20 January 2023

TheWorks.co.uk plc
("The Works", the "Company" or the "Group")

Trading update for the 11 weeks ended 15 January 2023 and Interim results for the 26 weeks ended 30 October 2022

Resilient performance in H1 FY23 despite cost headwinds, and strong Christmas trading, in line with plans. FY23 expectations unchanged, given continuing economic uncertainty.

The Works, the family-friendly value retailer of books, arts and crafts, stationery, toys and games, announces an update on current trading for the 11 weeks ended 15 January 2023 and its interim results for the 26 weeks ended 30 October 2022 (the "Period" or "H1 FY23").

Trading update for the 11 weeks ended Sunday, 15 January 2023

The total LFL sales performance strengthened since the end of H1 FY23, with LFL sales growth for the 11 weeks ended 15 January 2023 of 5.7%. Store LFL sales grew by 9.7%, with online sales declining by 14.0%.

We are encouraged by the store sales performance, which was expected to strengthen as the comparatives from the previous year weakened, having been affected by concerns regarding the Omicron COVID-19 variant and supply chain disruption. Store sales were particularly strong in the week immediately prior to Christmas, suggesting that consumers shopped much later than in 2021 and that many were seeking value when shopping for gifts.

Online sales over the first 11 weeks of H2 FY23 have continued to be disappointing. Online sales softened in the run up to Christmas, which we believe was due to consumers losing confidence in retailers' delivery promises in light of the widely reported postal strikes, and the potential for knock-on effects on other carriers.

Store sales since Christmas have continued to be strong as we entered our January sale, and we expect to end the financial year with a clean stock position. As anticipated, we will incur a higher level of markdown than last year, when stock levels were unusually low. Post-sale, we will continue to improve our product proposition with strong new seasonal and own brand range launches, which we expect to drive stronger trading compared with last year.

H1 FY23 Financial highlights

- Total revenue grew by 2.4% compared with H1 FY22, a resilient sales performance against strong FY22 comparatives and given the challenging consumer backdrop.
- Store LFL[(1)] sales for the Period grew by 3.5% and online sales declined by 16.9% (still 50% above pre-Covid levels), resulting in overall LFL growth of 0.6%.
- As expected, pre-IFRS 16 Adjusted[(2)] EBITDA loss was £6.4m compared with a £2.5m profit during H1 FY22. H1 result was impacted by residual impact of the cyber security incident in March 2022 and cost headwinds including freight, inflation[(3)] and notably the normalisation of business rates charges which represented c.£3.9m of additional cost.
- Loss before tax of £10.7m (H1 FY22: loss of £1.0m). Due to the seasonal nature of the business, The Works typically makes a loss in H1, with the year's profit generation being strongly focused on the peak Christmas trading period in H2.
- Net cash balance at the Period end of £7.0m[(4)] (H1 FY22 £17.8m) reflecting a return to the normal pattern for the Group, which typically generates cash in H2 but not in H1.
- With the heightened level of uncertainty regarding consumer spending over the remainder of the financial year, the Board's expectations for the overall FY23 result are unchanged, despite the recent increase in LFL sales.
- In line with last year, the Board is not proposing an interim dividend, but will review the appropriate level of dividend for FY23 alongside the final results.

	H1 FY23	H1 FY22
Revenue	£118.9m	£116.1m
Revenue growth	2.4%	30.6%
LFL sales growth(1)	0.6%	14.5%
Pre-IFRS 16 Adjusted(2) EBITDA	(£6.4m)	£2.5m
Loss before tax	(£10.7m)	(£1.0m)
Basic loss per share	(13.9p)	(1.4p)
Net cash at bank(4)	£7.0m	£17.8m

H1 FY23 Operational highlights

Continued to make progress on our strategy of being *"better, not just bigger"*, including:

