4 December 2019

QUIZ plc

("QUIZ" or the "Group")

Interim Results
for the six months ended 30 September 2019

Continued challenging market conditions impact UK stores and concessions; however, online and international channels grow in the period

QUIZ, the omni-channel fast fashion brand, announces its unaudited interim results for the six months ended 30 September 2019 ("H1 2020").

Financial highlights:

	Six months to 30 September 2019 (unaudited)	Six months to 30 September 2018 (unaudited)	Change
Group revenue	£63.3m	£66.7m	-5%
EBITDA	£5.8m	£5.6m	+4%
Underlying[1] EBITDA	£2.7m	£5.9m	-54%
(Loss)/profit before tax	(£6.8m)	£3.8m	-
Underlying[1] profit before tax	£0.6m	£4.2m	-85%
Basic (loss)/earnings per share	(4.44p)	2.46p	-
Underlying basic earnings per share[1]	0.36p	2.70p	-87%

A reconciliation between underlying and reported results is provided at the end of the Financial Review.

- Group revenue decreased 5% period on period:
  - Online revenue was consistent at £20.0m (H1 2019: £20.0m)
  - International sales[2] increased 3% to £12.0m (H1 2019: £11.6m)
  - Revenue from UK stores and concessions decreased 11% to £31.3m (H1 2019: £35.1m)
- Underlying online revenue[3] increased 7% from £18.7m to £20.0m
- Underlying EBITDA decreased 54% period on period to £2.7m (H1 2019: £5.9m)
- Gross margin generated increased to 61.7% compared to 59.3% in H2 2019
- Non-cash £7.0m exceptional charge recognised in relation to impairment of store assets and onerous lease provisions
- Operating cash flows of £4.9m (H1 2019: £6.8m) and net cash at the period end of £7.2m (March 2019: £7.5m)

Operational highlights:

- QUIZ own website sales up 12% with QUIZ website traffic increasing by 11% year on year reflecting effective marketing and improved conversion rates
- Active[4] online customer base increased 31% period on period to 648,000 with continued positive trends in social media engagement
- International franchise sales up 7% with growth in US and Middle East
- Two stores and nine concessions opened and seven concessions closed during the period
- Successful marketing campaigns undertaken including two ranges with Sam Faiers

Tarak Ramzan, Founder and Chief Executive Officer, commented:

"The Group's performance has resulted in an underlying profit before tax of £0.6m. Whilst it is disappointing to report a decline of profits year-on-year, management are focused on implementing the actions identified further to the Group's business review conducted earlier in 2019. We are pleased to report progress improving gross margins and reducing costs across the business, and will look for further improvements to develop our omni-channel offering.

"QUIZ has continued to achieve sales growth in its international business and, in particular, online despite the challenging trading conditions. This has been supported by effective marketing investment including a successful collaboration with TV star Samantha Faiers.

"The Group has continued to generate cash and had £7.2m of cash at the period end. The Board remains firmly focused on further improving the Group's financial performance and growing revenues with a strong focus on QUIZ's online and international channels.

The exceptional charge incurred in relation to store impairments and onerous leases is partially attributable to the structural shifts whereby consumers are increasingly shopping online. We have a clear customer focus, a healthy brand and a flexible model that the Board believes will enable QUIZ to adapt to the changing retail environment and return to profitable growth in the medium term."

1. Underlying EBITDA, Profit Before Tax and EPS: excludes the £7.0m exceptional charge in respect of store impairments and onerous leases and the £0.4m impact of the implementation of IFRS 16 in the current year and the £0.4m bad debt provision arising from the Administration of House of Fraser in the prior year. A reconciliation to reported (IFRS) results is included in the financial review below.
2. International sales comprise the results from QUIZ standalone stores and concessions in the Republic of Ireland, standalone stores in Spain and franchises in 20 countries.
3. Underlying online sales comparison excludes unprofitable revenue streams from HI 2019 which have been terminated.
4. An active customer is a customer registered on our database who has transacted in the last 12 months.
5. Financial information in the front of this report has been rounded to the nearest decimal place. Totals in the tables may not equal the arithmetic sum of presented numbers. Percentages are calculated on non-rounded numbers and may not conform to the percentage derived from the rounded components.

Analyst meeting:

A meeting for sell-side analysts will be held at the offices of Hudson Sandler, 25 Charterhouse Square London EC1M 6AE on 4 December 2019, commencing at 9.30am. QUIZ plc's Interim Results for the six months ended 30 September 2019 are available at quizgroup.co.uk

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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 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.

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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https://www.quizclothing.co.uk/
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CHIEF EXECUTIVE'S REPORT

Much of the UK retail sector has remained under pressure during the period impacted by macro-economic uncertainty well as the accelerating structural shift to online retailing. Against this backdrop, QUIZ recorded pleasing progress in its online and international channels, however this was offset by a decline in revenues from the Group's UK stores and concessions.

