27 May 2020

Ramsdens Holdings PLC

("Ramsdens", the "Group", the "Company")

Second Interim Results for the twelve months ended 31 March 2020

A year of further growth and increased profitability

Ramsdens, the diversified financial services provider and retailer, today announces its Second Interim Results for the twelve months ended 31 March 2020 (the "Period").

Highlights:

- Underlying Profit Before Tax up 19% to £8.0m (FY19: £6.7m)
- Reported Profit Before Tax up 30% to £8.5m (FY19: £6.5m)
- Continued revenue growth across the Group's core income streams:
  - Foreign Currency Exchange income up 13% to £13.1m (FY19: £11.6m);
  - Jewellery retail revenue up 28% to £12.6m (FY19: £9.8m);
  - Pawnbroking income less impairment up 19% to £9.0m (FY19: £7.5m);
  - Gross profit from purchases of precious metals increased 53% to £7.3m (FY19: £4.8m), including a one-off scrapping of old stock that generated £0.8m profit.
- Net assets up £4.1m from 31 March 2019 to £35.0m
- At the period end, net cash was £11.1m and the Company's RCF of £10m was undrawn
- 10 additional stores were opened during the Period, comprising six greenfield locations and four stores acquired from Instant Cash Loans Limited trading as The Money Shop. One additional new greenfield store was due to open late March and will now open in line with government guidance once the lockdown restrictions are lifted.
- Given the ongoing impact of the Covid-19 pandemic and subsequent macro-economic uncertainty, the Board believes it is prudent and in the long term interests of shareholders to preserve its available cash resources during these unprecedented times and, consequently, is not declaring a second interim dividend at this stage.

Financial Summary:

	12 months ended 31 March 2020	12 months ended 31 March 2019	Increase
Group Revenue	£59.5m	£46.8m	27%
EBITDA	£13.1m	£8.0m	63%
Adjusted EBITDA*	£9.9m	£8.3m	20%
Profit Before Tax	£8.5m	£6.5m	30%
Underlying Profit Before Tax**	£8.0m	£6.7m	19%
Basic EPS	21.4p	16.7p	28%

*Adjusted EBITDA is after adding back LTIP costs £0.3m (FY19 £0.2m), removing the profit on the one-off stock sale £0.8m (FY19 nil) and removing the IFRS16 adjustment £2.7m (FY19 nil) to enable a read across to 2019.
**Underlying PBT is after adding back LTIP costs £0.3m (FY19 £0.2m) and removing the profit on the one-off stock sale £0.8m (FY19 nil)

Peter Kenyon, Chief Executive, commented:

"We are pleased to have delivered a year of further growth and increased profitability. This excellent 12-month performance was underpinned by our diversified income streams, outstanding value for-money proposition and increasing footprint.

We delivered improvements in all areas of the business and were preparing for further expansion when Covid-19 began to negatively affect our society, the UK economy and the Group. In order to protect our staff, customers and communities where we operate, all stores were closed on 23 March 2020 in line with government guidance. We will re-open our stores in line with government guidance when it is safe to do so.

The Board is confident that Ramsdens is well-positioned to navigate these unprecedented times, supported by our strong balance sheet, good cash position and an ability, if needed, to quickly convert jewellery stock into cash. We are confident that Ramsdens will emerge from this challenging period of lockdown, and the subsequent social distancing measures, well positioned to continue to deliver our long-term growth plans."

ENDS

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About Ramsdens

Ramsdens is a growing, diversified, financial services provider and retailer, operating in the four core business segments of foreign currency exchange, pawnbroking loans, precious metals buying and selling and retailing of second hand and new jewellery. Ramsdens does not offer unsecured high cost short term credit.

Headquartered in Middlesbrough, the Group operates from 163 stores within the UK (including 4 franchised stores) and has a growing online presence.

