430**

	2019	2018
	£000	£000
United Kingdom	**105,486**	**92,894**
Rest of the world	**25,412**	**23,536**
	130,898	**116,430**

As at 31 March 2019 non-current assets in the United Kingdom were £22,486,000 (FY 2018: £19,959,000) with £1,727,000 (FY 2018: £2,123,000) located in the rest of the world.

4 Non-recurring administrative costs

The non-recurring costs of £0.4 million in the year ended 31 March 2019 related to the write-off of debt arising from the administration of House of Fraser.

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

5 Employee benefit expenses

Employment costs and average monthly number of employees (including Directors) during the year were as follows:

	2019	2018
	£000	£000
Wages and salaries	**18,735**	**16,045**
Social security costs	**1,360**	**1,155**
Other pension costs	**305**	**128**
Agency costs	**3,887**	**2,552**
	24,287	**19,880**

	No.	No.
Retail	**1,422**	**1,305**
Distribution	**45**	**30**
Administration	**188**	**140**
	1,655	**1,475**

Included above is £687,000 in respect of Directors' remuneration (FY 2018: £515,000).

6 Operating profit

Operating profit is stated after charging:

	2019 £000	2018 £000
Cost of inventories recognised as an expense	51,498	43,101
Distribution costs	24,066	21,369
Employment costs	24,287	19,880
Depreciation	3,767	2,761
Amortisation	245	130
Operating lease payments	6,982	5,831
Non-recurring administrative costs	369	1,037
Share-based payment charges	84	188
Other expenses	19,389	13,561
	130,687	107,858

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

	2019 £000	2018 £000
Audit services		
Audit of the Company and the consolidated financial statements	11	10
Audit of the Company's subsidiaries	39	35
Total audit fees	50	45
Fees relating to the Admission to AIM	—	140
Fees relating to accounts preparation services	5	—
Fees relating to financial reporting advisory services	4	—
All other services	18	11
Total fees payable to the Company's auditors	77	196

7 Finance income and expense

	2019 £000	2018 £000
Interest on cash deposits	36	13
Other interest	—	17
Finance income	36	30

	2019 £000	2018 £000
Interest on loans and overdrafts	18	37
Other interest	13	16
Finance expense	31	53

8 Income tax

	2019	2018
	£000	£000
UK corporation tax – current year	**262**	**1,814**
UK corporation tax – prior year	**(33)**	**(65)**
Foreign tax	**(18)**	**137**
Deferred tax – current year	**(141)**	**(117)**
Deferred tax – effect of adjustment in tax rate	**—**	**(53)**
Deferred tax – prior year	**34**	**8**
Tax on profit on ordinary activities	**104**	**1,724**
Reconciliation of effective tax rate		
Profit on ordinary activities before taxation	**216**	**8,549**
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (FY 2018: 19%)	**41**	**1,624**
Expenses not deductible for tax purposes	**70**	**314**
Excess of depreciation over capital allowances	**14**	**—**
Effect of adjustment in tax rate	**—**	**(53)**
Adjustments to previous years	**(5)**	**(84)**
Foreign tax adjustments	**(16)**	**(77)**
	104	**1,724**

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.

9 Earnings per share

	2019	2018
Number of shares:	**No.**	No.
Weighted number of ordinary shares outstanding	**124,230,905**	**124,230,905**
Effect of dilutive options	**39,002**	**93,127**
Weighted number of ordinary shares outstanding – diluted	**124,269,907**	**124,324,032**

Earnings:	**£000**	£000
Profit basic and diluted	**112**	**6,825**
Profit adjusted	**412**	**7,862**

Earnings per share:	**Pence**	Pence
Basic earnings per share	**0.09**	**5.49**
Adjusted earnings per share	**0.33**	**6.33**
Diluted earnings per share	**0.09**	**5.49**
Adjusted diluted earnings per share	**0.33**	**6.32**

The adjusted profit after tax for 2019 and adjusted earnings per share are shown before non-recurring costs (net of tax) of £0.4 million (FY 2018: £1.0 million) and share-based payment charges of £0.1 million (FY 2018: £0.2 million). 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.