The Group's performance has resulted in an underlying profit before tax of £0.6m (H1 2019: £4.2m). Whilst down year on year, this is a significant improvement on the £3.6m loss incurred in H2 2019.

Whilst it is disappointing to report a decline of profits year on year, management are focused on implementing the actions identified during the Group's business review conducted earlier in 2019. We are pleased to report progress improving gross margins and reducing costs across the business and we will look for further improvements and to develop our omni-channel offering.

We have also taken actions to address the performance of our UK stores and concessions through renegotiating rents where possible and exiting a number of loss-making concessions. Over the next two years we will have the opportunity to renegotiate or terminate leases in 50% of our UK stores.

However, before leases can be renegotiated at current and projected sales levels a number of our stores will lose money. Given this we have undertaken a thorough exercise to review each store to:

(i) identify any impairments of fixed assets, such as fit out costs, where the cash flows expected to be generated by the store are less the carrying value of that store's fixed assets thereby resulting in an acceleration of the depreciation charge for these assets; and
(ii) identify any onerous lease charges, where, subsequent to the impairment of fixed assets above, the store is forecast to be loss making over the remainder of the lease term and if so, impair the right to use asset relating to the lease for that store by the equivalent of the forecast losses thereby resulting in an acceleration of the depreciation charge for these assets.

As a result of this exercise, and reflecting our prudent approach, we have recognised an exceptional non-cash charge of £7.0m in relation to store impairments and onerous leases. The average remaining lease length of the stores impacted by this charge is 25 months. In due course we will look to renegotiate the terms of these leases to ensure that they are profitable or exit the store as appropriate,

With £7.2m of cash at period end and cash generated from operations in the period of £4.9m, the business is financially stable and we remain firmly focused on improving the Group's financial performance and growing revenues with a strong focus on QUIZ's online and international channels. We have a clear customer focus, a healthy brand and a flexible model that the Board believes will enable QUIZ to adapt to the changing retail environment and return to profitable growth in the medium term.

RESULTS OVERVIEW

Throughout this report, "underlying" results exclude the one-off impact in the period of the £7.0m exceptional charge in relation to store impairments and onerous leases as well as the £0.4m negative impact of applying IFRS16 for the first time. In the comparable prior year period, underlying results exclude a £0.4m bad debt provision resulting from House of Fraser's entry into administration. A reconciliation between underlying and reported results is provided at the end of the Financial Review.

The main impact of the introduction of IFRS 16, Leases, is that future lease payments are recognised as lease liabilities on the Balance Sheet with a corresponding value recognised as a right-of-use asset which is depreciated over the term of the lease. The impact of its implementation on 1 April 2019 was to create a fixed asset and lease liability of £19.6m and to reduce profit before tax in the six months to 30 September 2019 by £0.4m.

Group revenue decreased 5% to £63.3m in H1 2020 (H1 2019: £66.7m). The revenue generated from each channel in H1 2020 was as follows:

	Six months to 30 September 2019	Six months to 30 September 2018	Year-on-year growth	Share of revenue H1 2020	Share of revenue H1 2019
UK stores and concessions	£31.3m	£35.1m	-11%	49%	53%
Online	£20.0m	£20.0m	-	32%	30%
International	£12.0m	£11.6m	+3%	19%	17%
Total	**£63.3m**	**£66.7m**	**-5%**		

As a consequence of the £7.0m exceptional charge made in relation to store impairments and onerous leases Group operating losses were £6.3m (H1 2019: profit of £3.8m) and EBITDA however increased to £5.8m (H1 2019: £5.6m).

Underlying operating profit decreased 85% to £0.6m (H1 2019: £4.2m) and underlying EBITDA declined by 54% to £2.7m (H1 2019: £5.9m). The underlying EBITDA margin for the period was 4.3% (H1 2019: 8.9%).

The reported loss before tax amounted to £6.8m (H1 2019: profit of £3.8m). Underlying profit before tax decreased to £0.6m (H1 2019: £4.2m).

Loss per share was 4.44 pence (H1 2019: Earnings per share of 2.46 pence). Underlying earnings per share was 0.36 pence (H1 2019: 2.70 pence).

Net cash at the period end was £7.2m (H1 2019: £12.5m) which reflects the cash generation of £4.9m from operations in the period. Capital expenditure in H1 2020 amounted to £2.5m (H1 2019: £2.7m).

OPERATIONAL REVIEW

The Group's strategy is to restore the business to its previous levels of profitability and to develop the QUIZ brand through its omni-channel distribution model. The Group has a particular focus on capturing the significant online opportunities available to QUIZ as well as on expanding internationally.

This strategy is underpinned by investment in ROI-driven marketing, infrastructure and systems, and our team. Marketing spend in H1 2020 was £1.7m which was consistent with the previous year. Marketing investment in the current year has been concentrated on digital and social marketing to generate new customers for all sales channels, as well as increasing shopping frequencies and basket size for online customers. The Group's targeted investment has supported improvements in the brand's social media engagement with 31% and 11% annual increases in our Instagram and Facebook audiences respectively.