In the last financial year, the Group served over 930,000 customers across its different services. Ramsdens is fully FCA authorised for its pawnbroking and credit broking activities.

www.ramsdensplc.com
www.ramsdensforcash.co.uk

CHIEF EXECUTIVE'S REPORT

This interim report covers the 12 months ended 31 March 2020 (the "Period"). As announced on 27 March 2020, Ramsdens changed its accounting reference date to 30 September. This decision was made in consultation with the Group's auditors regarding the viability of completing the audit for the period ended 31 March 2020 given the ongoing restrictions on the non-essential movement of people.

The Group delivered a strong performance that was ahead of the Board's initial expectations for the Period, with a 27% increase in revenue and a 19% increase in underlying Profit Before Tax £8.0m (FY19: £6.7m). This outcome continued to reflect double digit growth in revenue and gross profit across the Group's four key business segments underpinned by Ramsdens' outstanding value for-money proposition, increasing store footprint and growing customer base.

The Group regularly assesses the saleability of its jewellery stock and has promotional campaigns to sell slower moving lines. One benefit of Ramsdens' diversified model is that it provides the option of scrapping stock for its intrinsic value. During the Period, the management team took the decision to take advantage of the high gold price by scrapping slower moving stock and generated an additional £0.8m of gross profit.

The Group delivered £8.5m of Reported Profit Before Tax, after a charge for non-cash share based payments of £0.3m.

The Group's retail estate at the end of the Period was 158 stores, an increase of ten from the prior year corresponding period following six new store openings and the acquisition of a portfolio of four stores from The Money Shop in May 2019 with one subsequently merged into an existing Ramsdens branch.

COVID-19 IMPACT & ACTIONS

In line with government guidance and in order to protect our staff, customers and the communities where we operate, all stores were closed on 23 March 2020, just prior to the financial period end with the business having seen a decline in trading for approximately two weeks before this date.

In the current period of lockdown with all stores temporarily closed, the Group has paid its trade suppliers as and when they have fallen due. It has also paid the rents for the quarter days as at February in Scotland and March in England but has now made or is making arrangements with its landlords to pay rents on a monthly basis. All staff are currently being paid 100% of their salary. The only liabilities that have been deferred are HMRC and business rates. Business rates have not been paid (approximately £0.1m per month) on the basis that we believe we are entitled to business rates relief as we operate retail shops.

During this lockdown period, the Group has turned c£1m of foreign currency cash into sterling and realised over £2m of cash from its scrap gold stock to improve its liquidity. Our cash outflows for the same period, have been less than £1m per month, having made the payments as described above and receiving the Coronavirus Job Retention Scheme grant.

The Group is grateful for the UK Government's support initiatives. We have utilised the Coronavirus Job Retention Scheme in order to protect as many jobs as we can and we are continuing to apply for business support grants and business rates relief for our retail store estate.

Whilst the Group has continued to invest in its ecommerce activities, online jewellery sales have been limited due to much of Ramsdens' jewellery stock being held securely in our store estate. We have processed some sales from centralised stock and have a small order book to fulfil when branches re-open and goods can be posted to customers. In addition, to assist our pawnbroking customers, the Group quickly made available online facilities for customers to access pawnbroking loans and facilities for customers to redeem their branch loans.

The Group is currently making plans for the re-opening of stores whilst continuing to follow all appropriate guidance and plan for various scenarios of enforcing social distancing during trading. The Group's stores have the benefit of already featuring segregated tills and glass screens between employees and customers. As a result, the investment required to comply is currently expected to be minimal.

FINANCIAL REVIEW

Gross profit increased by 22% to £37.2m. Adjusted for the stock scrapping, described above, gross profit was £36.4m, a 19% increase from £30.5m in the prior year.

Administration expenses increased by 18% to £28.2m (FY19: £23.9m) primarily caused by increased staff costs and overheads arising from the Group's increased store estate.

The balance sheet remains strong with net assets of £35.0m, a £4.1m increase from the year ended 31 March 2019 (FY19: £30.9m). The main assets are cash (including foreign currency), pawnbroking loans secured on gold jewellery and watches, and retail jewellery stock. Net cash as at 31 March 2020 was £11.1m.

The Group has the benefit of a £10.0m revolving credit facility, expiring in March 2023, which is currently undrawn.

