27 October 2020

QUIZ plc

("QUIZ" or the "Group")

Preliminary Results
For the year ended 31 March 2020

QUIZ, the omni-channel fashion brand, announces its unaudited preliminary results for the year ended 31 March 2020 ("FY 2020").

The Group will publish its Audited Annual Report and Accounts for FY 2020 by the end of November 2020 and will notify of the posting of the Annual Report and Notice of Annual General Meeting.

Financial highlights:
The income statement set out below is included to show the underlying performance of the Group:

£m	Year ended 31 March 2020			Year ended 31 March 2019		
	Underlying	Adjusting items	Reported	Underlying	Adjusting items	Reported
Revenue	118.0		118.0	130.9	-	130.9
Gross profit	71.1		71.1	79.4	-	79.4
Impairment of Right of Use assets	-	(11.2)	(11.2)	-	-	-
Impairment of store assets	-	(9.5)	(9.5)	-	-	-
Impairment of goodwill	-	(5.2)	(5.2)	-	-	-
Bad debt expense	-	(0.4)	(0.4)	-	(0.4)	(0.4)
Impact of IFRS 16	-	1.3	1.3	-	-	-
Other operating expenses (net)	(74.8)	-	(74.8)	(78.8)	(0.4)	(78.8)
Operating (loss)/profit	(3.7)	(25.0)	(28.7)	0.6	(0.4)	0.2
Other finance cost (net)	-	-	-	-	-	-
Impact of IFRS 16	-	(0.7)	(0.7)	-	-	-
Finance costs (Net)	-	(0.7)	(0.7)	-	-	-
(Loss)/profit before tax	(3.7)	(25.7)	(29.4)	0.6	(0.4)	0.2
EBITDA	0.6	(4.9)	5.5	4.6	(0.4)	4.2

Adjusting items include the impact of impairments of Right to Use assets, store assets and goodwill and the write-off of bad debts arising from customers entering administration as well the impact of implementing IFRS16, Leases.

- Group revenue decreased 10% year on year reflecting challenges during the year as well as a sharp decline in March sales further to COVID-19 disruption.
    - Online revenue decreased 9% year on year to £37.5m (FY 2019: £41.0m) with the decline predominantly reflecting lower sales via third-party websites. Sales volumes through the QUIZ website were consistent with the previous year but more profitable year on year.
    - International sales decreased 5% to £21.8m (FY 2019: £23.0m) reflecting declining revenues from stores and concessions in the Republic of Ireland and the cessation of certain franchise sales.
    - Revenue from UK stores and concessions decreased 12% to £58.7m (FY 2019: £66.9m).
- Group Gross margin of 60.3% (FY 2019: 60.7%) reflecting increased provisions made against slow moving stock.
- Underlying EBITDA of £0.6m (FY 2019: £4.6m)
- Net cash position of £6.9m at the year-end (FY 2019: £7.5m).

Operational highlights:

- Previously targeted gross cost savings of £2-3 million achieved.
  Online sales represented 31.8% of Group revenue (FY 2019: 31.4%).
- Active online customer base increased 11% to 638,000 (FY 2019: 576,000).
- Continued investment in online propositions with launch of QUIZ VIP delivery pass and partnership with Klarna.

Post period end:

- The Group has agreed an extension of its existing £3.5m banking facilities until the 31st October 2021.
- Store restructuring undertaken post year-end, resulting in lower future rental costs and more flexible leases. Further to the Restructuring, the Group closed three stores in Spain.
- The Group has so far reopened 60 stores in the United Kingdom and four in the Republic of Ireland and is in negotiations with regards to a total of five further stores.
- The COVID-19 pandemic has significantly impacted QUIZ's sales in the current financial year with stores and concessions closed for a number of months. As a result, the Group's total sales in the six months to 30 September 2020 amounted to £17.2m, a 73% decline on the £63.3m revenues generated in the previous year.
- The Group conducted a thorough review of its ethical auditing processes to ensure they are robust enough to ensure on-going compliance with the Group's Ethical Code of Practice throughout QUIZ's supply chain. As a result of the review, the Group has taken a number of actions to strengthen its procedures and ensure that its products are consistently supplied in line with QUIZ's Ethical Code of Practice.

Outlook:

- Despite very challenging trading conditions during the current financial year to date, the Group has taken multiple actions to preserve liquidity and at 26 October 2020 has £4.8m of cash and £3.5m of undrawn banking facilities.
- As a result of the store restructuring undertaken by the Group following the period end, the Board believes that QUIZ has a more flexible and economically viable store portfolio moving forward with an average lease term of 24 months and a significantly lower cost base.
- The Board continues to believe that the QUIZ brand has strong customer appeal and that the Group's omni-channel business model remains relevant and key to our long-term success.

Tarak Ramzan, Founder and Chief Executive Officer, commented:

"Whilst we are pleased with the further growth in our customer base during FY20, this was a challenging year for QUIZ characterised by macro-economic uncertainty and challenges presented by the accelerating structural shift towards online retail. In addition, from early March the Group, along with the wider retail sector, faced significant challenges as a result of the COVID-19 pandemic. The Board has taken decisive action to protect its customers and its people, preserve liquidity, and restructure its store estate to align the Group's business model to the new reality of store retail.

We continue to rebalance our product offering towards more casual clothing to meet the changing lifestyles of our customers. Looking ahead, we remain confident in the strength of our brand and believe that underlying customer demand remains strong for the brand's trademark occasion wear which we aim to capitalise on when restrictions on social events are eased. We are confident that the actions we have taken to preserve liquidity and reduce our cost base while continuing to invest in the brand mean that the Group can return to profitable growth as market conditions improve.

I would like to take this opportunity to thank all our colleagues and partners for their outstanding commitment and flexibility shown during the recent and ongoing period of COVID-19 related disruption."

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 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 stores, concessions, franchise stores, wholesale partners and international online partners in 22 countries.

QUIZ operates through an omni-channel 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/
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CHAIRMAN'S STATEMENT

Introduction

During the year ended 31 March 2020, the UK retail sector continued to be impacted by ongoing macro-economic uncertainty as well as experiencing an accelerating structural shift to online retailing. These challenges for QUIZ were magnified by the significant disruption and uncertainty caused by the global COVID-19 pandemic which has had a material impact on the Group since the beginning of March and therefore impacted the final month of FY2020.

COVID-19

COVID-19 has had a significant impact on communities and businesses across the UK since March 2020. The Group's priority has remained the safety and welfare of its people and customers during this very challenging period.

In the United Kingdom, our stores and concessions were closed for a sustained period from March 22nd until their gradual re-opening in June. The Group had started to see reduced footfall and demand for its products from the beginning of March as uncertainty regarding COVID-19 began to impact consumer behaviour in the UK.

Whilst our omni-channel approach has enabled us to maintain contact with our customers during this unprecedented period, there continues to be a material detrimental impact on demand for QUIZ's trademark occasion and dressy wear as social events and activities have been curtailed. The Group's international business has also experienced similar levels of disruption across all QUIZ's markets.

During the summer months, demand for our products gradually improved as restrictions on events and social gatherings were lifted, underpinning our confidence that there is good underlying customer demand for the brand's trademark occasion wear. However, with the additional Government restrictions announced in recent weeks, we have seen a sharp drop-off in footfall across our retail stores and a reduction in overall demand despite our strategic decision to rebalance the QUIZ product offering towards more casual clothing in the short term.