- Further improving the customer-focused proposition by, among other things, expanding our front-list book offer. Front and back-list titles by Colleen Hoover proved particularly popular, making up half of our top 10 bestsellers in the Period, whilst the introduction of front-list children's books by authors such as Julia Donaldson also helped to increase the Group's book market share, both in terms of value and volume.
- Capitalised on key seasonal events during the year, with refreshed outdoor play ranges proving popular during the hot summer months and a record 'Back to School' season driven by improved third party and own-brand stationery ranges.
- Continued to optimise the store estate by opening seven new stores and relocating two, all of which are trading ahead of expectations, and refitting 21 stores.
- Launched an updated brand to ensure that the visual representation and tone of voice of The Works aligns with its purpose and reflects the more modern, fun and engaging business we are today. The business also relaunched its loyalty scheme, signing up 0.3m new members in the first half, a 100% increase on H1 FY22.
- Improved the operational performance of the Company by enhancing the supply chain with a new stock allocation system, significantly improved IT systems following the cyber security incident and implementing a new automated packing machine and robotics to improve the efficiency of online fulfilment operations.

Outlook

Overall, the performance delivered in the first half was resilient given the challenging economic conditions and we are encouraged that trading has improved since the Period ended. The Board's expectation for the full year results remains unchanged given the current sales trajectory and our optimism regarding the new ranges and the inherent strength of the customer proposition. However, this is balanced by the possibility that consumer spending may weaken after Christmas 2022(5) and through the remainder of the current financial year.

Gavin Peck, Chief Executive Officer of The Works, commented:

"The Works delivered a resilient performance in the first half against the backdrop of an increasingly challenging consumer environment. This reflects the durability of the business, the relevance of our value proposition, the progress we are making in delivering our "better, not just bigger" strategy and the relentless efforts of our fantastic colleagues. We have not been immune from the economic headwinds affecting the retail sector, including higher costs which impacted our profitability in the first half more than last year. Although trading conditions were more difficult, we were still pleased to see cost-conscious customers buying into our value offering, which enabled us to deliver positive sales growth overall.

"Whilst the trading environment remains uncertain, we are encouraged by the strength of our performance during and after the key Christmas period and believe there is significant value to be created from delivering on our strategy in the medium-term. This is what we will be focussing on during the upcoming period, and we feel well placed to capitalise on the many attractive opportunities that lie ahead."

Interim results presentation

A presentation for sell-side analysts will be held today at 9.30am via video conference call. A copy of the presentation will shortly be made available on the Company's website (www.corporate.theworks.co.uk/investors).

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Footnotes:

(1) The like for like (LFL) sales increase has been calculated conventionally with reference to the FY22 comparative sales figures. LFL sales are defined by the Group as the year-on-year growth in gross sales from stores which have been trading for a full financial year prior to the current year and have been trading throughout the current financial period being reported on, and from the Company's online store, calculated on a calendar week basis.

(2) Adjusted profit figures exclude Adjusting items. There were no Adjusting items in respect of H1 FY23. See Note 5 of the attached condensed unaudited financial statements for details of Adjusting items relating to the comparative period.

(3) Other inflationary increases primarily related to the UK National Living Wage and energy costs.

(4) Net cash at bank, excluding IAS 17 finance leases.

(5) Having noted the predictions made by certain economic commentators.

Notes for editors:

The Works is one of the UK's leading family-friendly value retailers of books, arts and crafts, stationery, toys and games, offering customers a differentiated proposition as a value alternative to full price specialist retailers. The Group trades from over 500 stores in the UK & Ireland and online.

Cautionary statement

This announcement is based on information from condensed unaudited financial statements and may contain forward-looking statements with respect to the financial condition, results of operations, and business of the Group. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These forward looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, the Group has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Chief Executive's Report

Trading performance

The Works delivered a resilient performance in the first half against the backdrop of an uncertain macroeconomic and consumer environment. We traded against strong comparatives in H1 FY22, which benefitted from a more notable post-COVID sales bounce than was apparent at the time, and dealt with the residual impact of the cyber security incident that affected sales in May and June. Despite this, we delivered a robust performance overall thanks to the ongoing strategic progress we have made and our value proposition, which continues to prove popular with cost-conscious shoppers. Revenue increased by 2.4% to £118.9m (H1 FY22: £116.1m) and total LFL sales increased by 0.6%, driven by strong store growth.

