3 December 2019

Ramsdens Holdings PLC

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

Interim Results for the six months ended 30 September 2019

Good performance in a challenging consumer environment.

On-track to meet full year expectations

Ramsdens, the diversified financial services provider and retailer, today announces its Interim Results for the six months ended 30 September 2019 (the "Period" or the "first half").

Highlights:

- Underlying Profit Before Tax up 12% to £5.7m (H1 FY19: £5.1m)
- Reported Profit Before Tax up 23% to £6.2m (H1FY19: £5.0m)
- Continued revenue growth reflects diversification of the Group's core income streams and an increased store estate:
    - Foreign Currency Exchange income up 15% to £8.4m (H1 FY19: £7.3m);
    - Jewellery retail revenue up 22% to £5.5m (H1 FY19: £4.5m);
    - Pawnbroking income less impairment up 17% to £4.3m (H1 FY19: £3.7m);
    - Gross profit from purchases of precious metals grew 57% to £4.1m (H1 FY19: £2.6m), including a one-off scrapping of old stock generating £0.6m additional profit.
- Three new stores were opened during the Period and four stores were acquired from Instant Cash Loans Limited trading as The Money Shop. A further store has opened since the Period end
- Reflecting the Group's continued growth as well as the Board's confidence in the outlook, we are pleased to announce a 0.3p (13%) increase in the interim dividend to 2.7p per share
- Net assets up £3.1m from the financial year end of 31 March 2019 to £34.0m
- Net cash of £12.3m after investments in new stores, the additional acquisition of loan books and stores from Instant Cash Loans Limited trading as The Money Shop and the payment of the FY19 final dividend. This £4.1m increase from the financial year end of 31 March 2019 reflects cash generated from solid trading and the stock realisation.

Financial Summary:

	6 months ended 30 September 2019	6 months ended 30 September 2018	Increase
Group Revenue*	£32.5m	£25.1m	30%
EBITDA	£8.5m	£5.7m	49%
Adjusted EBITDA**	£6.7m	£5.8m	16%
Profit Before Tax	£6.2m	£5.0m	23%
Underlying Profit Before Tax***	£5.7m	£5.1m	12%
Basic EPS	15.9p	13.0p	22%
Interim Dividend	2.7p	2.4p	13%

*2018 Group Revenue has been restated for IFRS9 and IFRS15
**Adjusted EBITDA is after adding back LTIP costs (£0.1m), removing the one-off stock sale (£0.6m) and removing the IFRS16 adjustment (£1.3m) to enable a read across to 2018.
***Underlying PBT is after adding back LTIP costs (£0.1m) and removing the one-off stock sale (£0.6m)

Peter Kenyon, Chief Executive, commented:

"We are pleased with the Group's good performance in the first half of the financial year with a 30% increase in revenue and a 23% increase in profit. Our ability to share our cost base across our diversified income streams enables Ramsdens to offer jewellery at highly competitive prices and foreign currency at great exchange rates. This value for money proposition has allowed the business to continue to grow its customer base and be resilient in what has been, and remains, a challenging consumer environment.

Ramsdens exchanged £340m of foreign currency during the Period for more than half a million FX customers. Against a backdrop of consumer uncertainty created by Brexit and the weakness of sterling, this performance is testament to our great rates and outstanding customer service.

The Group's 22% growth in jewellery sales was achieved despite the widely-publicised difficulties on the UK high street and reflects the increasing customer recognition of the value and quality of Ramsdens' jewellery offering.

Reflecting the Group's continued growth, as well as the Board's confidence in the outlook, we are pleased to announce a 13% increase in the interim dividend.

We have made a solid start to the second half of the year across all business segments. Underpinned by our trusted and popular brand, we have momentum to take us into the Christmas period, an important season for jewellery retail. The Board remains confident of delivering further progress on its strategic objectives and achieving its expectations for the year."

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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 160 stores within the UK (including 4 franchised stores) and has a growing online presence.

In the last financial year, the Group served over 830,000 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

I am pleased to report on another period of solid progress for Ramsdens. The Group's underlying trading performance, which is in line with the Board's expectations, again demonstrates the strength of our diversified business model that is underpinned by our four core income streams. With the continuing strength of the Ramsdens brand, our business model and growing customer base, we remain confident of achieving the Board's expectations for the full year.