We have executed plans to reduce capital spend and operating costs and to maintain our liquidity. In addition, we have rebalanced our product offering to increase our casual ranges and reduce our exposure to occasion wear stock. These steps have helped to mitigate the impact of COVID-19 but do not fully compensate for the decline in demand that has been experienced since March.

Supply Chain

The Board is acutely aware of the responsibilities the Group has to source its clothes in a responsible and ethical way as well as the challenges posed by having a global supply chain. We recognise that our customers expect the latest looks from us, but we know that this comes with a duty to ensure our products are sourced and manufactured ethically and responsibly. The responsibility for meeting these expectations is led by the Board and is integral to our core values which run throughout the QUIZ business.

In July 2020, the Board was made aware of an alleged instance of non-compliance with National Living Wage requirements in a factory making QUIZ products in Leicester in January 2020. The Board and management team were extremely concerned by these allegations and immediately reviewed and investigated them. Whilst this review confirmed that the company named in the report had ceased trading the previous year the factory in question had been used by one of QUIZ's suppliers as a sub-contractor contrary to the Group's previous instruction. The business which operated the factory at the date of the allegations ceased trading in March 2020 and as a result the Group was unable to access relevant records from the sub-contractor meaning that we were unable to substantiate the allegations. From our review of our other United Kingdom suppliers we have not identified any evidence of non-compliance with National Living Wage requirements.

As a direct result of the review, the Board has taken a number of actions to strengthen its systems and processes to give QUIZ increased visibility of its supply chain and ensure that all products are consistently supplied in line with our Ethical Code of Practice. These include:

- The appointment of a new Ethical Compliance Manager who is based in the Midlands, enabling increased communication, checks and visits with our suppliers in the Leicester region;
- We have worked closely with the compliance team at one of our major UK retail partners to conduct supplier visits and compare best-practice processes;
- We have engaged with and commissioned specialist third parties to provide independent audits of each of the factories within our supply chain on an ongoing basis;
- We have introduced a new process to prevent unauthorised sub-contracting by providing clearer visibility of the factory address where every QUIZ product is being made;
- We have increased the number of audits and random factory site visits across our supply chain to increase ongoing visibility of compliance with the Group's strict values and requirements.

The Board will continue to prioritise ensuring that the Group has an ethical and responsible supply chain that all QUIZ's stakeholders can be proud of. We are committed to continually investing in this critical area of the business to ensure that the Group's systems remain robust and that the Group's strict Ethical Code of Practice is always adhered to without exception.

Financial Results Overview

Group revenue of £118.0 million was 10% lower than the previous year's £130.9 million. Given the decline in revenues, an underlying loss before tax of £3.7 million was recorded (FY 2019: Profit before tax of £0.6 million).Underlying EBITDA of £0.6 million was generated (FY 2019: £5.5 million).Further to the impact of non-recurring costs of £26.3 million, of which £23.8 million had no cash impact, and the introduction of IFRS 16 leases, the reported loss before tax was £29.4 million (2019: Profit before tax of £0.2 million). The non-recurring costs incurred are summarised below:

	Restructure of Store Portfolio £000	Other non-recurring costs £000	Total non-recurring costs £000
Impairment of Right of Use assets	9.3	1.9	11.2
Impairment of store assets	4.4	5.1	9.5
Impairment of goodwill	-	5.2	5.2
Write-off of debt	-	0.4	0.4
	13.7	12.6	26.3

Restructure of Store Portfolio

In the year ended 31 March 2020, the performance of QUIZ's store estate was impacted by the continued shift in consumer preference towards online shopping and therefore lower customer footfall.

Whilst management undertook a number of actions during the year to address the performance of QUIZ's stores, including renegotiating rents upon the expiry of leases, QUIZ's stores estate was loss-making in the last year.

On 10 June 2020, post the period end, the Group undertook a restructure of its standalone retail store portfolio. This was in response to the increased trading pressures being experienced as a result of the COVID-19 pandemic, including:

- the enforced closure of all UK and Irish stores since 22 March 2020 in accordance with UK Government guidance;
- the accelerating shift in consumer behaviour towards online shopping resulting in lower high street footfall;

- the difficulty in renegotiating reductions to the high levels of rents and rates with its consequent effect on the economics of store retail; and
- a sustained period of macro-economic uncertainty in the UK impacting consumer spending.

Given these factors, the Board concluded that a restructuring was required to ensure that the Group had an economically viable store portfolio going forward. As a result, Kast Retail Limited ("Kast"), which operated the Group's standalone stores in the United Kingdom and Ireland, was placed into Administration. Further to this, the business and certain assets of Kast were acquired by the Group for a cash consideration of £1.3 million.

Prior to this restructuring, the Group operated 75 stores in the United Kingdom, seven stores in the Republic of Ireland and three stores in Spain. It has now reopened 64 of these stores and negotiations continue for five other stores. The three stores in Spain will not reopen.

Other non-recurring costs

During the year, retail store assets were subject to an impairment based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Further to this, the Group recorded a £7.0 million charge, comprising £1.9 million relating to the impairment of Right of Use assets and £5.1 million for the impairment of store assets.

The £5.2 million impairment of goodwill relates to the goodwill previously recorded in relation to the Group's UK concession business. This write-off reflects recent declines in revenues from the Group's UK concessions channel.

The £0.4 million write-off of debt was recorded further to an international customer entering into a bankruptcy process.

Dividends

Given the losses incurred in the current year, the Board does not recommend the payment of a final dividend.

Cash Position

Despite the losses incurred during the Period, the Group retained a cash balance of £6.9 million (2019: net cash of £7.5 million) at the Period end. As at 26 October 2020, the Group has a cash balance of £4.8 million. In addition to this cash balance the Group has £3.5 million of bank and credit facilities available to it from HSBC which expire in October 2021. There are no financial covenants applicable to these facilities.

Outlook and H1 trading

Consistent with other businesses, the COVID-19 pandemic has significantly impacted QUIZ's sales during the current financial year. As a result, the Group's total sales in the six months to 30 September ("H1") amounted to £17.2m, a 73% decline on the £63.3m revenues generated in the previous year.

Revenues were particularly impacted during the three months to 30 June 2020 ("Q1") with the closure of stores and concessions. Sales in the three months to 30 September 2020 ("Q2) reflect the reopening of concessions from mid-June and stores progressively reopening from mid-July. Revenues from each channel in these periods were as follows:

	Q1 2020 £m	Q1 2019 £m	Year-on-year change	Q2 2020 £m	Q2 2019 £m	Year-on-year change	H1 2020 £m	H1 2019 £m	Year-on-year change
Online	3.4	10.6	-68%	6.4	9.4	-32%	9.8	20.0	- 49%
International	0.5	6.8	-93%	2.2	5.2	-58%	2.7	12.0	- 78%
UK stores and concessions	0.2	15.9	-99%	4.5	15.4	-70%	4.7	31.3	- 85%
Total	4.1	33.3	-88%	13.1	30.0	-56%	17.2	63.3	- 73%

Despite the challenging trading conditions, the Group has taken multiple actions to preserve liquidity and has £4.8m of cash and £3.5m of undrawn banking facilities. In addition, as a result of the store restructuring undertaken by the Group following the period end, the Board believes that QUIZ has a more flexible and economically viable store portfolio moving forward with an average lease term of 24 months and a lower cost base. With our new store portfolio structure, on the basis of revenues being at similar levels to revenues in the year ended 31 March 2020, the rent payable would be approximately halved on a like for like basis.