Our stores, which generate over 85% of revenue, performed well with LFL sales up 3.5%. After a slower start to the period store performance improved over the summer, with positive LFL sales growth from June onwards. The successful expansion of front list books continued to drive growth and we capitalised on the warm weather during the summer holidays with good sales of refreshed outdoor play ranges, followed by a record "Back to School" season driven by improved branded and own-brand ranges. Store sales remained positive in October although softened, reflecting the increasingly challenging consumer environment towards the end of the Period and a later peak in Christmas sales than we have experienced in the previous two years.

Online trading was weaker, with LFL sales declining by 16.9%, although still 50% ahead of pre-COVID levels. This was largely due to consumers' stronger than expected return to shopping in stores post-COVID. Although the online performance during the Period was disappointing, we continue to believe that there remains a significant opportunity to drive growth in this channel in the medium-term through multiple levers, including improving customer experience on the site, better online ranging and enabling the ordering of online ranges in store. To ensure that we make the changes necessary to improve the execution of our strategy in this area, a review of the online operation is currently underway.

Profitability declined in the first half with an EBITDA loss of £6.4m (H1 FY22: £2.5m profit) and a loss before tax of £10.7m (H1 FY22: £1.0m loss). EBITDA performance was affected by lower than expected sales growth and significant year-on-year cost increases, most notably business rates, freight, payroll and energy cost inflation. It is important to note that due to the seasonality of the business the first half of the financial year is typically loss making, with a substantial proportion of our profits generated in H2, which includes Christmas trading.

We ended the period with net cash of £7.0m (H1 FY22: £17.8m), which reflected the build of stock prior to the peak trading season. The Group's total liquidity availability including RCF headroom at the Period end was £33.0m.

Strategy

We have continued to make good progress against our "better, not just bigger" strategy in the first half, as outlined below.

Our improved and more customer-focused proposition continued to resonate well with customers, with sales growth driven by:

- **An expansion of our front-list book offer**, with front and back-list titles by Colleen Hoover proving particularly popular and making up half of our top 10 bestsellers in the period. The successful introduction of front-list authors such as Julia Donaldson to our children's book offer has also helped to increase our overall UK book market share by c.1% by value and c.1.5% by volume.
- **Our refreshed outdoor play ranges in the summer**, with new products such as our popular bubble machines. We also saw a record 'Back to School' season, where improved branded

stationery ranges including Helix, Pukka and Sharpie performed well alongside own-brand ranges.
- **The relaunch of our loyalty scheme**, internally and externally, resulting in us signing up 0.3m new members, a 100% increase year-on-year. The scheme has over 1.1m active members, typically spending 30% more than non-members, and we continue to work on improving our analytical capabilities to drive improved insight from the data this scheme provides.

We continued to optimise our store estate with good progress in the period, including:

- **Opening seven new stores**, including in high priority locations such as Teesside Retail Park, Leeds White Rose Shopping Centre and Team Valley Shopping Park, as well as relocating a further two stores and closing five. All new stores are trading well and ahead of expectations.
- **Continuing to invest in our existing estate**, undertaking 21 refits of our oldest stores to bring them up to modern standards.