During the period, we also undertook our first collaboration with TV star Samantha Faiers which yielded a positive reaction. Further to this we recently undertook a second collaboration which has again proven to be successful

To ensure that QUIZ's infrastructure is able to support the Group's targeted growth in online revenues we have expanded and adapted the utilised space at our Distribution Centre to allow for more capacity for flat packed product. This adaptation allows us to hold a higher number of SKUs and due to its configuration, will help reduce costs for online deliveries. The Distribution Centre still has the scope to increase floor space further in the future by introducing additional mezzanine floors.

As previously reported, a Business Review was undertaken by the Board and its advisors earlier in 2019 which identified a number of pressing challenges to be addressed and opportunities to be capitalised upon. QUIZ's progress in each of these areas during the Period is outlined below:

1. Optimising the omni-channel model and capturing the online opportunity

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. Capturing QUIZ's significant sales growth potential online remains a key priority for the Group.

Online revenues grew by 7% to £20.0m (HI 2019: £18.7m) when adjusted for unprofitable revenue streams with third-party website partners terminated in the previous year. Total online revenues in the previous period were £20.0m, consistent with the current year. The Group has continued to experience solid growth through its own QUIZ websites, with sales increasing by 12% year-on-year. This reflects continued investment in the Group's online proposition and product range, as well as more ROI focused marketing.

We continued to see positive trends in KPIs across QUIZ's website with traffic increasing by 11% and conversion rates up by 22% relative to the comparable prior year period. Active online customers increased by 31% to 648,000 (30 September 2018: 495,000). In addition, there have been improvements in other key metrics such as shopping frequencies and basket size in the period.

We have had a positive response to the introduction of our delivery pass, QVIP, which offers customers unlimited free delivery and collect in store for a small annual fee. The benefit of the increased customer engagement which this encourages is reflected in increased order frequency and Average Transaction Values from those who have subscribed to this service. We have seen similar benefits from the use of Klarna, a 'buy now, pay later' payment platform technology to make it even easier for our customers to pay for goods.

Third party online sales remain an important part of our online business and are beneficial in broadening awareness and the appeal of the QUIZ brand. During the period, we continued to receive positive feedback with regards to our product and our performance on these websites relative to other brands. 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.

2. Managing the decline in footfall and spend in our UK store and concession estate

As has been widely reported across the UK retail sector, and as previously stated by QUIZ, the trading conditions on the UK high street have remained very challenging. A continued reduction in footfall across the Group's standalone stores and concessions have resulted in a sustained and weaker than initially anticipated negative like for like performance.

Sales in the Group's UK standalone stores and concessions decreased by 11% to £31.3m in H1 2020 (H1 2019: £35.1m).

As a result of this decline in revenues, management undertook a review of the entire store estate which resulted in a £7.0m non-cash, exceptional charge being recognised in the period in relation to store impairments and onerous leases.

We believe that stores, with appropriate property costs and flexible lease terms, can continue to be a highly relevant pillar in our omni-channel model. The average lease length on our stores remains relatively low at 26 months and we continue to appraise the economics of each store as leases come up for renewal.

Whilst we have made an exceptional charge against losses that may arise from existing lease arrangements, we anticipate that we will continue to operate a number of these stores after the expiry of their existing lease terms further to renegotiating lower lease costs. In the current year where leases have expired, we have negotiated sufficient rent reductions to allow each store to trade profitably. We will, however, close stores where we are unable to secure terms that enable long-term store profitability going forward.

The challenges affecting the store estate are also impacting the performance of QUIZ's concessions. However, for QUIZ, the concession model remains very flexible with limited capital expenditure required and short notice periods to exit unprofitable concessions. We have previously indicated our expectation that approximately 20 concessions would be closed during the current year. To date, seven concessions have been closed and a number of other closures will be undertaken post-Christmas. We continue to review the performance of our concessions and will look to renegotiate terms to ensure their profitability or exit any that remain loss making.

UK stores and concessions square footage at 30 September 2019 was 220,000 sq. ft. (30 September 2018: 200,000 sq. ft.). Of the increased UK stores and concessions square footage 50% of this related to new or relocated stores and the balance predominantly relates to new concessions which are not staffed by QUIZ employees and are smaller than our average concession thereby limiting our start-up and on-going costs.

At the end of the period, QUIZ had 73 stores and 171 concessions in the UK (30 September 2018: 70 stores and 160 concessions). During the period we opened two new standalone stores in Arndale and Romford as well nine new concessions with existing partners during the period. Since the period end, new stores have opened in Eastbourne and Exeter.

There are no current plans to open further stores and future openings will only be considered if the terms of the lease and the associated property costs ensure that the store can be expected to trade profitably.