In recent weeks the tightening of Government restrictions on social activities has again impacted demand for QUIZ clothes and there remains limited visibility as to when these restrictions will be relaxed. We continue to extend our casual product ranges to meet changing consumer behaviour but increased sales in this area do not compensate for the decline in occasion wear revenues.

We continue to believe that the QUIZ brand has strong customer appeal and that the Group's omni-channel business model remains relevant and key to our long-term success. Our ranges have traditionally been based upon providing options for socialising from going to lunch with friends to attending weddings. Whilst there is uncertainty with regards to when these activities will revert to their previous level, we remain confident that our proposition remains attractive to customers in the long term.

Peter Cowgill

Non-Executive Chairman

CHIEF EXECUTIVE'S STRATEGIC REPORT

Introduction

Group revenue decreased 10% to £118.0 million (2019: £130.9 million). The revenue generated from each channel was as follows:

	Year to 31 March 2020	Year to 31 March 2019	Year-on-year change	Share of revenue 2020	Share of revenue 2019
Online	£37.5m	£41.0m	- 9%	31.8%	31.4%
International	£21.8m	£23.0m	- 5%	18.5%	17.5%
UK stores and concessions	£58.7m	£66.9m	- 12%	49.7%	51.1%
Total	£118.0m	£130.9m	- 10%		

As a result of this decline in revenues and the corresponding impact on profitability, as well as the disruption caused by COVID-19 and accelerating changes to consumer behaviour in the UK since March, the Board and senior management team have carefully reviewed our business, strategy and prospects to ensure that QUIZ is able to navigate the volatile and dynamic 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 our pressing challenges:

Previously the Group identified four pressing challenges to be managed and overcome. These remain relevant to the business as it deals with the recent reduction in revenues and COVID-19 related disruption:

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

Prior to the restructuring of stores, the Group operated 75 stores in the United Kingdom. 60 of these stores are now open and negotiations continue with regards to three other stores. The new lease arrangements have largely been secured on a flexible basis that allows for rents to be commensurate with revenues generated.

These new arrangements provide increased flexibility with an average lease term of 24 months and a lower cost base going forward. On the basis of revenues being at similar levels to revenues generated in the year ended 31 March 2020, the rent payable would be approximately halved on a like for like basis.

The Board has also taken steps to reduce its exposure to UK department stores going forward. In the year ended 31 March 2020, the Group reduced the number of concessions operated from 168 to 156 with a further reduction to 143 since 31 March 2020.

We will continue to manage our concession estate, closing those that are generating little return or operating at a loss. Concessions can be exited inexpensively after serving the appropriate notice period.

The Group believes that stores and concessions with appropriate cost bases can make a positive contribution going forward. We continue to undertake initiatives to promote footfall into stores including trialling the introduction of new product categories in store and utilising our store network for online collections, returns and improving stock availability across the estate.

Optimising the omni-channel model

QUIZ continues to believe in the benefits of operating an omni-channel model that provides customers with the opportunity to engage with the brand across different channels. Growing sales online remains a key priority for the Group

Online revenues declined in the year to 31 March 2020, partially as a result of terminating arrangements to sell via certain third-party websites during the previous year.

Sales volumes through the QUIZ website were consistent with the previous year but more profitable than the prior year. This is attributable to lower delivery and handling costs following a number of cost-saving initiatives and more return on investment-focused marketing activity.

We continued to see positive trends in KPIs across QUIZ's website, with increases in the number of repeat customers and order frequency. Active online customers increased by 11% to 638,000 (31 March 2019: 576,000). In addition, there have been improvements in other key metrics such as shopping frequencies and basket size in the period.

We continue to see a positive response to the introduction of the QVIP delivery pass which has supported improved order frequency and the introduction of a buy now, pay later option through partner Klarna which has increased the average transaction value.

Sales through third-party websites remain an important part of our online business and help broaden awareness and appeal of the QUIZ brand. We continue to work with these third parties to optimise the range and amount of stock available to them to improve the financial returns from these arrangements.

Addressing the decline in gross margin

During the year the Group took a number of steps to improve the gross margins generated. Actions taken included improved sourcing, targeted price increases and managing stock allocations and purchases to reduce the amount of stock subjected to markdowns.

Whilst progress was made during the year, the decline in revenues from March 2020 led to an increased level of discounting post year end. Given this, the Group made increased provisions in relation to slow moving stock at 31 March 2020 which reduced the reported gross margin by circa 1ppt. As a result, the reported gross margin of 60.3% was marginally lower than the 60.7% recorded in the previous year.

Right sizing our cost base

The Board previously announced gross cost savings targets of between £2-3 million over the medium term and we are pleased to announce that these savings have been implemented in line with our plans.

Given the decline in revenues since March 2020, the Board continues to take steps to reduce costs where possible, which has unfortunately included a number of redundancies post year-end.

Leveraging our key strengths:

Whilst COVID-19 will continue to disrupt the UK retail landscape and impact consumer spending in the near term, the Board continues to believe that in the longer term the Group's unique attributes will allow for QUIZ to effectively compete and succeed in the dynamic retail environment.

A strong 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. This belief was supported by the increased demand for our products during the summer months as restrictions on social events were temporarily eased.

During the year we have undertaken reviews and surveys to better understand our customer. This information, which includes insight into how our customers view the QUIZ brand, will inform our product offering going forward.

The number of online active customers has continued to increase in the year and now stands at 638,000, an uplift of 11%, reflecting the appeal and growing awareness of the brand.

The brand's social media engagement continues to increase significantly from the prior year, with 22% and 9% increases in our Instagram and Facebook audiences respectively.

The strengths of our brand continue to enable QUIZ to expand into new product categories. In recent months we have increased the amount of casual wear available to customers and will shortly extend our ranges to include leisure wear.

Our 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 constantly refresh products for sale in store and online is a strong competitive advantage. QUIZ continues to introduce new products each week in order to meet customer demand as trends emerge throughout the season. The Board believes this will be an increasingly important component for success as customers have ever greater choice of where, when and how to shop.

QUIZ's online channel offers significant potential

With structural and market-wide consumer trends towards increased online shopping accelerating as a result of the COVID-19 pandemic, we continue to believe that QUIZ's online channel offers significant long-term growth potential for the Group.

In FY 2020, online sales represented 32% of QUIZ's Group revenue (2019: 31%). The focus over the past year was to enhance the profitability of online sales. This resulted in a reduction in cost of sales as well as more focussed marketing activity. Furthermore, sales through QUIZ's own online channels were consistent with the previous year whilst online sales through third party sites declined in the year after the Group took steps to terminate arrangements with two previous partners.

Selective international growth potential through capital light model

We continue to receive positive customer reactions to the QUIZ brand internationally. Our mix of casual and occasion wear can be tailored for each market and our flexible route to market has been beneficial.

Whilst each of these markets has its own challenges, international sales represented 18% of QUIZ's Group revenue (2019: 17%). We continue to identify opportunities to extend our sales through low-risk, low-cost international expansion driven by our capital-light online, consignment and concession routes to market.

Targeted marketing investment

Underpinning the growth and expansion of the QUIZ brand is the Group's approach to targeted and returns driven marketing investment. Investment was focussed on digital and social marketing to increase shopping frequencies and basket sizes as well to generate new customers for all sales channels. Marketing investment as a proportion of Group sales for FY2020 was 2.3%.