The interim dividend for the first six months of the current financial period of 2.7p per share (£0.8m) was paid in February 2020. Given the uncertainty surrounding the future impact of the Covid-19 pandemic on the economy, business in general and retail specifically, the Board is not declaring a second interim dividend despite the strength of the last six months trading performance. The Board believes it is prudent and in the long-term interests of shareholders to preserve its available cash resources during these unprecedented times. The Board remains committed to the Group's long-term dividend policy.

IFRS 16 - Leases

The Group has adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The adoption of IFRS 16 has resulted in a reduction in balance sheet retained earnings of £0.5m, primarily resulting from the Group recognising right-of-use assets of £9.1m offset by lease liabilities of £9.7m, with further adjustment for rental prepayments, rent incentive accruals and deferred tax.

The full impact on the Group's financial statements is shown in detail in note 9.

SEGMENTAL REVIEW

Foreign Currency Exchange

The foreign currency exchange (FX) segment primarily comprises the sale and purchase of foreign currency notes to holiday-makers. Ramsdens also offers prepaid travel cards and international bank-to-bank payments.

Ongoing Brexit-related consumer uncertainty throughout the period as well as the weakness of sterling continued to impact overall demand for holidays. This was illustrated, inter alia, by the demise of Thomas Cook. However, the Group's FX business delivered a resilient result for the Period despite these challenging market conditions reflecting the strength of Ramsdens' value for money proposition, convenience and great customer service. This performance was also achieved despite the dramatic slowdown in international travel due to the Covid-19 pandemic from February and the consequent lower demand for travel money.

The Group exchanged £521m of currency in the Period (FY19: £496m) an increase of 5%. The sales margin continues to be closely managed and, as a result, FX income increased by 13% to £13.1m (FY19: £11.6m).

We continue to drive growth online, allowing the Group to access a broader customer base, and improvements to the currency website (www.ramsdenscurrency.co.uk) led to a 32% increase in online FX transactions to £42.4m (FY19: £32.0m).

The number of customers exchanging currency with Ramsdens increased by 11% year on year to 784,000 (FY19: 705,000).

Pawnbroking

Pawnbroking is a small subset of the consumer credit market in the UK and a simple form of asset backed lending dating back to the foundations of banking. In a Pawnbroking transaction an item of value, known as a pledge (in Ramsdens' case this is jewellery and watches) is held by the pawnbroker as security against a six-month loan. Customers pay interest on this loan, repay the capital sum borrowed and recover their pledged item. If a customer defaults on the loan, the pawnbroker sells the pledged item to repay the amount owed and returns any surplus funds to the customer. Pawnbroking is regulated by the FCA in the UK and Ramsdens is fully FCA authorised.

Interest income, net of impairment, was 19% higher at £9.0m (FY19: £7.5m) and represented a yield of 116% on the average pledge book during the Period.

£000s (12 months to 31 March)	**FY20**	**FY19**	**% change**
Within contractual term PP	6,632	6,611	0.3%
Past due	1,115	1,032	
Total Loan Book	7,747	7,643	1.4%

Jewellery Retail

The Group retails new and second-hand jewellery to customers both in store and online. The Board continues to believe there is further growth potential for Ramsdens in this segment which can be achieved by leveraging the Group's store estate and e-commerce operations and by cross-selling to existing customers and attracting new ones.

Jewellery retail revenue grew by 28% to £12.6m (FY19: £9.8m). This growth was achieved despite the much-publicised difficulties on the UK high street and reflects increasing customer recognition of the value and quality of the Group's Jewellery Retail proposition. Online sales during the Period grew by 94% and amounted to 6% of total jewellery sold (www.ramsdensjewellery.co.uk).

The Group has focused on enhancing the appeal of its jewellery stock offering. This has been through better displays, expansion and regular replenishment of the new jewellery range, increased investment in pre-owned premium watches and undertaking more promotional activity to reinforce the brand's value for money reputation.

The jewellery gross profit margin fell from 52% to 45% year on year reflecting the mix of sales with new jewellery sales and pre-owned premium watch sales (typically both higher value but lower margin than second hand jewellery) increasing as a percentage of total sales.