3. Achieving the brand's international growth potential

The Group continues to believe that the QUIZ brand has significant potential in its targeted international markets.

International sales, comprising revenue from QUIZ standalone stores and concessions in the Republic of Ireland, standalone stores in Spain and franchises, increased by 3% to £12.0m in H1 2020 (H1 2019: £11.6m). This reflected growth in revenue from the franchise operations and Spanish stores offset by a decline in sales in Irish stores and concessions.

Awareness of the QUIZ brand in target international markets continued to strengthen resulting in a 7% increase in revenue from our franchise partners. The strongest growth has been with existing partners in the US and in the Middle East. We remain focused on developing further growth opportunities with existing and new partners.

Sales in our Irish stores and concessions have been impacted by the same factors impacting the UK and have declined in the period. We have reviewed our stores in Ireland and Spain as part of establishing the provision for store impairment and onerous leases. Included within this provision is £0.7m in relation to those stores.

4. Managing the gross margin

Increased promotional activity in order to clear excess stock in the previous year resulted in the gross margin generated falling from 61.9% in H1 2019 to 59.3% in H2 in 2019. Through a combination of improved sourcing, targeted price increases and managing stock allocations and purchases to reduce the amount of stock subject to markdowns the gross margin has increased by 2.4% to 61.7% in H1 2020 generating an additional £1.5m of contribution.

5. 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 these savings have been implemented in line with our plans.

Costs as a proportion of revenue declined by 4.2% to 60.7% in H1 2020, which represents a reduction of £2.7m relative to the costs incurred in H2 2019.

OUTLOOK AND CURRENT TRADING

Since the end of H1 2020 we have continued to achieve growth through QUIZ's websites with sales up by 16%. However, consistent with the six months to 30 September, the performance of our stores and concessions has remained challenging. Given this, total Group sales for the nine weeks to 30 November 2019 reduced by 6% year on year (excluding international franchise sales which are wholesale in nature and therefore, can fluctuate from month to month).

The important Christmas trading period has commenced and we have seen a positive response to recent product ranges. We were pleased with sales across the recent Black Friday week and look forward to building upon this in the weeks to come.

The Board remains confident that the QUIZ brand remains in good health as is demonstrated by the growing customer base and continued sales growth online. Whilst the Group's full year results will, as always, be in part dependent on trading during the key Christmas period, the Board believes the Group is taking the necessary actions to ensure that it can deliver long-term profitable growth.

FINANCIAL REVIEW

Gross margin

Gross margin generated was in line with expectations at 61.7% (H1 2019: 61.9%). This represented a substantial improvement on the 59.3% gross margin generated in the six months to 31 March 2019. We remain focused on managing gross margins through a combination of efficient sourcing as well as careful stock management.

Foreign currency hedging

The Group currently undertakes foreign exchange transactions.

The primary inflow of foreign exchange relates to the 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.

Operating costs

Operating costs increased by 21% in H1 2020 from £37.5m to £45.3m. Excluding the exceptional charge in respect of the store impairments and onerous leases and the impact of implementing IFRS 16 in the current year and balances owed from House of Fraser in the prior year, operating costs rose 3% from £37.2m to £38.4m. Further to this increase and the reduction in revenues recorded during the year underlying operating costs represented 60.7% of revenue (H1 2019: 55.7%).

The £38.4m of underlying operating costs in H1 2020 incurred represents an 8% reduction compared to the £41.7m of costs incurred in H2 2019 which represented 64.9% of revenues. The reduction in costs reflects the implementation of targeted cost reductions as well as the impact of the lower revenues in the period.

Underlying administrative costs increased by 10% to £27.8m (H1 2019: £25.4m). This £2.4m increase in spend related to £1.0m for higher personnel costs further to recruitment in previous periods in a number of key areas, £0.6m for higher property costs in relation to stores opened in the previous and current year and £0.4m for increased depreciation costs further to investment made in previous periods.

Distribution costs decreased 10% to £10.6m (H1 2019: £11.8m). The £1.2m reduction in costs was derived in similar amounts from (i) lower commission paid to third parties who sell product on behalf of QUIZ partially as a result of terminating unprofitable relationships and (ii) a number of initiatives to lower the cost of carriage to stores, concessions and franchises as well as online customers.

Depreciation and amortisation increased from £1.8m to £12.1m. The current year costs were impacted by the introduction of IFRS 16, Leases, which resulted in £3.5m previously recorded as operating lease costs being recorded as depreciation. In addition, the store impairment and onerous lease provision included £6.5m of depreciation. Excluding these factors there was a 19% increase in depreciation from £1.8m to £2.1m.

Finance costs

The finance costs of £424k (H1 2019: £18k) primarily relates to interest costs arising on the lease payments for stores. These costs arose further to the introduction of IFRS16, Leases, in the current year and as a result these costs did not arise in the previous year.