During the Period, QUIZ launched multiple targeted marketing campaigns including our first collection with reality TV star Samantha Faiers. The collaboration proved to be successful and led to a second campaign (also featuring Samantha Faiers) to launch our Christmas collection.

Our new 'Q' range was also launched in the run up to Christmas, both online and in a selected number of stores. The launch collection was promoted via micro / mid influencers, stores and digital marketing channels resulting in a very positive reaction, with the majority of the range selling out fast. A follow up Q range was introduced in February supported by similar marketing strategies and also delivered positive results.

These campaigns blend offline and online advertising targeted towards our key customer demographics. Our continued focus on measurable ROI marketing techniques helps to ensure that all campaigns provide an appropriate return and refreshed offer.

Strategic KPIs

	2020	**2019**	**Change**
Active customers	638,000	576,000	+ 10.8%
Online sales as a % of turnover	31.8%	31.4%	+ 0.4%
International outlets serviced	80	125	- 45
UK retail space – square footage	218,000	210,000	+ 4.0%

Our Team

I have always been aware of the talent and professionalism of our colleagues across stores and concessions, our distribution centre and Head Office. This commitment has been further demonstrated by the response to and flexibility shown during the recent and ongoing period of COVID-19 related disruption. I am very thankful for all my colleagues' outstanding dedication, skill and passion through these challenging times.

Tarak Ramzan
Chief Executive Officer

FINANCIAL & BUSINESS REVIEW

Basis of Preparation

To provide comparability across reporting years, the results within this Financial Review are presented on an "underlying" basis, In the current year adjustments are made for total exceptional charges of £26.3 million in the year in respect of the impairment of Right of Use assets, store assets and goodwill, a bad debt expense and the impact of the implementation of IFRS 16, Leases. In the previous year the adjustment relates to a £0.4 million bad debt expense arising from the House of Fraser administration in the previous year. A reconciliation between underlying and reported results is provided at the end of this Financial Review.

Group Overview

Group revenue of £118.0 million was 10% lower than the previous year's £130.9 million.

Further to a decline in the gross margin generated and increased operating costs, underlying operating losses incurred were £3.7 million (2019: Profit – £0.6 million). Including the non-recurring costs, operating losses were £28.7 million (2019: Profit – £0.2 million).

Financial KPIs

	2020	**2019**	**Change**
Underlying revenue	£118.0m	£130.9m	- 9.8%
Gross margin	60.3%	60.7%	- 0.4%
Adjusted EBITDA % [1]	0.5%	3.5%	- 3.0%
Cash from operating activities [1]	£3.7m	£5.9m	- £2.2m

1. *In the current year the impact of the impairment of Right of Use assets, store assets and goodwill, a bad debt expense and the impact of implementing IFRS16, Leases is excluded. In the previous year the £0.4 million bad debt provision arising from the House of Fraser Administration is excluded.*

Underlying EBITDA generated declined to £0.6 million (2019: £4.6 million) which represented an EBITDA margin of 0.5% (2019: 3.5%). Including the non-recurring costs and reflecting the implementation of IFRS 16, EBITDA was £5.5 million (2019: £4.2 million).

Underlying Group loss before tax ("PBT") was £3.7 million (2019: Profit £0.6 million). Losses before tax reflecting non-recurring costs and the implementation of IFRS 16 was £29.4 million (2019: £0.2 million).

Further to this, the underlying loss per share was 2.54 pence (2019: Earnings of 0.33 pence). Loss per share reflecting non-underlying costs and the implementation of IFRS 16 was 23.37 pence (2019: Earnings of 0.09 pence).

Cash at the year-end amounted to £6.9 million (2019: net cash of £7.5 million). The most significant cash flows in the year related to the £10.7 million of operating cash flow generated in the year and £7.0 million of lease payments during the year.

Revenue

Group revenue decreased by 10% to £118.0 million from £130.9 million in 2019, with our three revenue channels shown below:

	Year to 31 March 2020	Year to 31 March 2019	Year-on-year growth	Share of revenue 2020	Share of revenue 2019
Online	£37.5m	£41.0m	- 9%	31.8%	31.4%
International	£21.8m	£23.0m	- 5%	18.5%	17.5%
UK stores and concessions	£58.7m	£66.9m	- 12%	49.7%	51.1%
Total	£118.0m	£130.9m	- 10%		

Online

The 9% reduction in Online revenues to £37.5 million was primarily driven by lower revenues from third-party websites, which recorded a decline in revenues of 16% in the year. This decline primarily reflects the impact of our decision to exit two third-party websites in the previous year.

Sales through QUIZ's website, which was impacted by lower demand in March, declined 0.6% in the year. Further to the continued marketing activity the number of active customers at 31 March 2020 increased to 638,000 (2019: 576,000).

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.

Revenues from international sales decreased 5% to £21.8 million (2019: £23.0 million). Sales in the stores and concessions in the Republic of Ireland and Spain followed similar trends to the United Kingdom and declined £0.7 million in the year. Franchise sales declined £0.5m further to ceasing to trade with a previous partner during the year.

UK stores and concessions

Sales in the Group's UK standalone stores and concessions decreased 12% to £58.7 million (2019: £66.9 million).

During the year four new stores were opened and one store closed. In addition, four new concessions were opened and 16 were closed during the year. Further to these changes, total selling space across the stores and concessions increased by 4% from 210,000 sq. ft. to 218,000 sq. ft.

The decline in revenues reflects lower revenues year-on-year due to declining footfall and the sharp decline in sales prior to the closure of stores and concessions were closed in late March.

Gross Margin

Gross margin at 60.3% was 0.4% lower than the prior year. Gross margins had been trending above the previous year level during the year. Given the lower level of revenues generated post year-end there was requirement to increase provisions in respect of slow-moving stock which impacted upon the reported gross margin by approximately 1ppt.

Whilst our objective remains to improve gross margin through efficient sourcing, due to macroeconomic pressures a higher level of discounting is expected during the year ended 31 March 2021.

Underlying Operating Costs

Underlying operating costs decreased by 5% in 2020 from £78.8 million to £74.8 million. These costs represented 63.4% of revenue (2019: 60.2%).

Underlying administrative costs increased by 2% to £56.0 million (2019: £54.8 million).

The largest administrative costs relate to employment costs, including agency costs, which have risen by £0.9 million or 4% to £25.2 million (2019: £24.3 million) and rental costs which increased 14% to £8.0 million (2019: £7.0 million)

These increases were offset by a 41% decline in marketing spend to £2.8 million (2019: £4.6 million). The spend incurred was focused on digital and social media marketing to generate new customers for all sales channels, as well as increasing shopping frequencies and basket sizes.

Distribution costs declined by 16% to £18.8 million (2019: £24.1 million). This decrease reflects (i) targeted reductions in the cost of carriage to stores, concessions and franchises as well as online customers and (ii) lower commission paid to third parties which sell products on behalf of QUIZ as a result of the decline in associated revenues in the year.

Depreciation and amortisation increased by 7% from £4.0 million to £4.3 million. The charge reflects a charge of £0.3 million from the write-down of assets in concessions which ceased trading before and after the year-end.

Non-underlying Operating Costs

As noted above, exceptional charges arose in the year in respect of the impairment of Right of Use assets, store assets and goodwill and a bad debt expense. Total non-recurring costs in the year amounted to £26.3 million.

Non-recurring operating expenses in the previous year of £0.4 million related to bad debt arising from the administration of House of Fraser.