Gross profit from Jewellery Retail increased by 13% to £5.7m (FY19: £5.0m).

Purchases of Precious Metals

Through the precious metals buying and selling service, Ramsdens buys unwanted jewellery, gold and other precious metals from customers for cash. Typically, a customer brings unwanted jewellery into a Ramsdens store and a price is agreed with the customer depending upon the retail potential, weight or carat of the jewellery. The Group has second-hand dealer licences and other permissions and adheres to the approved "gold standard" for buying precious metals.

Once jewellery has been bought from the customer, the Group's dedicated jewellery department assesses whether to retail the item through the store network or online or scrap it for its intrinsic value. Income derived from the sale of jewellery which is purchased and then retailed is reflected in jewellery retail income and profits. The residual items are smelted and sold to a bullion dealer for their intrinsic value and the proceeds are reflected in the accounts as precious metals buying income.

Group gross profit was up 53% to £7.3m (FY19: £4.8m) including the non-recurring stock scrapping profit of £0.8m. The average sterling gold price during the Period was 20% higher than the comparable prior year period.

Other Financial Services

In addition to the four core business segments, the Group also provides additional services in cheque cashing, Western Union money transfer, franchise fees and credit broking. Sale and buy back facilities on electronic goods were stopped during the Period.

Gross profit from these income streams increased 32% to £2.1m (FY19: £1.6m) primarily due to the acquisitions of the Money Shop stores in March 2019 and May 2019.

OPERATIONAL REVIEW

The retail estate continues to be actively managed. Where it is possible and beneficial to do so, we have sought greater flexibility in our lease arrangements.

We are pleased to continue to report that all of the Group's 126 established stores (defined as stores opened more than two years) were profitable on a standalone basis for the 12 months ended 31 March 2020.

The Group's new stores opened over the last two years and the stores acquired from The Money Shop continued to trade in line with the Board's expectations.

Within the year, three stores were relocated to have a greater focus on retail jewellery. These were Peterlee, Worksop and Ashington. We are pleased with the post relocation performance of each store. Ten further stores have been identified for relocation and will be progressed at the appropriate time.

Six new greenfield stores have opened in the year in - Barnsley, Doncaster, Guisborough, Harrogate, Chippenham and Teesside Airport. Four Money Shop stores were acquired, two in Liverpool, one in Wallasey and one in Bristol which has since closed and merged into our existing Bristol store. One new greenfield store was at the point of opening when lockdown commenced. The shop fit is all complete, staff are trained and it is ready to open when circumstances allow.

As part of progressing the Group's strategic aim to grow its store estate, following detailed research, a further nine properties have been identified for new locations with heads of terms agreed. The opening of these new stores is on hold until some normality returns to trading conditions.

Our ethos remains to have a culture of continuous improvement with staff development and process improvement constantly under review. We have continued to invest in our training and staff development activities. I would like to take this opportunity to thank each and every staff member for their hard work and outstanding contribution during the Period as well as their flexibility and commitment during these current unprecedented times.

OUTLOOK

As the UK begins to move out of the current period of lockdown and stores are able to re-open, we anticipate three phases of trading. Firstly, opening with restrictive social distancing; secondly, an easing of social distancing restrictions; and thirdly, a return to a level of normality. However, we cannot currently predict the time period over which the current restrictions will be reversed.

During the first phase, Ramsdens will initially open a portion of its store estate to ensure the Group can comply with government guidance, trade effectively and keep staff and customers as safe as possible. The Group will then open further stores as it is appropriate to do so. However, it is not possible for the Board to predict what impact social distancing in stores and across our high streets will have on future trading volumes.

Ramsdens has the benefit of diversified income streams. Whilst customer demand will fluctuate across the income streams, as time passes the Board is confident that, underpinned by the strength of the Ramsdens brand and the Group's business model, Ramsdens has the ability to recover in what will initially be challenging market conditions.