We improved the operational capabilities of the business, a key pillar of our strategy to become a more modern and efficient retailer, through investments in:

- **Enhancing our supply chain** through the introduction of "Slimstock", a new stock allocation system, in September. This will help improve on-shelf availability, increase sell-through and stock turn, and reduce markdowns.
- **Significant improvements to our IT security** following the cyber security incident in March 2022. This has included refreshed mandatory training for all colleagues to raise awareness of cyber security issues and the establishment of a new Security Operations Centre to monitor and respond to any unusual activities in our systems or networks on a 24/7 basis.
- **Partial automation of online fulfilment operations**, with the implementation of an automated packing machine and robotics to support picking orders at our third-party provider, iForce. This automation is key to ensuring we can maintain online profitability given the continued headwind from National Living Wage increases.

We also launched our updated brand to ensure that the visual representation and tone of voice of The Works aligns with our purpose and reflects the more modern, fun and engaging business we are today. The launch was accompanied by the rollout of new in-store Point of Sale (POS) and a refreshed look and feel to the website, social media channels and customer communications. This refreshed brand encapsulates the strategic shift of the business in the last three years from being seen as a 'pile it high' discounter to a more customer-focused value retailer with a clearer purpose, which will help attract and retain customers in the years ahead.

We remain increasingly focused on our Environmental, Social and Governance (ESG) agenda and our dedicated steering group meets quarterly to drive progress in these areas. Progress in the period includes:

- Launching the 'Can Do Academy', a colleague platform dedicated to enhancing colleagues' learning and development, and 'MyWorks', an internal communication, benefits and wellbeing platform. Investment in these platforms demonstrates our commitment to investing in colleagues and desire to ensure that all colleagues have rewarding careers at The Works.
- Continuing to build on our strong colleague engagement scores, being placed 12th in the Best Big Companies to Work for, up from 13th in each of the past two years, maintaining a 2* accreditation for 'outstanding' engagement in the workplace.
- Launching an external review of diversity & inclusion that will provide a framework for developing our approach in this area to ensure that we are an inclusive organisation.
- Ongoing work to meet the requirements in relation to Task Force on Climate-Related Financial Disclosures (TCFD), including the development of a climate risk register and establishing a framework to quantify our environmental impact, which is the first stage in developing a plan to reduce it.
- Recruiting a Sustainability Manager (who joined at the beginning of 2023), a new role, to lead and focus our efforts to reduce the environmental impact of our business.

Outlook

We are encouraged that our value proposition has continued to resonate with customers; we have seen sustained demand for our offering and made continued strategic progress in the first half, all against the backdrop of challenging trading conditions. However, we believe that consumer spending could weaken further and therefore that a high degree of uncertainty remains for the rest of the financial year. Taking this into consideration, the Board’s current expectation for the full year's result remains unchanged.

Dividends

In line with last year, the Board is not proposing an interim dividend, but will review the appropriate level of dividend alongside the final FY23 results.

Gavin Peck
Chief Executive Officer
20 January 2023

Financial Report

Overview

This report covers the 26 week period ended 30 October 2022 (“H1 FY23”, “H1” or “the Period”) and refers to the comparative “H1 FY22” period of the 26 weeks ended 31 October 2021.

The result for the Period was a loss before tax of £10.7m compared with a loss of £1.0m for H1 FY22. The EBITDA was a loss of £6.4m (H1 FY22: profit of £2.5m). This result was, as anticipated, lower than last year but is consistent with the level required in H1 FY23 to meet our overall expectation for the year. In contrast to the previous two years, which were affected by COVID related anomalies (including unusual sales and operating cost patterns, furlough and rates reliefs), the seasonality of the business typically results in a loss in the first half of the financial year, with substantially all profit being generated through Christmas trading in H2.

The table below summarises the movements between the H1 FY22 and H1 FY23 EBITDA results. Revenue increased by 2.4%, but there were significant year on year headwinds which more than offset this, including the cessation of COVID-19 business rates relief, payroll and energy cost inflation and higher freight costs.