The Group delivered revenue growth of 30% in the first half. All core business segments achieved double digit growth in both Revenue and Gross Profit. Underlying PBT was up 12% to £5.7m (H1 FY19: £5.1m).

We regularly assess the saleability of our jewellery stock and have promotional campaigns to sell slower moving lines. One benefit of our diversified model is that we always have 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 generating an additional £0.6m of gross profit.

Our estate is larger than the corresponding prior year period as a result of new store openings and the acquisition of a portfolio of stores from The Money Shop. Our new stores continue to trade well as we extend the reach of Ramsdens into new communities. We have concentrated on inducting our new colleagues from The Money Shop stores into the Ramsdens' way of operating and, over the next six months, we plan to actively remodel and relocate some of the acquired stores.

The Group's performance in the first half of the year, as well as the investments made across the business to support long-term growth, give the Board continued confidence in Ramsdens' future prospects.

FINANCIAL REVIEW

Gross profit increased by 23% to £20.5m. Adjusted for the stock scrapping described above, this amounted to £19.9m (a 19% increase) from £16.7m in the first half of the prior year.

Administration expenses increased by 21% to £14.0m (H1 FY19: £11.7m) primarily as a result of increased staff costs and overheads arising from the Group's new and acquired stores.

The balance sheet remains strong with net assets of £34.0m, which is a £3.1m increase from the year end on 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 was £12.3m, up £4.1m from financial year end of 31 March 2019 reflecting solid trading, cash generated from the stock realisation and after investments in new stores, the additional acquisition of loan books and stores from Instant Cash Loans Limited trading as The Money Shop plus the payment of the FY19 final dividend. The Group has the benefit of a revolving credit facility, which was used in the summer to fund higher stocks of foreign currency but following the Period end, the Group is currently not drawing on this facility.

The FY19 final dividend of 4.8p per share (£1.5m) was paid during the Period. The Board is pleased to announce that, reflecting the Group's continued momentum and confidence in the outlook, it has approved an interim dividend of 2.7p per share, (up 0.3p per share or 13% against the prior year). This will be paid on 20 February 2020 to those shareholders on the register on 17 January 2020.

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 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.

The ongoing consumer uncertainty created by Brexit and the weakness of sterling has continued to impact the demand for holidays. This has been illustrated, inter alia, by the demise of Thomas Cook. However, the Group's FX business delivered a resilient result in these challenging market conditions which is testament to Ramsdens' outstanding customer proposition of great rates, convenience and great customer service.

The Group exchanged £340m of currency in the Period (H1 FY19: £315m) an increase of 8%. The sales margin continues to be closely managed and, as a result, FX income increased by 15% to £8.4m (H1 FY19: £7.3m).

Customers exchanging currency increased by 12% year on year to 570,000 (H1 FY19: 507,000).

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 31% increase in online FX transactions to £23.9m (H1 FY19: £18.2m).

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 16% higher at £4.3m (H1 FY19: £3.7m) and represented a half year yield of 55% on the average pledge book during the Period.

£000s (6 months to 30 September)	**H1 FY20**	**H1 FY19**	**% change**	**FY19**
Within contractual term	6,976	6,043	15%	6,611
Past due	763	757		1,032
Total Loan Book	7,739	6,800	14%	7,643

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 22% to £5.5m (H1 FY19: £4.5m). 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 our Jewellery Retail proposition. Online sales during the Period grew by 12% and amounted to 5% of all jewellery sold.

The Group has focused on the appeal of its jewellery stock offering. This has been through better displays, expanding the new jewellery range and the regular replenishment thereof, increased investment in pre-owned premium watches and undertaking more promotional activity.

The jewellery gross profit margin fell from 52% to 47% half-year on half-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 11% to £2.6m (H1 FY19: £2.3m).

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 scrap or to retail the item through the store network or online. 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 57% to £4.1m including the non-recurring stock scrapping profit of £0.6m (H1 FY19: £2.6m). The average sterling gold price during the Period was 17% higher than the comparable prior 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, sale and buy back of electronics, franchise fees and credit broking.