The Group also has the ability to generate cash quickly from its foreign currency holding and its retail jewellery stock, if required. The Board is confident that it has sufficient liquidity within the business and existing bank facilities to trade through the forthcoming transitional period and emerge well-positioned to continue to deliver its long-term growth plans as future economic and social conditions allow.

Peter Kenyon
Chief Executive Officer

Interim Condensed Financial Statements

Unaudited condensed consolidated statement of comprehensive income

For the twelve months ended 31 March 2020

	Note	12 months ended 31 March 2020 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Revenue	2	59,504	46,785
Cost of sales		(22,300)	(16,263)
Gross profit	2	37,204	30,522
Administrative expenses		(28,198)	(23,939)
Operating profit		9,006	6,583
Finance Costs	4	(554)	(131)
Gain on fair value of derivative financial liability		-	40
Profit before tax		8,452	6,492
Income tax expense		(1,860)	(1,332)
Total comprehensive income for the period		6,592	5,160
Basic earnings per share in pence		21.4	16.7
Diluted earnings per share in pence		20.8	16.3

Unaudited condensed consolidated statement of changes in equity

For the twelve months ended 31 March 20

	12 months ended 31 March 2020 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Opening total equity	30,908	27,568
IFRS 16 – Leases adoption (note 9)	(531)	-
Total comprehensive income for the period	6,592	5,160
Dividends paid	(2,312)	(2,097)
Share based payments	304	221
Deferred tax on share based payments	-	56
Closing total equity	34,961	30,908

Unaudited condensed consolidated statement of financial position
At 31 March 2020

	Note	As at 31 March 2020 Unaudited £'000	As at 31 March 2019 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment		5,354	5,485
Intangible assets		1,089	1,228
Investments		-	-
Right-of-use assets		9,009	-
Deferred tax assets		273	167
		15,725	6,880
Current Assets			
Inventories		13,055	12,658
Trade and other receivables		10,147	10,906
Cash and short term deposits		11,051	13,420
		34,253	36,984
Total assets		**49,978**	**43,864**
Current liabilities			
Trade and other payables		4,551	6,490
Lease liability		1,818	-
Interest bearing loans and borrowings	3	-	5,184
Income tax payable		809	689
		7,178	12,363
Net current assets		**27,075**	**24,621**
Non-current liabilities			
Lease liability		7,647	-
Accruals and deferred income		-	453
Deferred tax liabilities		192	140
		7,839	593
Total liabilities		15,017	12,956
Net assets		**34,961**	**30,908**
Equity			
Issued capital	7	308	308
Share premium		4,892	4,892
Retained earnings		29,761	25,708
Total equity		**34,961**	**30,908**

Unaudited condensed consolidated statement of cash flows
For the twelve months ended 31 March 2020

	12 months ended 31 March 2020 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Operating activities		
Profit before tax	8,452	6,492
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant & equipment	1,365	1,215
Depreciation of right-of-use assets	2,333	-
Amortisation and impairment of intangible assets	357	157
Change in derivative financial instruments	-	(40)
Loss on disposal of property, plant and equipment	61	74
Share based payments	304	221
Finance costs	554	131
Working capital adjustments:		
Movement in trade and other receivables and prepayments	260	424
Movement in inventories	(397)	(5,091)
Movement in trade and other payables	(1,903)	(651)
	11,386	2,932
Interest paid	(554)	(131)
Income tax paid	(1,680)	(1,278)
Net cash flows from operating activities	9,152	1,523
Investing activities		
Proceeds from sales of property, plant and equipment	-	3
Purchase of property, plant and equipment	(1,295)	(2,315)
Purchase of intangible assets	(218)	(109)
Acquisition	-	(1,504)
Net cash flows from investing activities	(1,513)	(3,925)
Financing Activities		
Dividends paid	(2,312)	(2,097)
Payment of finance lease liabilities	(2,512)	(8)
Bank loans drawn down	2,600	5,183
Repayment of bank borrowings	(7,784)	(1,875)
Net cash flows (used in)/from financing activities	(10,008)	1,203
Net (decrease) in cash and cash equivalents	(2,369)	(1,199)
Cash and cash equivalents at start of period	13,420	14,619
Cash and cash equivalents at end of period	11,051	13,420