	£m
H1 FY22 EBITDA	**2.5**
Additional margin from year-on-year sales increase	2.2
Lower product gross margin percentage	(4.4)
Full business rates charged in H1 FY23	(3.9)
Electricity (inflation)	(0.9)
Payroll (inflation)	(1.6)
Other	(0.3)
H1 FY23 EBITDA	**(6.4)**

At the balance sheet date the Group held net cash of £7.0m (H1 FY22 £17.8m) (excluding IAS 17 leases), reflecting a return to the normal pattern for the business which typically generates cash in H2 but not in H1 and, a larger than normal increase in stock prior to Christmas, to mitigate the potential risk of further disruptions to container freight shipping.

The Group tracks a number of alternative performance measures (“APMs”) including EBITDA (on an IAS 17 basis), Adjusted EBITDA and like for like (“LFL”) sales, as it believes these provide stakeholders with additional helpful information. These are described more fully in Note 1(c) and 4 of the condensed unaudited financial statements.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Revenue

Total revenue during the Period increased by 2.4% to £118.9 million (H1 FY22: £116.1 million). LFL sales increased by 0.6%, store LFLs increasing by 3.5% and online sales decreasing by 16.9%.

The number of stores increased by two, from 525 to 527 at the end of the Period. Seven new stores were opened, five were closed and two stores were relocated to new sites.

The table on the following page shows an analysis of sales and a reconciliation to statutory revenue.

	H1 FY23 £m	H1 FY22 £m	Variance £m	*Variance %*
Store LFL sales	**114.7**	**110.8**	**3.8**	***3.5***
Online sales	**15.1**	**18.1**	**(3.0)**	***(16.9)***
Total LFL sales for Period	**129.8**	**128.9**	**0.8**	***0.6***
Non LFL sales	**4.5**	**3.0**	**1.6**	***53.2***
Total Gross Sales	**134.3**	**131.9**	**2.4**	***1.8***
VAT	(14.5)	(15.1)	0.6	*(4.3)*
Loyalty points redeemed	(0.9)	(0.7)	(0.2)	*28.6*
Revenue (per statutory accounts)	**118.9**	**116.1**	**2.8**	***2.4***

The effective VAT rate was lower than in H1 FY22 due to an increase in the sales mix of books, which carry a zero VAT rate. This favourable VAT effect from the higher sales of books partially offsets the adverse percentage margin effect described below.

The cost of loyalty points redeemed increased as a result of an increase in the number of new members recruited to the loyalty scheme, which has been an area of focus during the Period.

Gross profit

	H1 FY23		H1 FY22			
	£m	*% of revenue*	£m	*% of revenue*	£m Variance	% Variance
Revenue	**118.9**		**116.1**		**2.8**	*2.4*
Less: Cost of goods sold	52.0		47.0		5.0	*10.6*
Product gross margin	**66.9**	***56.3***	**69.1**	***59.5***	**(2.2)**	***(3.2)***
Overhead costs charged to statutory cost of sales						
Store payroll	23.0	*19.4*	21.2	*18.3*	1.8	*8.5*
Store property and establishment costs	25.2	*21.2*	20.8	*17.9*	4.5	*21.7*
Store PoS and transaction fees	0.9	*0.8*	1.1	*0.9*	(0.1)	*(11.9)*
Store depreciation (excluding IFRS 16)	2.5	*2.1*	2.6	*2.2*	(0.1)	*(3.3)*
Online variable costs	8.2	*6.9*	8.1	*7.0*	0.1	*1.6*
IFRS16 impact	(0.9)	*(0.8)*	(2.3)	*(2.0)*	1.4	*(60.4)*
Adjusting items	0.0	*0.0*	(0.1)	*0.0*	0.1	*(100.0)*
Gross profit per financial statements	**7.9**	*6.7*	**17.8**	*15.3*	**(9.9)**	*(55.4)*