Finance Costs

The finance cost of £0.8 million (2019: £31,000) primarily relates to interest costs arising on the lease payments for stores. These costs arose further to the introduction of IFRS 16 leases in the current year and did not arise in the previous year.

Taxation

The reported tax rate in the current year is a credit of 1.4% (2019: tax charge rate of 48.1%). The reported tax rate reflects that much of the exceptional costs incurred are not tax-deductible. In addition, given the uncertainty with the timing and quantum of future profits no deferred tax assets have been recognised in relation to tax losses incurred.

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

Earnings per Share

Basic loss per share for 2020 was 23.37 pence per share (2019: Earnings per share of 0.09 pence).

The underlying basic loss per share for 2019, which is calculated using the underlying loss after tax, was 2.63 pence (2019: Earnings per share of 0.33 pence).

Dividends

No dividend was paid during the year (2019: £1.5 million). Given the loss incurred in the current year the Board does not recommend the payment of a final dividend.

Cash Flow and Cash Position

Net cash at the year-end amounted to £6.9 million (2019: net cash of £7.5 million).

Net cash flow from operating activities was £10.2 million (2019: £6.8 million). Reflected in this inflow of cash is a £5.4 million working capital improvement (2019: £2.5 million).

The reduction in working capital arose further to a £4.9 million reduction in receivables and a £4.8 million reduction in inventories which was offset by £4.3 million reduction in payables in the year.

After restating for exceptional charges and the implementation of IFRS 16, net cash flow from operating activities amounted to £3.5 million, a reduction of £3.3 million. The working capital improvement amounted to £2.9 million.

We have continued to invest in the business with £1.5 million spent on intangible assets and £2.5 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 £1.1 million on the four new stores opened in the UK and £1.0 million on extending capacity at our distribution facility. Investment in computer equipment of £0.5 million was consistent with the prior year.

The final £40,000 of repayments of term loans previously drawn down to fund capital expenditure were made during the year (2019: £0.3 million).

Foreign currency hedging

The Group currently undertakes foreign exchange transactions.

The primary inflow of foreign exchange relates to Euro denominated revenues generated in Ireland and Spain. The primary outflow of foreign exchange relates to the purchase of stock, primarily in Chinese Renminbi.

The Group manages the risk associated with foreign currency fluctuations through the use of forward contracts for the sale or the purchase of the respective currency for a period between six and 12 months in advance. We have currently hedged our expected currency inflows and outflows for the remainder of the financial year to 31 March 2021.

Reconciliation of underlying and reported IFRS results

In establishing the underlying operating profit, costs were adjusted to exclude the exceptional charges in respect of the impairment of Right of Use assets, store assets and goodwill and a bad debt expense as described in Note 4 and the impact of the implementation of IFRS 16 as outlined in Note 1. The adjustment in the previous year related to the bad debt provision arising from House of Fraser entering into administration.

A reconciliation between underlying and reported results is provided below:

	2020						
	Underlying	Impairment of Right of Use Assets	Impairment of Store Assets	Impairment of Goodwill	Bad Debt	Impact of IFRS 16	Reported
Revenue	118.0	-	-	-	-	-	118.0
Gross profit	71.1	-	-	-	-	-	71.1
Other operating costs	(74.8)	(11.2)	(9.5)	(5.2)	(0.4)	1.3	(99.8)
Operating loss	(3.7)	(11.2)	(9.5)	(5.2)	(0.4)	1.3	(28.7)
Finance costs (net)	-	-	-	-	-	(0.7)	(0.7)
Loss before tax	(3.7)	(11.2)	(9.5)	(5.2)	(0.4)	0.6	(29.4)
Operating loss	(3.7)	(11.2)	(9.5)	(5.2)	(0.4)	1.3	(28.7)
Dep'n and amortisation	4.3	11.2	7.4	5.2	-	6.1	34.2
EBITDA	0.6	-	(2.1)	-	(0.4)	7.4	5.5

	2019		
	Underlying	Bad Debt	Reported
Revenue	130.9	-	130.9
Gross profit	79.4	-	79.4
Other operating costs	(78.8)	(0.4)	(79.2)
Operating profit	0.6	(0.4)	0.2
Finance costs (net)	-	-	-
Profit before tax	0.6	(0.4)	0.2
Operating profit	0.6	(0.4)	0.2
Dep'n and amortisation	4.0	-	4.0
EBITDA	4.6	(0.4)	4.2

QUIZ plc

Consolidated statement of comprehensive income
Year ended 31 March 2020

	Notes	2020 £000	2019 £000
Continuing operations			
Revenue	3	118,020	130,898
Cost of sales		(46,892)	(51,498)
Gross profit		**71,128**	**79,400**
Recurring administrative costs		(54,681)	(54,760)
Non-recurring administrative costs	4	(26,337)	(369)
Total administrative costs		(81,198)	(55,129)
Distribution costs		(18,810)	(24,066)
Other operating income		38	6
Total operating costs	6	(99,790)	(79,189)
Operating (loss)/profit		**(28,662)**	**211**
Finance income	7	28	36
Finance costs	7	(811)	(31)
(Loss)/profit before income tax		**(29,445)**	**216**
Income tax credit/(charge)	8	418	(104)
(Loss)/profit for the year		**(29,027)**	**112**
Other comprehensive income:			
Foreign currency translation differences – foreign operations		62	(46)
(Loss)/profit and total comprehensive income for the year attributable to owners of the parent		**(28,965)**	**66**
(Loss)/profit per share:			
Basic earnings per share	9	(23.37)p	0.09p
Diluted earnings per share	9	(23.34)p	0.09p

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

QUIZ plc

Consolidated statement of financial position
As at 31 March 2020

	Notes	31 March 2020 £000	31 March 2019 £000
Assets			
Non-current assets			
Property, plant and equipment	11	7,270	15,983
Right to use asset	12	2,992	-
Intangible assets	13	4,061	8,230
Total non-current assets		**14,323**	**24,213**
Current assets			
Inventories	14	9,693	14,453
Trade and other receivables	15	7,110	12,552
Cash and cash equivalents	23	6,897	7,555
Total current assets		**23.700**	**34,560**
Total assets		**38,023**	**58,773**
Liabilities			
Current liabilities			
Trade and other payables	16	(11,367)	(17,099)
Loans and borrowings	17	-	(40)
Lease liabilities	12	(6,388)	-
Derivative financial liabilities	18	(36)	(5)
Corporation tax payable		(149)	(452)
Total current liabilities		(17,940)	(17,596)
Non-current liabilities			
Lease liabilities	12	(9,950)	—
Deferred tax liabilities	19	(7)	(378)
Total non-current liabilities		**(9,957)**	**(378)**
Total liabilities		**(27,897)**	**(17,974)**
Net assets		**10,126**	**40,799**
Equity			
Called-up share capital	21	373	373
Share premium	21	10,315	10,315
Merger reserve	21	915	915
Retained earnings	21	(1,477)	29,196
Total equity		**10,126**	**40,799**

QUIZ plc

Consolidated statement of changes in equity
Year ended 31 March 2020

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 April 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		-	-	-	(1,491)	(1,491)
At 31 March 2019		**373**	**10,315**	**915**	**29,196**	**40,799**
Loss and total comprehensive income for the year		-	-	-	(28,965)	(28,965)
Impact of IFRS 16 implementation		-	-	-	(1,739)	(1,739)
Share-based payments charge		-	-	-	31	31
At 31 March 2020		**373**	**10,315**	**915**	**(1,477)**	**10,126**