Unaudited notes to the interim condensed financial statements

For the twelve months ended 31 March 2020

1. Basis of preparation

During the period, the Group changed its Accounting Reference Date to 30 September. The interim condensed financial statements of the group for the twelve months ended 31 March 2020, which are unaudited, have been prepared in accordance with the International Financial Reporting Standards ('IFRS') accounting policies adopted by the group and set out in the annual report and accounts for the year ended 31 March 2019, except for the adoption of IFRS 16. The Group does not anticipate any change in these accounting policies for the period ended 30 September 2020. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 "Interim financial reporting". While the financial figures included in this preliminary interim earnings announcement have been computed in accordance with IFRS's applicable to interim periods, this announcement does not contain sufficient information to constitute an interim financial report as that term is defined in IFRS's.

The financial information contained in the interim report also does not constitute statutory accounts for the purpose of section 434 of the Companies Act 2006. The financial information for the year ended 31 March 2019 is based on the statutory accounts for the year ended 31 March 2019 which have been filed with the Registrar of Companies and are available on the group's website www.ramsdensplc.com. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Board have conducted an extensive review of forecast earnings and cash over the next twelve months, considering various scenarios and sensitivities given the COVID-19 situation and uncertainty around the future economic environment. The Board have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed financial statements. Further details of the impact of COVID-19 and detailed factors considered in making this going concern assertion are set out in note 10.

2. Segmental Reporting

	12 months ended 31 March 2020 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Revenue		
Pawnbroking	13,634	10,544
Purchases of precious metals	17,579	12,343
Retail Jewellery sales	12,553	9,771
Foreign currency margin	13,115	11,585
Income from other financial services	2,623	2,542
Total Revenue	59,504	46,785
Gross profit		
Pawnbroking	8,967	7,520
Purchases of precious metals	7,336	4,801
Retail Jewellery sales	5,711	5,039
Foreign currency margin	13,115	11,585
Income from other financial services	2,075	1,577
Total Gross profit	37,204	30,522
Administrative expenses	(28,198)	(23,939)
Finance costs	(554)	(131)
Gain on fair value of derivative financial liability	-	40
Profit before tax	8,452	6,492

Income from other financial services comprises of cheque cashing fees, Electronics & buybacks, agency commissions on miscellaneous financial products.

The Group is unable to meaningfully allocate administrative expenses, or financing costs between the segments due to the fact that these include staff costs who undertake all services in branches. Accordingly, the Group is unable to disclose an allocation of items included in the Consolidated Statement of Comprehensive Income below Gross profit, which represents the reported segmental results.

Unaudited notes to the interim condensed financial statements (continued)

For the twelve months ended 31 March 2020

2. Segmental Reporting

	12 months ended 31 March 2020 Unaudited	12 months ended 31 March 2019 Audited
Other information	**£'000**	**£'000**
Capital additions (*)	3,697	3,431
Depreciation and amortisation (*)	4,119	1,372
Assets		
Pawnbroking	11,844	11,363
Purchases of precious metals	1,765	1,492
Retail Jewellery sales	9,089	9,085
Foreign currency margin	9,019	7,566
Income from other financial services	90	591
Unallocated (*)	18,171	13,767
	49,978	43,864
Liabilities		
Pawnbroking	347	284
Purchases of precious metals	19	4
Retail Jewellery sales	1,365	1,284
Foreign currency margin	32	2,402
Income from other financial services	31	525
Unallocated (*)	13,223	8,455
	15,017	12,956

(*) The Group is unable to meaningfully allocate this information by segment due to the fact that all segments operate from the same stores and the assets and liabilities are common to all segments. Capital additions for the period ended 31 March 2020 includes right of use assets acquired after 31 March 2019.

Unaudited notes to the interim condensed financial statements (continued)

For the twelve months ended 31 March 2020

3. Borrowing

	12 months ended 31 March 2020 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Short term bank loans	-	5,183
Hire purchase agreements	-	1
Amount due for settlement within one year	-	5,184

The Group has a £10m revolving credit facility that expires in March 2023.