Taxation

The reported tax rate in the current year is 18.3% (H1 2019: 19.8%) which reflects the estimated charge for the year. The exceptional charge in relation to the store impairment and onerous lease provision gave to a £1.2m tax benefit was reflected in the deferred tax assets in non-current assets.

Loss/Earnings per share

The loss per share for H1 2020 was 4.44 pence (H1 2019: Earnings per share of 2.46 pence). The underlying basic earnings per share for H1 2020, which is calculated using the underlying profit before tax less tax at the effective statutory rate, was 0.36 pence (H1 2019: 2.70 pence)

Dividends

The Board has previously intimated that is considers 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, the Board do not recommend the payment of an interim dividend.

Cash flow and cash position

Net cash at the period end amounted to £7.2m (H1 2019: £12.5m), a reduction of £0.4m since 31 March 2019.

The business continues to generate cash with net cash flow from operating activities of £5.0m (H1 2019: £6.8m). There was a limited working capital outflow of £0.4m (H1 2019: inflow of £2.1m).

We have continued to invest in the business in H1 2020 with capital expenditure totalling £2.5m (H1 2019: £2.7m). Included in this spend was £0.9m on new stores and store refurbishments and £0.6m to expand capacity at the distribution centre. Other capital expenditure in the period included £0.8m of continued IT investment upgrading existing systems and developing our online sales.

There was £2.8m paid in H1 2020 in relation to lease liabilities and new leases with future obligations to pay £1.5m entered into. In the previous year these payments would have been included in operating cash flows.

Whilst preserving our strong cash position remains a priority, we will continue to support our plans to improve the business performance and our plans for growth going forward.

Reconciliation of Underlying and Reported (IFRS) Results

In establishing the underlying operating profit, the cost adjusted in the current year relates to the exceptional charge in respect of store impairments and onerous lease provisions, 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 Reported and Underlying results is provided below:

	Reported £000	Exceptional costs £000	Impact of IFRS 16* £000	Underlying £000
Six months ended 30 September 2019				
Profit before tax	(6,751)	7,007	358	614
Operating loss	(6,332)	7,007	(56)	619
Depreciation and amortisation	12,118	(6,507)	(3,512)	2,099
EBITDA	5,786			2,718
Six months ended 30 September 2018				
Profit before tax	3,817	369	-	4,186
Operating loss	3,811	369	-	4,180
Depreciation and amortisation	1,763	-	-	1,763
EBITDA	5,574			5,943
Year ended 31 March 2019				
Profit before tax	216	369	-	585
Operating profit	211	369	-	580
Depreciation and amortisation	4,012	-	-	4,012
EBITDA	4,223			4,592

Note 1 - the adjustment to operating losses comprises removing the £3,512k of depreciation expensed further to implementing IFRS 16 and applying the £3,568k of rental costs that would have been previously expensed.

QUIZ plc
Unaudited consolidated statement of comprehensive income
For the six months ended 30 September 2019

	Notes	Unaudited six months ended 30 September 2019 £000	Unaudited six months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
Continuing operations				
Revenue	3	63,259	66,720	130,898
Cost of sales		(24,245)	(25,387)	(51,498)
Gross profit		39,014	41,333	79,400
Administrative costs before exceptional costs		(27,746)	(25,374)	(54,760)
Exceptional administrative costs	4	(7,007)	(369)	(369)
Administrative costs	5	(34,753)	(25,743)	(55,129)
Distribution costs		(10,598)	(11,781)	(24,066)
Other operating income		5	2	6
Total operating costs		(45,346)	(37,522)	(79,189)
Operating (loss)/profit		(6,332)	3,811	211
Finance income		5	24	36
Finance costs		(424)	(18)	(31)
(Loss)/profit before income tax		(6,751)	3,817	216
Income tax charge	6	1,239	(755)	(104)
(Loss)/profit for the year		(5,512)	3,062	112
Other comprehensive income				
Foreign currency translation differences - foreign operations		67	38	(46)
(Loss)/profit and total comprehensive income for the year		(5,445)	3,080	66
Basic and diluted (loss)/earnings per share	8	(4.44)p	2.46p	0.09p

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

QUIZ PLC
Unaudited consolidated statement of financial position
As at 30 September 2019