- The product gross margin decreased to 56.3%, from 59.5% last year. This was due to:
  - Sales mix – driven by a strategic initiative, book sales grew significantly compared with H1 FY22, particularly “front list” or new best seller titles. This has been a successful development, but has resulted in a lower gross margin percentage as front list books achieve a lower percentage margin than other products (as do branded games and toys, which also sold strongly).
  - Container freight costs, which continued to be high during most of H1 FY23, although the rates began to abate during the summer, and have subsequently fallen back to pre-COVID levels. The full benefit of this reduction in freight rates will be seen in FY24, and is expected to approximately offset a potentially less favourable dollar exchange rate than in FY23.
  - The hedged FX rate on payments made in US dollars during H1 was more favourable than in the comparative period, which was expected to provide a margin benefit for H1 FY23. However, this was more than offset by an accounting entry required to restate the dollar payables on the balance sheet at the Period end at the prevailing spot rate, which was much lower (US$1.16). This was necessary due to a shortfall in the hedging contracts. Substantially all of this entry is expected to unwind during H2.
- Store payroll costs increased due to the 6.6% increase in the National Living Wage and the increase in the employer’s national insurance rate (which was subsequently reduced again, after the Period end). The opportunities to mitigate the increase in the NLW *directly* within store labour costs remains limited, due to the operational gearing inherent in operating small stores, for

example, many stores already operate on a “minimum operational hours” basis for much of the year.

- A £4.5m increase in store property and establishment costs was due to:
    - £3.9m of COVID-19 rates relief received in H1 FY22, which lowered the prior year comparative.
    - A £0.9m increase in electricity costs due to inflation.
    - Total rent charges were in line with the previous year. There were further savings in LFL rents, albeit the volume of these savings was lower than in previous periods as most leases have now been reviewed within the last 24 months. The LFL rent savings were largely offset by rents from new/relocated stores being higher than for the closed stores, because the new/relocated stores occupy better units which command a higher rent.
- Online variable (marketing and fulfilment) costs were broadly level year on year. Due to an adverse sales mix, mostly from sales of 10 for £10 children’s books, online unit selling prices were lower in H1 FY23 resulting in a similar volume of units being processed, despite the lower sales value. The introduction of automated robots to assist with online fulfilment picking began to deliver efficiency benefits but these were offset by reduced efficiencies elsewhere in the system due to high labour turnover and an increased mix of agency staff, as well as underlying payroll cost inflation.
- The IFRS 16 impact in the table above (and in the Administration costs table below) represents the additional IFRS 16 depreciation on the notional right of use asset created, less rent, which is not recognised under IFRS 16. The difference in the size of the adjustment compared with H1 FY22 is due to a combination of factors including routine variations in the notional interest rate used in the calculation, and changes in the IFRS 16 depreciation charge. Note 4 of the financial statements provides a reconciliation between pre and post IFRS 16 profit.

Store distribution costs

	H1 FY23		**H1 FY22**			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m variance**	***% variance***
Distribution costs	**5.0**	***4.2***	**4.1**	***3.5***	**0.9**	***22.8***

Store distribution costs increased by £0.9m to £5.0m. Note that online fulfilment costs are included within the cost of sales.

- Labour costs in our retail distribution centre increased by £0.5m. In addition to the 6.6% increase in the National Living Wage, the mix of agency staff used increased, which incurs a higher hourly rate, and there were also redundancy costs due to a restructuring of the DC operational management team.
- Third party delivery charges increased by £0.3m due to an increase in the volumes shipped and price increases charged by the supplier.

Administration costs

Administration costs decreased compared with the prior year. There were no material variances of note, the overall year-on-year reduction in costs resulted from a number of small changes which, combined, aggregated to a £0.4m saving.