QUIZ plc

Consolidated cash flow statement
Year ended 31 March 2020

	Notes	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Cash flows from operating activities			
Cash generated by operations			
Operating (loss)/profit		(28,662)	211
Depreciation of tangible assets		28,510	3,767
Amortisation of intangible assets		5,697	245
Loss on disposal of assets		78	—
Share-based payment charges		31	84
Exchange movement		87	(29)
Decrease in inventories		4,760	264
Decrease/(increase) in receivables		4,920	(2,779)
(Decrease)/increase in payables		(4,275)	5,030
Net cash from operating activities		11,146	6,793
Interest paid		(696)	(31)
Income taxes paid		(255)	(832)
Net cash generated by operating activities		**10,195**	**5,930**
Cash flows from investing activities			
Payments to acquire intangible assets		(1,528)	(1,186)
Payments to acquire property, plant and equipment		(2,548)	(4,957)
Interest received		28	36
Net cash used in investing activities		**(4,048)**	**(6,107)**
Cash flows from financing activities			
Repayment of borrowings		(40)	(254)
Payment of lease liabilities		(6,739)	—
Dividends paid		—	(1,491)
Net cash used in by financing activities		**(6,779)**	**(1,745)**
Net decrease in cash and cash equivalents		**(632)**	**(1,922)**
Cash and cash equivalents at beginning of year		**7,555**	**9,495**
Effect of foreign exchange rates		(26)	(18)
Cash and cash equivalents at end of year	23	**6,897**	**7,555**

Selected notes to the Group financial statements

Year ended 31 March 2020

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 2020 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 31 March 2020 and 31 March 2019 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 2020 is extracted from the Group financial statements of which the audit is substantially complete. Statutory accounts for the year ended 31 March 2020 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 2019 other than the application of new accounting standards noted below.

Adoption of new and revised standards

With the exception of IFRS 16, which has been incorporated into these financial statements. There have been no new IFRSs adopted in the current year which have materially impacted the Group's financial statements.

Initial application of IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 April 2019. The impact of adopting IFRS 16 – Leases is material to the financial statements and is described below, with the financial impact being set out in the table below.

IFRS 16 'Leases' specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases'. The Group adopted IFRS 16 from 1 April 2019 using a simplified modified retrospective transition approach. The comparative information presented for the year ended 31 March 2019 has not been restated and therefore continues to be shown under IAS 17. Any cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

The main impact of IFRS 16 for the Group is the recognition of all future lease liabilities on the Balance Sheet. Corresponding right of-use assets have also been recognised on the Balance Sheet representing the economic benefits of the Group's right to use the underlying leased assets.

Accounting policy under IFRS16 'Leases'

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised. The Group has applied judgement to determine the lease term for those lease contracts that include a renewal or break option.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

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

On transition to IFRS 16, the Group elected to apply the following practical expedients on a lease by lease basis:

(i) reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;

(ii) applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

(iii) to apply the short-term exemption for all asset classes and to apply low value exemptions; and

(iv) the use of hindsight when determining the lease term if the contract contains to extend or terminate the lease.

Impact of IFRS 16 'Leases'

A reconciliation between IAS 17 operating lease commitments and IFRS 16 lease liabilities is as follows:

	£000
Operating leases	22,004
Effects of discounting	(786)
Short term leases	(358)
Lease liabilities recognised on adoption of IFRS 16	20,860

The effects of discounting reflect that the IFRS 16 – Leases obligations have been discounted based on the Group's incremental borrowing rate whilst the previously disclosed lease commitments were undiscounted. The Group's ongoing policy choice under IFRs 16 – Leases is not to recognise leases with a term less than 12 months as lease liabilities.

The impact of IFRS 16 on the Statement of Financial Position at the transition date, 1 April 2019, is as follows:

	Pre IFRS 16 £000	Transition £000	Post IFRS 16 £000
Non-current assets	22,213	18,100	42,312
Current assets	34,560	(521)	34,040
Total assets	58,773	17,579	76,352
Current liabilities	(17,596)	(5,143)	(22,739)
Non-current liabilities	(378)	(14,175)	(14,553)
Total liabilities	(17,974)	(19,318)	(37,292)
Net assets	40,799	(1,739)	39,060

The table below shows the adjustments required to the Consolidated Group Income Statement to reflect the pre-IFRS 16 profit measure:

	£000
Add back operating leases	7,449
IFRS 16 depreciation charge	(6,117)
	1,332
IFRS 16 interest charge	(758)
IFRS 16 profit before tax adjustment	574

There is no impact on cash flow overall. However, classifications within the Consolidated Cash Flow Statement will change to reflect the interest and capital elements of each lease payment.

Going concern

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities and cash requirements together with factors likely to affect its performance and financial position, including the current and future anticipated impact of COVID-19.

The key judgements in relation to the going concern assessment are in respect of the potential ongoing impact of COVID-19 on the Group. They include the timing of the Group's recovery to pre-COVID-19 trading levels and the likelihood and impact of further lockdowns, including their duration and the impact on consumer demand in the markets in which the Group operates.

When making these judgements, the Directors considered trading levels since the majority of the Group's stores have re-opened and the outlook for the Group against their detailed base case scenario and further downside scenarios.

The Group had net cash of £6.9 million (FY 2019: £7.5 million) at 31 March 2020 and had not drawn down on its banking facility.

Borrowing facilities

The Group has £3.5m of banking facilities, which on 23 October 2020 were extended until 31 October 2021. These facilities comprise a £2.0m overdraft and £1.5m working capital facility. There are no financial covenants associated with these facilities, which are reviewed annually. Whilst the facilities are repayable on demand the Directors believe that these facilities will be available to the Group through to 31 October 2021 and will be renewed in due course.

The banking facilities were not drawn down at the period end and remain undrawn at the date of this report. The Group had net cash of £4.8m at 26 October 2020.

Mitigating actions taken post year end

The Group reacted swiftly to manage the impact of COVID-19 and continues to manage its capital and costs and maintain its liquidity position. The following actions have already been taken following the start of the new financial year and are modelled in the Directors' base case scenario:

- A significant reduction in discretionary costs, the freezing of pay and recruitment and temporary reductions in pay for PLC Directors;
- The restructuring of the store estate, which resulted in a reduction in the number of stores operated and a substantial reduction in the ongoing rental payments;
- The closure of a number of concessions after the year-end;
- A reduction in the amount inventory purchased in line with anticipated demand;
- The cancellation of all non-essential capital expenditure; and
- Accessing relevant government support programmes, such as business rates relief and the Coronavirus Job Retention Scheme in the UK and similar schemes in the Republic of Ireland.

Further actions, including further cost savings and working capital benefits, are available to the Directors to mitigate the impact of the trading environment

Forecast Scenarios

The Directors' base case scenario assumes that revenues do not recover to levels recorded in the year to 31 March 2020 in the short term. The impact of COVID-19 on the wider economy (particularly the UK) is expected to have a significant impact on demand both in stores and concessions, and online. Under this scenario, which assumes the recently renewed banking facility remain available to the Group, the borrowing levels remain within the facilities available to the Group over the 12-month going concern period.

In addition, to the above the Directors have considered a downside scenario where sales are further impacted by COVID-19 related disruption. Under this scenario, which assumes the recently renewed banking facility remain available to the Group, the borrowing levels remain within the facilities available to the Group over the 12-month going concern period.