	Notes	Unaudited as at 30 September 2019 £000	Unaudited as at 30 September 2018 £000	Audited as at 31 March 2019 £000
Assets				
Non-current assets				
Property, plant and equipment		11,277	15,492	15,983
Right to use asset		15,692	-	-
Intangible assets		8,753	7,512	8,230
Deferred tax asset		1,158		-
Total non-current assets	9	36,880	23,004	24,213
Current assets				
Inventories		14,601	13,667	14,453
Trade and other receivables	10	8,727	12,583	12,552
Cash and cash equivalents		7,161	12,475	7,555
Total current assets		30,489	38,725	34,560
Total assets		67,369	61,729	58,773
Liabilities				
Current liabilities				
Trade and other payables	11	(12,112)	(15,784)	(17,099)
Loans and borrowings		-	(95)	(40)
Lease liabilities		(7,031)	-	-
Derivative financial liabilities		(16)	(8)	(5)
Corporation tax payable		(213)	(1,013)	(452)
Total current liabilities		(19,372)	(16,900)	(17,596)
Non-current liabilities				
Lease liabilities		(12,152)	-	-
Deferred tax liabilities		(484)	(531)	(378)
Total non-current liabilities		(12,636)	(531)	(378)
Total liabilities		(32,008)	(17,431)	(17,974)
Net assets		35,361	44,298	40,799
Equity				
Called up share capital		373	373	373
Share premium		10,315	10,315	10,315
Merger reserve		915	915	915
Retained earnings		23,758	32,695	29,196
Total equity		35,361	44,298	40,799

QUIZ PLC
Unaudited consolidated statement of changes in equity
For the six months ended 30 September 2019

	Unaudited as at 30 September 2019 £000	Unaudited as at 30 September 2018 £000	Audited as at 31 March 2019 £000
Share capital			
Balance at beginning and end of period	373	373	373
Share premium			
Balance at beginning and end of period	10,315	10,315	10,315
Merger reserve			
Balance at beginning and end of period	915	915	915
Profit and loss account			
Balance at beginning of period	29,196	30,537	30,537
Total comprehensive income	(5,445)	3,080	66
Impact of IFRS 16 implementation	(67)	-	-
Share based payments charge	74	72	84
Dividends	-	(994)	(1,491)
Balance at end of period	23,758	32,695	29,196
Total equity at beginning of period	40,799	42,140	42,140
Total equity at end of period	35,361	44,298	40,799

QUIZ PLC
Unaudited consolidated statement of changes of cash flows
For the six months ended 30 September 2019

	Note	Unaudited six months ended 30 September 2019	Unaudited six months ended 30 September 2018	Audited year ended 31 March 2019
		£000	£000	£000
Cash flows from operating activities				
Cash generated by operations				
Operating (loss)/profit		(6,332)	3,811	211
Depreciation of tangible assets		11,930	1,656	3,767
Amortisation of intangible assets		188	107	245
Share based payment charges		74	52	84
Exchange movement		59	33	(29)
(Increase)/decrease in inventories		(147)	1,050	264
Decrease/(increase) in receivables		2,325	(2,809)	(2,779)
(Decrease)/increase in payables		(2,697)	3,697	5,030
Increase in provisions		107	120	-
Net cash from operating activities		5,507	7,717	6,793
Interest paid		(424)	(18)	(31)
Income taxes paid		(149)	(870)	(832)
Net cash generated in operating activities		4,934	6,829	5,930
Cash flow from investing activities				
Payments to acquire intangible assets		(711)	(330)	(1,186)
Payments to acquire property, plant and equipment		(1,824)	(2,355)	(4,957)
Interest received		5	24	36
Net cash used in investing activities		(2,530)	(2,661)	(6,107)
Cash flows from financing activities				
Repayment of borrowings		(40)	(198)	(254)
Payment of lease liabilities		(2,765)	-	-
Dividends paid		-	(994)	(1,491)
Net cash used by financing activities		(2,805)	(1,192)	(1,745)
Net (decrease)/ increase in cash and cash equivalents		(401)	2,976	(1,922)
Cash and cash equivalents at beginning of period		7,555	9,495	9,495
Effect of foreign exchange rates		7	4	(18)
Cash and cash equivalents at end of period	14	7,161	12,475	7,555

Basis of Preparation

1.1 General Information

QUIZ plc is a public limited company incorporated and registered in Jersey and listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Its registered office is: 22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX. The company was incorporated on 22 March 2017.

1.2 Basis of Preparation

These interim financial statements for the six months to 30 September 2019 have been prepared in accordance with "IAS 34 Interim Financial Reporting" as adopted by the European Union and the requirements of the Disclosures and Transparency Rules. They are unaudited and do not include all of the information required for full annual financial statements and do not constitute statutory accounts within the meaning of Companies (Jersey) Law 1991.

The comparative figures for the year ended 31 March 2019 are not the Group's statutory accounts for that financial year. The interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 March 2019, prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), IFRIC Interpretations and the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The Annual Report and Financial Statements for the year ended 31 March 2019 has been filed with the Jersey Companies Registry. The auditors' reports on those accounts were unqualified and did not include reference to any matters on which the auditors were required to report by exception under Companies (Jersey) Law 1991.

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out in the Business and Financial Reviews of its Annual Report and Financial Statements for the year ended 30 September 2019. The Financial Review describes the Group's financial position, cash flows and bank facilities. The interim financial statements are unaudited and were approved by the board of directors on 3 December 2019.

The interim financial statements have been prepared by the directors of the Company (the "Directors") under the historical cost convention except for certain financial instruments and share based payment liabilities which are measure at fair value.