10 Dividends

	2019 £000	2018 £000
Dividends paid	1,491	—

In September 2019, a dividend of 0.8p per share was paid by the Group, amounting to a dividend paid of £994,000. In March 2019, an interim dividend of 0.4p per share was paid by the Group, amounting to a dividend paid of £497,000. No further dividends in respect of 2019 are proposed.

11 Property, plant and equipment

	Leasehold property £000	Motor vehicles £000	Computer equipment £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 1 April 2018	**1,378**	**120**	**1,674**	**21,633**	**24,805**
Additions	162	42	493	4,260	4,957
Disposals	(40)	—	(279)	(3,364)	(3,683)
At 31 March 2019	**1,500**	**162**	**1,888**	**22,529**	**26,079**
Depreciation					
At 1 April 2018	**505**	**68**	**648**	**8,791**	**10,012**
Charge	231	32	288	3,216	3,767
Disposals	(40)	—	(279)	(3,364)	(3,683)
At 31 March 2019	**696**	**100**	**657**	**8,643**	**10,096**
Net book value					
At 31 March 2019	**804**	**62**	**1,231**	**13,886**	**15,983**
At 31 March 2018	**873**	**52**	**1,026**	**12,842**	**14,793**

12 Intangibles

	Goodwill £000	Computer software £000	Trademarks £000	Total £000
Cost				
At 1 April 2018	**6,175**	**1,371**	**165**	**7,711**
Additions	—	1,186	—	1,186
At 31 March 2019	**6,175**	**2,557**	**165**	**8,897**
Amortisation				
At 1 April 2018	—	**410**	**12**	**422**
Charge	—	229	16	245
At 31 March 2019	—	**639**	**28**	**667**
Net book value				
At 31 March 2019	**6,175**	**1,918**	**137**	**8,230**
At 31 March 2018	**6,175**	**961**	**153**	**7,289**

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. Value in use have been estimated using cash flow projections based on detailed budgets and forecasts over the period of five years, with a growth rate of -4% (FY

2018: 2%) and a discount rate of 10% (FY 2018: 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.

13 Inventories

	2019	2018
	£000	£000
Finished goods and goods for resale	**14,453**	14,717

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

14 Trade and other receivables

	2019	2018
	£000	£000
Trade receivables – gross	**7,366**	**6,701**
Allowance for doubtful debts	**(506)**	**(340)**
Trade receivables – net	**6,860**	**6,361**
Other receivables	**1,884**	**584**
Prepayments and accrued income	**3,806**	**2,829**
Amounts owed by related parties	**2**	**—**
	12,552	**9,774**

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

	2019	2018
	£000	£000
Trade payables	**9,657**	**7,479**
Other taxes and social security costs	**2,263**	**394**
Accruals	**3,983**	**3,094**
Deferred income	**586**	**578**
Other payables	**561**	**500**
Amounts due to related parties	**49**	**45**
	17,099	**12,090**

Trade payables 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.

Included within other payables at the year end date was a balance of £40,000 (FY 2018: £Nil) owed to the Group's pension scheme.

16 Loans and borrowings

	2019	2018

	£000	£000
Bank loans	**40**	**294**
Bank overdrafts	**—**	**388**
	40	**682**
Current	**40**	**641**
Non-current	**—**	**41**
	40	**682**

Bank loans, overdrafts 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 by, 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. All entities included in the guarantee are wholly owned subsidiaries in the Group.

In addition, bank overdrafts 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 2019 and 2020 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

	2019	2018
	£000	£000
Foreign currency options	**5**	5

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 2019, the Group had commitments to buy the equivalent of £4,800,000 of Chinese Renminbi (FY 2018: 2,550,000) and sell the equivalent of £3,369,299 of Euros (FY 2018: £1,140,000).

18 Deferred tax

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

	2019	2018
	£000	£000
Accelerated capital allowances		
Balance brought forward	**464**	**574**
Credit to income statement	**(34)**	**(112)**
Effect of foreign exchange rates	**—**	**2**
Balance at end of year	**430**	**464**
Other short-term timing differences		
Balance brought forward	**(52)**	**—**
Credit to income statement	**—**	**(52)**

Balance at end of year	**(52)**	**(52)**
Total deferred tax liability at end of year	**378**	**412**

There is no unprovided deferred tax in the current year for the Group (FY 2018: £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, which is measured at fair value, is level 2 in the fair value hierarchy as disclosed in note 17.