Further actions could be undertaken to mitigate against any shortfalls arising from these scenarios. These include reducing operating costs, capital expenditure, ceasing or suspending loss-making activities and optimising working capital.

Going concern basis

Based on the assessment outlined above, the Directors have a reasonable expectation that the Group has access to adequate resources to enable it to continue to operate as a going concern for the foreseeable future. For these reasons, the Directors consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements

2 New accounting pronouncements

There are several standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. Of these new standards, amendments and interpretations, there are none which are expected to have a material impact on the Group's consolidated financial statements.

3 Revenue

An analysis of revenue by geographical destination is as follows:

	2020 £000	2019 £000
Online	37,485	41,018
International	21,789	22,978
UK stores and concessions	58,746	66,902
	118,020	130,898

	2020 £000	2019 £000
United Kingdom	95,288	105,486
Rest of the world	22,732	25,412
	118,020	130,898

Deducted from Online revenue generated for the year is an estimated returns liability of £768,000 (2019: £280,000).

As at 31 March 2020 non-current assets in the United Kingdom were £14,097,000 (FY 2019: £22,486,000) with £226,000 (FY 2019: £1,727,000) located in the rest of the world.

4 Non-recurring administrative costs

Non-recurring administrative costs comprise:

	2020 £000	2019 £000
Impairment of Right to Use assets	11,208	—
Impairment of store assets	9,515	—
Impairment of goodwill	5,230	—
Write-off of debt	384	369
	26,337	369

Impairment of Right to Use assets

The £11,208,000 charge in relation to the impairment of Right to use assets includes a £1,881,0000 charge recognised at 30 September and a further £9,327,000 charge further to the appointment of joint administrators to a wholly owned subsidiary undertaking.

Management has assessed whether impaired and unprofitable stores require an impairment charge with regards their Right of Use assets. This is recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the benefits expected to be received under the lease.

The recoverable amount is based on the higher of the value in use and fair value less costs to dispose, although as all of the Group's retail owned stores are leasehold, only value in use has been considered in the impairment assessment. Value in use is calculated from expected future cash flows using suitable discount rates and including management assumptions and estimates of future performance. Store asset carrying values are considered net of the carrying value of any cash contribution received in relation to that store.

For impairment testing purposes, the Group has determined that each store is a cash generating unit ("CGU"). Each CGU is tested for impairment if any indicators of impairment have been identified. Given the decline in store like for like sales in the year, all stores have been tested for impairment.

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows. The cash flows are discounted using the weighted average cost of capital ("WACC"). The cash flows are modelled for each store through to their lease expiry date. No lease extensions have been assumed in the modelling.

Management estimates discount rates using pre tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs.

The cost of exiting lease as set out in the lease agreement, either at the end of the lease or the lease break date (whichever is shorter), have been considered in the calculation.

Management assessed the value in each CGU at 30 September 2019 and based on the factors set out above, the Group at that date recognised an impairment charge of £1,881,000.

On 10 June 2020, the Company announced that its restructuring its standalone retail store portfolio. The Group's 82 standalone stores in the United Kingdom and the Republic of Ireland were operated by Kast Retail Limited ("Kast"). The Group's three standalone stores in Spain were operated by Kast International Spain SL, a wholly owned subsidiary of Kast.

Further to the appointment of joint administrators to Kast, Zandra Retail Limited ("Zandra"), a wholly owned subsidiary of the Company, acquired the business and certain assets of Kast, including inventories, fixtures and fittings, contracts and vehicles.

Whilst none of the leases associated with the standalone stores operated by Kast transferred to Zandra new lease arrangements were secured for the majority of the previous standalone stores.

Further to this, management assessed the value in use of each CGU at 31 March 2020 on a similar basis as above with reference to the new lease arrangements entered into. Further to this the Group recognised an additional impairment charge of £9,327,000.

Impairment of store assets

Retail store assets (as with other financial and non-financial assets) are subject to impairment based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value.

The calculation of the net present value of future cash flows is based on the same assumptions for growth rates and expected changes to future cash flows as set out above, discounted at the appropriate risk adjusted rate.

The £9,515,000 charge in relation to the impairment of store assets includes a £5,126,0000 charge recognised at 30 September and a further £4,389,000 charge further to the appointment of joint administrators to a wholly owned subsidiary undertaking.

Impairment of goodwill

At 31 March 2019, the Group recorded goodwill of £6,175,000 relating to the difference between the fair value of the consideration transferred and the fair value of assets and liabilities purchased which arose when Shoar (Holdings) Limited acquired the entire share capital of Tarak Retail Limited in 2012.

Goodwill is assessed for impairment by comparing the carrying value to value-in-use calculations. Value in use has been estimated using cash flow projections based on detailed budgets and forecasts over the period of three years, with a decline rate of 4% (2019: decline rate of 4%) and a discount rate of 10% (2019: 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.

Further to this assessment the Directors consider that the goodwill was impaired by £5,230,000 (2019: £Nil).

Write-off of debt

The non-recurring costs of £384,000 related to the write-off of debt arising from a customer entering into an administration process (2019: £369,000).

5 Employee benefit expenses

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

	2020 £000	2019 £000
Wages and salaries	20,148	18,786
Social security costs	1,478	1,360
Other pension costs	338	254
Agency costs	3,211	3,887
	25,175	24,287

	No.	No.
Retail	1,456	1,422
Distribution	66	45
Administration	214	188
	1,736	1,655

Included above is £673,000 in respect of Directors' remuneration (FY 2019: £687,000).

6 Operating profit

Operating profit is stated after charging:

	2020 £000	2019 £000
Cost of inventories recognised as an expense	46,892	51,498
Distribution costs	18,810	24,066
Employment costs	25,175	24,287
Depreciation	9,952	3,767
Amortisation	467	245
Operating lease payments	542	6,982
Non-recurring depreciation costs	18,558	—
Non-recurring amortisation costs	5,230	—
Non-recurring administrative costs	2,549	369
Share-based payment charges	31	84
Other expenses	18,476	19,389
	146,682	130,687

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

	2020 £000	2019 £000
Audit services		
Audit of the Company and the consolidated financial statements	11	11
Audit of the Company's subsidiaries	62	59
Total audit fees	73	70
Fees relating to accounts preparation services	—	5
Fees relating to financial reporting advisory services	—	4
All other services	5	18
Total fees payable to the Company's auditors	78	97

7 Finance income and expense

	2020 £000	2019 £000
Interest on cash deposits	28	36
Finance income	28	36

	2020 £000	2019 £000
Interest on lease liabilities	758	—
Interest on loans and overdrafts	13	18
Other interest	40	13
Finance expense	811	31

8 Income tax

	2020 £000	2019 £000
UK corporation tax – current year	70	219
UK corporation tax – prior year	(95)	(91)
Foreign tax	(23)	29
Deferred tax – current year	(374)	(141)
Deferred tax – effect of adjustment in tax rate	(53)	—
Deferred tax – prior year	57	88
Tax on profit on ordinary activities	(418)	104
Reconciliation of effective tax rate		
Profit on ordinary activities before taxation	(29,445)	216
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19%	(5,595)	41
Expenses not deductible for tax purposes	1,135	68
Non recognition of potential of deferred tax asset	3,940	—
Excess of depreciation over capital allowances	53	14
Adjustments to previous years	(38)	(3)
Foreign tax adjustments	88	(16)
	(418)	104

9 Earnings per share

Number of shares:	2020 No.	2019 No.
Weighted number of ordinary shares outstanding	124,230,905	124,230,905
Effect of dilutive options	132,357	39,002
Weighted number of ordinary shares outstanding – diluted	124,363,262	124,269,907

Earnings:	£000	£000
Profit basic and diluted	(29,027)	112
Profit adjusted	(3,265)	412

Earnings per share:	Pence	Pence
Basic earnings per share	(23.37)	0.09
Adjusted earnings per share	(2.63)	0.33
Diluted earnings per share	(23.34)	0.09
Adjusted diluted earnings per share	(2.63)	0.33

The adjusted profit after tax in the current year is shown before the impact of the non-recurring administrative costs of £26,336,000 (net of tax) and the impact of the implementation of IFRS 16 of £574,000 (net of tax).