1.3 Accounting Standards

Except as described below the accounting policies applied in these interim financial statements are the same as those set out in the Group's Annual Report and Financial Statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not effective.

1.4 Use of Estimates and Judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 March 2019, other than the matter noted below. The potential for a charge to arise in respect of store impairment and onerous leases was previously considered but given the decline in store revenues there is a greater significance with regards to the estimations as to their future financial performance and how that could impact on any relevant charges.

1.5 Significant Accounting Policy Changes

IFRS 16 'Leases'

The Group applies, for the first time, IFRS 16 'Leases'. The nature and effect of this change is disclosed below. IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019.

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 and the six months ended 30 September 2018 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 Statement of Financial Position. Corresponding right of use assets have also been recognised on the Statement of Financial Position 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 remeasured 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 remeasurements of the lease liabilities. Depreciation is calculated on a straight-line basis over the expected useful economic life of a lease which is taken as the lease term.

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

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

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

(iii) to exclude initial direct costs from the measurement of the right of use asset at the date of initial application; and

Impact of IFRS 16 'Leases'

As explained above, the Group has adopted IFRS 16 'Leases' for the first time in the six months ended 30 September 2019 using the simplified modified retrospective transition approach. Accordingly, the results for the six months ended 30 September 2018 and the year ended 31 March 2019 have not been restated. The table below shows the adjustments required to the Consolidated Group Income Statement to reflect the pre-IFRS 16 profit measure.

	Unaudited six months ended 30 September 2019 £000	**Unaudited six months ended 30 September 2018 £000**	**Audited year ended 31 March 2019 £000**
Add back operating leases	3,568	-	-
IFRS 16 depreciation charge	(3,512)	-	-
	56	-	-
IFRS 16 interest charge	414	-	-
IFRS 16 profit before tax adjustment	(358)	-	-

The Group presents right of use assets in 'property, plant and equipment', The carrying amount of the right of use asset at 1 April 2019 was £19.6m and at 30 September was £15.7m.

The Group presents lease liabilities separately within the Statement of Financial Position. The carrying amount of the lease liability as at 30 September 2019 was £7.0m in current liabilities and £12.1m in non-current liabilities.

1.5 Significant Accounting Policies

The interim financial statements have been prepared in accordance with accounting policies that are consistent with those applied in the preparation of the 31 March 2019 Annual report and Financial Statements, which are available on www.quizgroup.co.uk. The following new or revised standards or interpretations apply to accounting periods beginning after 31 March 2019:

New or Revised Standards or Interpretation	Effective for Accounting Periods Commencing on or After
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

Management do not consider that these revised standards or interpretations would have a material effect on the interim statements for the period ended 30 September 2019.

1.5 Going concern

The directors have prepared trading and cash flow forecasts for a period of one year from the date of approval of these interim financial statements. The directors have a reasonable expectation that the Group has adequate cash headroom. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group.

2. Principal risks and uncertainties

The board considers the principal risks and uncertainties which could impact the group over the remaining six months of the financial year to 31 March 2020 to be unchanged from those set out on in the Annual Report and Financial Statements for the year ended 31 March 2019 on pages 28 to 31, which are available on www.quizgroup.co.uk.

In summary these relate to the loss of a key trading partner, brand and reputational risk, a changing economic environment, product sourcing, fashion and customer demands risk; the risk of disruption to IT systems or distribution networks; people, financial and regulatory risk.

3. Revenue

An analysis of revenue by source and geographical destination is as follows:

	Unaudited six months ended 30 September 2019 £000	Unaudited six months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
Online	19,951	19,990	41,018
International	11,985	11,639	22,978
UK stores and concessions	31,323	35,091	66,902
	63,259	66,720	130,898
United Kingdom	50,774	53,421	105,486
Overseas	12,485	13,299	25,412
	63,259	66,720	130,898

4. Exceptional administrative costs

The exceptional administrative costs in the current year relates to store impairments, onerous lease provisions and other associated costs. The total charge amounts to £7.0m; being £4.6m in relation to store impairments, £1.9m for onerous lease provisions and £0.5m for other associated costs.

Store Impairments

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 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.

Further to this assessment an impairment of £4.6m was recognised in the period.

Onerous lease provisions

Management has also assessed whether impaired and unprofitable stores require an onerous lease provision. An onerous lease provision has been 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 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 cost of exiting leases 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.

Based on the factors set out above, the Group has recognised an onerous lease provision charge in the year of £1.9m.

The exceptional administrative costs in the period ended 30 September 2018 and the year ended 31 March 2019 related to the write-off of debt arising from the of House of Fraser.