Gross profit from these income streams increased 42% to £1.1m (H1 FY19: £0.8m) primarily due to The Money Shop acquisition.

OPERATIONAL REVIEW

The Group's new stores opened over the last two years continue to trade well, grow customer bases and develop their place in their local communities.

The stores acquired from The Money Shop are trading to plan and we are confident that our future investment in jewellery retail in these stores will generate additional profit. The benefits from the merged activity following the closure of certain Money Shop stores transferring business to a local Ramsdens store has flowed through as expected.

We continue to actively manage our branch estate. Where possible and beneficial to do so, we have sought greater flexibility in our lease arrangements. We are pleased to report that all of the Group's 123 established stores (defined as stores opened more than two years) are profitable on a standalone basis.

Two stores, in Peterlee and Worksop, were relocated in the Period. We continue to examine other opportunities to relocate stores well in advance of leases expiring or a break date approaching. All of our recent relocations have been successful.

Three new stores were opened in the Period, in Barnsley, Doncaster and Guisborough with Harrogate opening after the Period end.

Our ethos remains to have a continuous improvement culture with staff development and process improvement constantly under review. We have continued to invest in our training team and the time devoted to 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.

OUTLOOK

The Board continues to believe that Ramsdens' diversified business model, whereby the Group's store cost base is covered by multiple income streams, will enable the Group to continue to offer its customers an outstanding value for money proposition. The Board believes that this strength, alongside the momentum in the Group's online activities, will enable Ramsdens to continue to grow and prosper.

The Group remains committed to its stated growth strategy built upon continually improving the customer proposition, expanding the store estate, and further developing the online offering.

The Group has a good pipeline of store opportunities and continues to be selective in its approach. Three further stores are expected to open in the second half of the financial year.

The Group has made a solid start to the second half of the year across all business segments and we have positive momentum to take us into the Christmas period, which is seasonally important for jewellery retail. The Board remains confident of delivering further progress on its strategic objectives and achieving its expectations for the year.

Peter Kenyon
Chief Executive Officer

Interim Condensed Financial Statements

Unaudited condensed consolidated statement of comprehensive income

For the six months ended 30 September 2019

	Note	6 months ended 30 September 2019 Unaudited £'000	6 months ended 30 September 2018 (restated) Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Revenue	2	32,520	25,098	46,785
Cost of sales		(11,991)	(8,371)	(16,263)
Gross profit	2	20,529	16,727	30,522
Administrative expenses		(14,047)	(11,655)	(23,939)
Operating profit		6,482	5,072	6,583
Finance Costs	4	(314)	(88)	(131)
Gain/(Loss) on fair value of derivative financial liability		-	34	40
Profit before tax		6,168	5,018	6,492
Income tax expense		(1,268)	(1,013)	(1,332)
Total comprehensive income for the period		4,900	4,005	5,160
Basic earnings per share in pence		15.9	13.0	16.7
Diluted earnings per share in pence		15.5	12.7	16.3

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 September 2019

	6 months ended 30 September 2019 Unaudited £'000	6 months ended 30 September 2018 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Opening total equity	30,908	27,568	27,568
IFRS 16 – Leases adoption (note 9)	(531)	-	-
Total comprehensive income for the period	4,900	4,005	5.160
Dividends paid	(1,480)	(1,357)	(2,097)
Share based payments	140	101	221
Deferred tax on share based payments	25	12	56
Closing total equity	33,962	30,329	30,908

Unaudited condensed consolidated statement of financial position
At 30 September 2019