The adjusted profit after tax for the previous year is shown before the provision made for doubtful debts of £300,0000 (net of tax) further to House of Fraser entering into Administration.

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

	2020 £000	2019 £000
Dividends paid	—	1,491

In September 2018, a dividend of 0.8 pence per share was paid by the Group, amounting to a dividend paid of £994,000. In March 2019, an interim dividend of 0.4 pence per share was paid by the Group, amounting to a dividend paid of £497,000. No dividends in respect of 2020 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 2019	1,500	162	1,888	22,529	26,079
Additions	167	14	196	2,171	2,548
Disposals	(40)	(30)	(53)	(619)	(742)
At 31 March 2020	1,627	146	2,031	24,081	27,885
Depreciation					
At 1 April 2019	696	100	657	8,643	10,096
Charge	231	31	307	3,266	3,835
Impairment	470	-	150	6,730	7,350
Disposals	(40)	(30)	(53)	(543)	(666)
At 31 March 2020	1,357	101	1,061	18,096	20,615
Net book value					
At 31 March 2020	270	45	970	5,985	7,270
At 31 March 2019	804	62	1,231	13,886	15,983

12 Right to use assets and lease liabilities

	Property £000
Cost	
Recognised on adoption of IFRS 16	32,461
Additions	2,217
Disposals	(2,460)
At 31 March 2020	32,218
Amortisation	
Recognised on adoption of IFRS 16	14,361
Charge	6,117
Impairment	11,208
Disposals	(2,460)
At 31 March 2020	29,226
Net book value	
At 31 March 2020	2,992

The Group presents lease liabilities separately within the statement of financial position. The movement in the year comprised:

	£000
Cost	
Recognised on adoption of IFRS 16	20,860
Additions	2,425
Interest expense related to lease liabilities	758
Repayment of lease liabilities (including interest)	(7,705)
At 31 March 2020	16,338
Current liabilities	6,388
Non-current liabilities	9,950

13 Intangibles

	Goodwill £000	Computer software £000	Trademarks £000	Total £000
Cost				
At 1 April 2019	6,175	2,557	165	8,897
Additions	-	1,528	-	1,528
At 31 March 2020	6,175	4,085	165	10,425
Amortisation				
At 1 April 2019	-	639	28	667
Charge	-	451	16	467
Impairment	5,230	-	-	5,230
At 31 March 2020	5,230	1,090	44	6,365
Net book value				
At 31 March 2020	945	2,995	121	4,061
At 31 March 2019	6,175	1,918	137	8,230

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 as set out in Note 5.

14 Inventories

	2020 £000	2019 £000
Finished goods and goods for resale	9,693	14,453

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

15 Trade and other receivables

	2020 £000	2019 £000
Trade receivables – gross	3,079	7,366
Allowance for doubtful debts	(320)	(506)
Trade receivables – net	2,759	6,860
Other receivables	1,539	1,884
Prepayments and accrued income	2,810	3,806
Amounts owed by related parties	2	2
	7,110	12,552

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

16 Trade and other payables

	2020 £000	2019 £000
Trade payables	6,852	9,580
Other taxes and social security costs	1,354	2,263
Accruals	2,301	3,983
Deferred income	-	586
Other payables	852	561
Amounts due to related parties	8	126
	11,367	17,099

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 2019: £40,000) owed to the Group's pension scheme.

17 Loans and borrowings

	2020 £000	2019 £000
Bank loans	—	40
Bank overdrafts	—	—
	—	40
Current	—	40
Non-current	—	—
	—	40

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, the Company has provided a Parent Company Guarantee with respect to the facilities.

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.

The bank overdrafts are other credit facilities, subject to review in October 2021 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.

18 Derivative financial instruments

	2020 £000	2019 £000
Foreign currency options	36	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 2020, the Group had commitments to buy the equivalent of £3,200,000 of Chinese Renminbi (FY 2019: £4,800,000) and sell the equivalent of £854,000 of Euros (FY 2019: £3,369,000) and £324,000 of US Dollars (2019: £Ni1).

19 Deferred tax

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

	2020 £000	2019 £000
Accelerated capital allowances		
Balance brought forward	378	464
Credit to income statement	(370)	(88)
Effect of foreign exchange rates	(1)	2
Balance at end of year	7	378
Other short-term timing differences		
Balance brought forward	—	(52)
Charge to equity	—	17
Charge to income statement	—	35
Balance at end of year	—	(52)
Total deferred tax liability at end of year	7	378

There is no unprovided deferred tax in the current year for the Group (FY 2019: £Nil).

20 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.

	2020 £000	2019 £000
Category of financial instruments		
Carrying value of financial assets:		
Cash and cash equivalents	6,897	7,555
Trade and other receivables	4,300	8,746
Total financial assets	11,197	16,301
Carrying value of financial liabilities:		
Trade and other payables	(7,711)	(14,250)
Bank and other borrowings	-	(40)
Lease liabilities	(16,338)	-
Total financial liabilities	(24,049)	(14,290)

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.

21 Share capital and reserves

	2020 £000	2019 £000
Share capital – allotted, called up and fully paid		
124,230,905 ordinary shares of 0.3 pence each (FY 2019: 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 2019 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.

22 Share-based payments

The movement in awards during the year was:

	CSOP	ESOP	Warrants	Total
Opening balance	595,106	436,378	186,335	1,217,819
Granted during the year	1,760,971	—	—	1,760,971
Lapsed during the year	(37,266)	(31,433)	—	(68,699)
Surrendered during the year	(584,094)	(404,945)	—	(989,039)
Closing balance	1,734,717	—	186,335	1,921,052

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	Warrant
Grant date	31/7/19	28/7/17
Weighted average share price	15.75	80.50
No. of employees	87	1
Shares under option	1,695,771	186,335
Vesting period (years)	3	—
Expected volatility	88.5%	31.4%
Risk-free rate	0.5%	0.5%
Possibility of ceasing employment before vesting	4	2
Expectations of meeting performance criteria	100%	100%
Expected dividend yield	2.0%	2.0%

The Group recognised a total expense of £31,000 during the year (FY 2019: £84,000) relating to equity-settled share-based payments, including employer's National Insurance contributions of £4,000 (FY 2019: £13,000).

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. All of these options were surrendered during the 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.

23 Cash and cash equivalents

	2020	2019
	£000	£000
Cash	6,897	7,555

24 Financial commitments

Capital commitments

The Group has no capital commitments of at 31 March 2020 (FY 2019: £250,000) 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:

	2020	2019
	£000	£000
Within one year	239	7,780
From two to five years	—	15,249
In more than five years	—	219
	239	23,248