5. Operating profit

Operating profit is stated after charging:

	Unaudited six months ended 30 September 2019 £000	Unaudited six months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
Cost of inventories recognised as an expense	24,245	25,387	51,498
Distribution costs	10,598	11,781	24,066
Employment costs	12,854	11,826	24,287
Depreciation	5,423	1,656	3,767
Amortisation	188	107	245
Operating lease payments	234	3,471	6,982
Exceptional administrative costs – depreciation	6,507	-	-
Exceptional administrative costs – other	500	369	369
Share based payment charges	74	52	84
Other expenses	8,968	8,262	19,389
	69,591	62,911	130,687

Employment costs reflect the costs incurred on those directly employed by the Group and agency costs.

6. Income Tax Expense

The Group's full year forecast effective tax rate in respect of continuing operations for the six months ended 30 September 2019 is 18.4% (six months ended 30 September 2018 – 19.8% and year ended 31 March 2019: 48.1%).

7. Dividends

No dividend was paid in the period (six months ended 30 September 2018 – 0.8 pence per share, year ended 31 March 2019 – 1.2 pence per share).

8. Earnings per share

	Unaudited six months ended 30 September 2019 £000	Unaudited six months ended 30 September 2018 £000	Unaudited year ended 31 March 2019 £000
Number of shares:	No.	No.	No.
Weighted number of ordinary shares outstanding	124,230,905	124,230,905	124,230,905
Effect of dilutive options	5,573	119,367	39,002
Weighted number of ordinary shares outstanding- diluted	124,236,478	124,350,272	124,324,032
Earnings:	£000	£000	£000
(Loss)/profit basic and diluted	(5,512)	3,062	112
Profit adjusted basic and diluted	453	3,362	412
Earnings per share:	Pence	Pence	Pence
Basic and diluted (loss)/earnings per share	(4.44)	2.46	0.09
Adjusted basic and diluted earnings per share	0.36	2.70	0.33

The adjusted profit after tax in the current year is shown before the impact of the exceptional administrative costs of £5,676k (net of tax) and the impact of the implementation of IFRS 16 of £289k (net of tax).

The adjusted profit after tax for the previous year is shown before the provision made for doubtful debts of £300k (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.

9. Property, Plant and Equipment, Right to Use Assets and Intangibles

As outlined in Note 1 further to the introduction of IFRS 16 'Leases', the Group recognised Right to Use assets with a value of £19.6m on 1 April 2019. Further to this date, the Group entered into further leases which resulted in £1.5m of additions, a depreciation charge of £3.5m was applied and further to the onerous lease charge the assets were impaired by £1.9m.

During H1 2020 the Group made further additions to Property, Plant and equipment and Intangibles of £2.5m (H1 2019 £2.7m) and disposals of £Nil (H1 2019 £Nil).

10. Trade and other receivables

	Unaudited as at 30 September 2019 £000	Unaudited as at 30 September 2018 £000	Audited as at 31 March 2019 £000
Trade receivables – gross	6,333	6,247	7,366
Allowance for doubtful debts	(191)	(368)	(506)
Trade receivables - net	6,142	5,879	6,860
Other receivables	158	1,519	1,884
Prepayments and accrued income	2,425	5,182	3,806
Amounts owed by related parties	2	3	2
	8,727	12,583	12,552

11. Trade and other payables

	Unaudited as at 30 September 2019 £000	Unaudited as at 30 September 2018 £000	Audited as at 31 March 2019 £000
Trade payables	6,740	9,449	9,580
Other taxes and social security costs	1,549	1,913	2,263
Accruals	3,281	3,407	3,983
Deferred income	-	508	586
Other creditors	470	457	561
Amounts due to related parties	72	50	126
	12,112	15,784	17,099

12. 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.

	Unaudited as at 30 September 2019 £000	Unaudited as at 30 September 2018 £000	Audited as at 31 March 2019 £000
Carrying value of financial assets:			
Cash and cash equivalents	7,161	12,475	7,555
Trade and other receivables	6,302	7,401	8,746
Total financial assets	13,463	19,876	16,301
Carrying value of financial liabilities:			
Trade and other payable	(7,282)	(9,956)	(14,250)
Lease liabilities	(19,183)		
Bank and other borrowings	-	(95)	(40)
Total financial liabilities	(26,465)	(10,051)	(14,290)

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.

13. Related party transactions

The Group considers its Executive and Non-Executive Directors as key management and therefore has a related party relationship with them.

Two directors, Tarak Ramzan and his son Sheraz Ramzan, and their relatives control 48.7% of the voting shares of the Company. The Group transacts with the companies which Tarak and Sheraz Ramzan have an interest. The amounts of the transactions and balances due to and from the related parties during the period and at the period-end are:

	Unaudited as at 30 September 2019 £000	Unaudited as at 30 September 2018 £000	Audited as at 31 March 2019 £000
Purchased from			
Tarak Manufacturing Limited	88	88	177
Big Blue Concepts Limited	84	84	168
Balance owed to:			
Tarak Manufacturing Limited	68	50	37
Big Blue Concepts Limited	4	-	89
Balance owed to:			
Tarak Manufacturing Limited	1	3	1
Big Blue Concepts Limited	1	-	1