	Note	As at 30 September 2019 Unaudited £'000	As at 30 September 2018 (restated) Unaudited £'000	As at 31 March 2019 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		5,557	4,939	5,485
Intangible assets		1,264	402	1,228
Investments		-	-	-
Right-of-use assets		9,018	-	-
Deferred tax assets		295	111	167
		16,134	5,452	6,880
Current Assets				
Inventories		11,849	10,421	12,658
Trade and other receivables		10,980	9,586	10,906
Cash and short term deposits		16,202	14,398	13,420
		39,031	34,405	36,984
Total assets		**55,165**	**39,857**	**43,864**
Current liabilities				
Trade and other payables		6,456	5,900	6,490
Lease liability		1,960	-	-
Interest bearing loans and borrowings	3	3,903	2,013	5,184
Income tax payable		1,192	1,182	689
		13,511	9,095	12,363
Net current assets		25,520	**25,310**	**24,621**
Non-current liabilities				
Lease liability		7,550	-	-
Accruals and deferred income		-	319	453
Derivative financial liabilities		-	6	-
Deferred tax liabilities		142	108	140
		7,692	433	593
Total liabilities		**21,203**	**9,528**	**12,956**
Net assets		**33,962**	**30,329**	**30,908**
Equity				
Issued capital	7	308	308	308
Share premium		4,892	4,892	4,892
Retained earnings		28,762	25,129	25,708
Total equity		**33,962**	**30,329**	**30,908**

Unaudited condensed consolidated statement of cash flows
For the six months ended 30 September 2019

	6 months ended 30 September 2019 Unaudited £'000	6 months ended 30 September 2018 (restated) Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Operating activities			
Profit before tax	6,168	5,018	6,492
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant & equipment	679	568	1,215
Depreciation of right-of-use assets	1,120	-	-
Amortisation and impairment of intangible assets	169	69	157
Change in derivative financial instruments	-	(34)	(40)
Loss on disposal of property, plant and equipment	17	20	74
Share based payments	140	101	221
Finance costs	314	88	131
Working capital adjustments:			
Movement in trade and other receivables and prepayments	(573)	1,027	424
Movement in inventories	809	(2,854)	(5,091)
Movement in trade and other payables	1	(1,153)	(651)
	8,844	2,850	2,932
Interest paid	(314)	(90)	(131)
Income tax paid	(751)	(486)	(1,278)
Net cash flows from operating activities	7,779	2,274	1,523
Investing activities			
Proceeds from sales of property, plant and equipment	-	3	3
Purchase of property, plant and equipment	(768)	(1,228)	(2,315)
Purchase of intangible assets	(205)	(42)	(109)
Acquisition	-	-	(1,504)
Net cash flows from investing activities	(973)	(1,267)	(3,925)
Financing Activities			
Dividends paid	(1,480)	(1,357)	(2,097)
Payment of lease liabilities	(1,244)	(4)	(8)
Bank loans drawn down	2,600	133	5,183
Repayment of bank borrowings	(3,900)	-	(1,875)
Net cash flows from/(used in) financing activities	(4,024)	(1,228)	1,203
Net increase in cash and cash equivalents	2,782	(221)	(1,199)
Cash and cash equivalents at start of period	13,420	14,619	14,619
Cash and cash equivalents at end of period	16,202	14,398	13,420

Unaudited notes to the interim condensed financial statements

For the six months ended 30 September 2019

1. Basis of preparation

The interim condensed financial statements of the group for the six months ended 30 September 2019, 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 financial information for the period ending 30 September 2018 has been restated due to the impact of IFRS 9 & 15. The changes have no net impact on the income statement or statement of financial position. Further details are shown in note 10. The Group does not anticipate any change in these accounting policies for the year ended 31 March 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.

After conducting a further review of the group's forecasts of earnings and cash over the next twelve months and after making appropriate enquiries as considered necessary, the directors 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 half yearly condensed financial statements.

Unaudited notes to the interim condensed financial statements (continued)

For the six months ended 30 September 2019

2. Segmental Reporting

	6 months ended 30 September 2019 Unaudited £'000	6 months ended 30 September 2018 (restated) Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Revenue			
Pawnbroking	6,937	5,177	10,544
Purchases of precious metals	10,080	6,829	12,343
Retail Jewellery sales	5,499	4,503	9,771
Foreign currency margin	8,410	7,297	11,585
Income from other financial services	1,594	1,292	2,542
Total Revenue	32,520	25,098	46,785
Gross profit			
Pawnbroking	4,261	3,657	7,520
Purchases of precious metals	4,122	2,630	4,801
Retail Jewellery sales	2,598	2,343	5,039
Foreign currency margin	8,410	7,297	11,585
Income from other financial services	1,138	800	1,577
Total Gross profit	20,529	16,727	30,522
Administrative expenses	(14,047)	(11,655)	(23,939)
Finance costs	(314)	(88)	(131)
Gain on fair value of derivative financial liability	-	34	40
Profit before tax	6,168	5,018	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 six months ended 30 September 2019