4. Finance costs

	12 months ended 31 March 2020 Unaudited £'000	12 months Ended 31 March 2019 Audited £'000
Interest on debts and borrowings	140	130
Interest on right-of-use assets	414	-
Finance charges payable under hire purchase contracts	-	1
Total finance costs	554	131

5. Tax on profit

The taxation charge for the twelve months ended 31 March 20 has been calculated by reference to the expected effective corporation tax and deferred tax rates for the full financial period to 30 September 2020. The underlying effective full period tax charge is estimated to be 20%.

6. Earnings per share

	12 months ended 31 March 2020 Unaudited	12 months ended 31 March 2019 Audited
Profit for the period (£’000)	6,592	5,160
Weighted average number of shares in issue	30,837,653	30,837,653
Earnings per share (pence)	21.4	16.7
Fully diluted earnings per share (pence)	20.8	16.3

Unaudited notes to the interim condensed financial statements (continued)

For the twelve months ended 31 March 2020

7. Issued capital and reserves

Ordinary shares issued and fully paid	No.	£'000
At 31 March 2019	30,837,653	308
At 31 March 2020	30,837,653	308

8. Dividends

On 2 December 2019, the directors approved a 2.7 pence interim dividend (26th November 2018: 2.4p) which equates to a dividend payment of £833,000 (26th November 2018: £740,000). The dividend was paid on 20 February 2020.

On 19 July 2019, the shareholders approved the payment of a 4.8 pence final dividend for the year ended 31 March 2019 which equates to a dividend payment of £1,480,207 (31 March 2018: £1,357.000). The dividend was paid on 20 September 2019.

9. Explanation of the adoption of IFRS 16

The Group has adopted IFRS 16 – Leases using the modified retrospective approach with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
Therefore, the cumulative effect of adopting IFRS 16 – Leases was recognised as an adjustment to the opening balance of retained earnings at 1 April 2019 with no restatement of comparative information. Comparative information continues to be reported under IAS 17 – Leases and IFRIC 4 – Determining whether an Arrangement contains a Lease.

The Group has lease contracts for properties and motor vehicles. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as an expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Lease liabilities

On adoption of IFRS 16 – Leases, the Group recognised liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 April 2019. The weighted average incremental borrowing rate applied to the property leases on 1 April 2019 was 4.3% (with a range between 3.36% & 4.42%) and for motor vehicles was 3.5% (with all vehicles using the same rate).

	£'000
Operating lease commitments disclosed at 31 March 2019	12,255
Removal of non-recoverable VAT	(902)
Restated operating lease commitments at 31 March 2019	11,353
Removal of prepaid lease payments	(289)
Discounted using the incremental borrowing rate at 1 April 2019	(1,327)
Lease liability recognised at 1 April 2019	9,737
Current lease liabilities	2,165
Non-current lease liabilities	7,572
	9,737

Right-of-use assets

The associated right-of-use assets for the Group's property and motor vehicle leases were measured on a retrospective basis as if the new rules had always been applied using the incremental borrowing rate as at 1 April 2019 and adjusted for any prepayments or rent incentive accruals. The recognised right of use assets at 1 April related to the following asset types:

	£'000
Properties	8,919
Motor vehicles	183
Total right-of-use asset	9,102

The change in accounting policy affected the following items in the statement of financial position at 1 April 2019:

	As at 31 March 2019 £'000	**IFRS16 Adjustment £'000**	**Adjusted balance £'000**
Right-of-use assets	0	9,102	9,102
Deferred tax asset	167	114	281
Trade and other receivables (prepayments)	10,906	(499)	10,407
Trade and other payables (rent incentive & onerous lease accruals)	(6,490)	166	(6,324)
Accruals and deferred income (rent incentive accrual)	(453)	323	(130)
Lease liabilities	0	(9,737)	(9,737)
Net impact on retained earnings	25,708	(531)	25,177

The change in accounting policy has also resulted in operating lease costs previously shown in administration expenses within the Income Statement being replaced with depreciation (which is contained within administration expenses) and finance costs related to the right of use assets. For the 12 month period ended 31 March 2020, deprecation of right of use assets reported within administration expenses is £2,333,000 and the interest cost of right of use assets reported in finance costs is £414,000.