	2019	2018
	£000	£000
Category of financial instruments		
Carrying value of financial assets:		
Cash and cash equivalents	**7,555**	**9,883**
Trade and other receivables	**8,746**	**6,945**
Total financial assets	**16,301**	**16,828**
Carrying value of financial liabilities:		
Trade and other payables	**(14,250)**	(11,118)
Bank and other borrowings	**(40)**	**(682)**
Total financial liabilities	**(14,290)**	**(11,800)**

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 Share capital and reserves

	2019 £000	2018 £000
Share capital – allotted, called up and fully paid		
124,230,905 ordinary shares of 0.3 pence each (FY 2018: 124,230,905)	**373**	373
Share premium	**10,315**	10,315

Share capital

On 28 July 2017 the Company was admitted to trading on AIM. On this date the Company issued 6,583,851 ordinary shares of 0.3 pence each with a nominal value of £19,752.

Prior to this date the Company had issued 117,647,054 ordinary shares of 0.3 pence each with a nominal value of £352,941 in relation to the incorporation of the Company and the purchase of its subsidiaries, Kast Retail Limited, Tarak International Limited and Shoar (Holdings) Limited.

As a result of these transactions the issued share capital at 31 March 2018 comprised 124,230,905 ordinary shares of 0.3 pence each with a nominal value of £372,693.

Share premium

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the Company. The 6,583,851 ordinary shares of 0.3 pence each with a nominal value of £19,752 on 28 July 2017 were issued at a price of 161 pence per share giving rise to share premium of £10,315,248 (net of expenses).

Merger reserve

The merger reserve arose on the purchase of the subsidiaries, Kast Retail Limited, Tarak International Limited and Shoar (Holdings) Limited. The merger reserve represents the difference between the cost value of the shares acquired less the cost value of the shares issued for the purchase of each company and the stamp duty payable in respect of these transactions.

Retained earnings

The movement on retained earnings is as set out in the statement of changes in equity. Retained earnings represent cumulative profits or losses, net of dividends and other adjustments.

21 Share-based payments

The movement in awards during the year was:

	CSOP	ESOP	Warrants	Total
Opening balance	**568,093**	**323,601**	**186,335**	**1,078,029**
Granted during the year	52,320	112,777	-	165,097
Lapsed during the year	(25,307)	-	-	(25,307)
Closing balance	595,106	436,378	186,335	1,217,819

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 bond with a life in line with the expected life of the options.

The inputs to the model were as follows:

	CSOP and ESOP
Weighted average share price	189.9p
Weighted average exercise price	188.3p
No. of employees	19
Shares under option	150,224
Expected volatility	35.3%
Expected life (years)	4
Risk-free rate	0.3%
Possibility of ceasing employment before vesting	10%
Expectations of meeting performance criteria	100%
Expected dividend yield	2.0%

The Group recognised a total expense of £84,000 during the year (FY 2018: £188,000) relating to equity-settled share-based payments, including employer's National Insurance contributions of £13,000 (FY 2018: £26,000).

Company Share Option Plan ("CSOP")

The Group operated a share option scheme during the year 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 year.

Executive Share Option Plan ("ESOP")

The Group operated a share option scheme during the year for certain employees under the ESOP, which allows non-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 year.

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 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. At the year end, no warrant instruments had yet been exercised.

22 Cash and cash equivalents

	2019 £000	2018 £000
Cash	**8,774**	**9,883**
Bank overdraft	**(1,219)**	**(388)**
	7,555	**9,495**

23 Financial commitments

Capital commitments

The Group has capital commitments of £250,000 at 31 March 2019 (FY 2018: £391,000) which were not provided for 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:

	2019	2018
	£000	£000
Within one year	7,780	**6,620**
From two to five years	15,249	**13,545**
In more than five years	219	**1,205**
	23,248	**21,370**