2. Segmental Reporting

	6 months ended 30 September 2019 Unaudited	6 months ended 30 September 2018 Unaudited	12 months ended 31 March 2019 Audited
Other information	**£'000**	**£'000**	**£'000**
Capital additions (*)	2,087	1,281	3,431
Depreciation and amortisation (*)	1,985	637	1,372
Assets			
Pawnbroking	11,435	10,026	11,363
Purchases of precious metals	2,123	1,459	1,492
Retail Jewellery sales	8,111	6,954	9,085
Foreign currency margin	10,072	6,644	7,566
Income from other financial services	429	449	591
Unallocated (*)	22,995	14,325	13,767
	55,165	39,857	43,864
Liabilities			
Pawnbroking	321	261	284
Purchases of precious metals	-	-	4
Retail Jewellery sales	1,052	958	1,286
Foreign currency margin	2,110	2,361	2,402
Income from other financial services	638	282	525
Unallocated (*)	17,082	5,666	8,455
	21,203	9,528	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 30 September 2019 includes right of use assets acquired after 31 March 2019.

Unaudited notes to the interim condensed financial statements (continued)

For the six months ended 30 September 2019

3. Borrowing

	6 months ended 30 September 2019 Unaudited £'000	6 months ended 30 September 2018 Unaudited £'000	12 months ended 31 March 2019 Audited £'000
Short term bank loans	3,903	2,008	5,183
Hire purchase agreements	-	5	1
Amount due for settlement within one year	3,903	2,013	5,184

4. Finance costs

	6 months ended 30 September 2019 Unaudited £'000	6 months ended 30 September 2018 Unaudited £'000	12 months Ended 31 March 2019 Audited £'000
Interest on debts and borrowings	109	88	130
Interest on right-of-use assets	205	-	-
Finance charges payable under hire purchase contracts	-	-	1
Total finance costs	314	88	131

5. Tax on profit

The taxation charge for the six months ended 30 September 2019 has been calculated by reference to the expected effective corporation tax and deferred tax rates for the full financial year to end on 31 March 2020. The underlying effective full year tax charge is estimated to be 20%.

6. Earnings per share

	6 months ended 30 September 2019 Unaudited	6 months ended 30 September 2018 Unaudited	12 months ended 31 March 2019 Audited
Profit for the period (£'000)	4,900	4,005	5,160
Weighted average number of shares in issue	30,837,653	30,837,653	30,837,653
Earnings per share (pence)	15.9	13.0	16.7
Fully diluted earnings per share (pence)	15.5	12.7	16.3

Unaudited notes to the interim condensed financial statements (continued)

For the six months ended 30 September 2019

7. Issued capital and reserves

Ordinary shares issued and fully paid	No.	£'000
At 31 September 2018	30,837,653	308
At 30 September 2019	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 will be paid on 20 February 2020 to shareholders on the share register at the close of business on 17 January 2020 and has not been provided for in the September 2019 interim results. The shares will be marked ex-dividend on 16 January 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

Operating lease commitments have been restated to exclude non-recoverable VAT.

Prepaid lease payments were previously included in the operating lease commitments as they had not been expensed through the Income Statement

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	-	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	-	(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 6 month period ended 30 September 2019, deprecation of right of use assets reported within administration expenses is £1,120,000 and the interest cost of right of use assets reported in finance costs is £205,000.

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 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. 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. Comparatives restated for changes in IFRS 9 & 15

Comparative information for the period ending 30 September 2018 has been restated to include the revised impact of IFRS 9 & 15. The revised impact on the Income Statement is an increase in revenue and a compensating increase in cost of sales of £1,164,000. Therefore there is no change to gross profit or earnings per share. The revised impact in the Statement of Financial Position is an increase in inventories of £1,921,000 and a reduction in receivables of the same amount. Total current assets, net assets and retained earnings are unaffected. The revised impact in the statement of cash flows is an increase in cash used for inventories of £1,921,000 with an equal reduction in cash used for receivables. Net cash flows from operating activities and net cash are unaffected.