Practical expedients applied

In applying IFRS 16 – Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate for a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments of whether leases are onerous
- accounting for low value operating leases and operating leases with a remaining term of less than 12 months at 1 April 2019 on a straight line basis as an expense without recognizing a right-of-use asset or a lease liability
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 – Leases and IFRIC 4 – Determining whether an Arrangement contains a Lease

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

•*Right-of-use assets*
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

•Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

10. Covid-19 considerations

In line with government guidance and in order to protect our staff, customers and the communities where we operate, all stores were closed on 23 March 2020.

During this lockdown period, the Group has turned c£1m of foreign currency cash into sterling and realised over £2m of cash from its scrap gold stock to improve its liquidity. Our cash outflows for the same period, have been less than £1m per month, having made payments for rent, trade suppliers and salaries net of receiving the Coronavirus Job Retention Scheme grant.

The Group is currently making plans for the re-opening of stores whilst continuing to follow all appropriate guidance and plan for various scenarios of enforcing social distancing during trading.

The Group has prepared these interim financial statements with due consideration to the unprecedented impact of COVID-19 on the economy and society. The Board has considered the impact of COVID19 on each balance sheet item and conducted a going concern review to ensure this basis remains appropriate. A brief commentary on key balance sheet items is as follows:

Balance sheet asset	Key factors considered
Property, plant and equipment	Store profitability will not be impacted significantly in the medium term.
Intangible assets	Customer lists relate to pawnbroking customers with medium term demand expected to be unchanged for this segment. Goodwill relates to purchased stores which are expected to remain sufficiently profitable in the medium term.
Right of use assets	Store profitability will not be impacted significantly in the medium term. It should be noted that lease break clauses are ignored unless served/expected to be served when calculating the right of use asset and lease liabilities. Serving a lease break would therefore reduce both right of use assets and lease liabilities.
Inventory	Jewellery stock is underpinned by the intrinsic value of the precious metal
Trade Receivables	These are primarily asset backed pawnbroking loans, where jewellery is held as security and it's value is underpinned by the intrinsic value of the precious metal

The Group has significant cash resources and access to an undrawn £10m revolving credit facility with an expiry date of March 2023. The Group has successfully applied for government support grants including the Coronavirus Job Retention Scheme.

In considering the Group's position, the Board has not included the following mitigating actions which could be taken should the Group need to take further steps to protect liquidity and earnings should the COVID-19 outlook deteriorate;

- Jewellery stock could be realised for its intrinsic value to raise cash,
- The Group has the option to defer creditor payments to HMRC to assist future cash flows,
- The Group can continue to access government support through the extension to the Coronavirus Job Retention Scheme to October,
- Cost reductions could be achieved by, for example, stopping discretionary advertising,
- The Group operates from leased premises with flexible break clauses and lease terms. If any stores became economically unviable, the Group has the ability to close or merge locations to save costs and realise working capital assets.

In considering the Group's position, the Board has considered;

- the FCA's guidelines to allow pawnbroking customers extra time to repay and its impact on the cash flow of the business,
- the reduced demand for international travel and the consequential reduction in need for foreign currency exchange,
- the customer demand across its diversified income streams and the current high gold price.
- the fixed and variable cost base, and its ability to reduce costs.

- the store environment which already has segregated customer serving points with screens and an ability to control customer entry and waiting areas, assisting compliance with social distance guidelines.
- the various mitigation steps available which can improve short term liquidity as detailed above.

After reviewing all these factors, and the Group's projections on the impact to earnings and cash flows, the Board has concluded that it has sufficient liquidity within the business and existing bank facilities to trade through the forthcoming transitional period. Therefore, the Group has not included any impairment in these interim financial statements and has continued to adopt the going concern basis.