	H1 FY23		**H1 FY22**			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m variance**	***% variance***
Pre-IFRS 16, Adjusted administration costs	10.9	*9.2*	11.4	*9.8*	(0.4)	*(3.8)*
Depreciation	0.5	*0.4*	0.6	*0.5*	(0.2)	*(26.5)*
IFRS 16 impact	(0.2)	*(0.2)*	(0.2)	*(0.2)*	0.0	*(5.9)*
Administration costs	**11.2**	***9.4***	**11.8**	***10.2***	**(0.6)**	***(5.0)***

Net financing expense

Net financing costs in the Period were £2.4m (FY22: £2.8m), mostly relating to IFRS 16 notional interest on the calculated lease liability.

IFRS 16 interest was lower because recent leases have been renewed at lower rents and with shorter lease terms, reducing the IFRS 16 borrowings on which the interest is calculated.

Interest relating to bank facilities was £0.3m (H1 FY22: £0.4m) and comprised facility availability charges and amortisation of the cost of setting up the facility.

Loss before tax

The loss before tax was £10.7m (H1 FY22: £1.0m). Due to the seasonality of the business, the first half of the financial year is typically loss making.

Tax

The Group's tax credit in respect of the Period was £2.0m (H1 FY22: credit of £0.1m). The effective tax rate was 18.6% (H1 FY22: 14.1%).

The increase in the effective tax rate is due to the prior year rate being lower than usual due to an increase in the value of the deferred tax asset recognised in FY22. This was due to the forthcoming increase in the corporation tax rate from 19% to 25%, which becomes effective from 1 April 2023. Deferred tax assets are calculated based on the tax rate applicable when they are anticipated to unwind, therefore, the asset was recognised at the higher rate of 25% at the end of FY22, creating a tax credit to the profit and loss account.

It is anticipated that due to the lower level of profit compared with FY22 and the availability of additional capital allowances, there will be no current corporation tax payable for the FY23 financial year, although deferred tax calculations may result in a small net P&L tax charge.

Earnings per share

The basic and the diluted losses per share for the Period were 13.9 pence (H1 FY22: 1.4 pence).

Capital expenditure

Capital expenditure in the Period was £2.5 million (H1 FY22: £1.6m).

Due to a timing difference (expected to reverse in H2), the cost of opening new stores was offset in H1 by leasehold contributions from landlords, resulting in a nil net cost reported during the Period.

The other notable areas of capital expenditure were on store refits, £0.7m and, £0.6m on new EPOS till software.

Capital expenditure for the full year is still expected to be approximately £7.5m.

	H1 FY23 £'m	**H1 FY22 £'m**	**Variance £m**
New stores and relocations	0.0	0.4	(0.4)
Store refits and maintenance	1.2	0.6	0.6
IT hardware and software	1.3	0.4	0.9
Other	0.0	0.2	(0.2)
Total capital expenditure	**2.5**	**1.6**	**0.9**

Stock

Stock was valued at £53.6m at the end of the Period (H1 FY22: £40.0m), an increase of 34.0%.

The operating cycle of the business causes maximum stock levels to occur prior to the Christmas sales peak, and therefore stock levels typically increase at the half year end compared with the levels at the year end. In addition to this seasonal build, the stock value was higher than normal at the end of H1 FY23 due to the following:

- Additional stock was purchased as a precautionary measure to mitigate the risk that ocean freight movements were once again disrupted in the approach to the peak season, as happened in autumn 2021. In the event, stock flowed freely, resulting in a higher than normal stock unit holding at the end of October.
- The cost value per unit of stock was approximately 20% higher than in the prior year, including the mix effect of higher priced front list books, and the higher freight costs included.
- Stock provision values are lower than the prior year due to a reduction in the obsolescence provision.

Through a combination of compensatory adjustments to purchasing plans on other lines and a larger January sale than last year, the additional stock purchased to mitigate the potential risk of ocean freight disruption is expected to have sold by the end of the financial year, resulting in the year end stock value being broadly in line with last year's.

	H1 FY23	H1 FY22
	£m	£m
Gross stock	46.6	35.2
Less: provisions	(3.2)	(4.4)
Stock net of provisions	**43.4**	**30.9**
Stock in transit	10.2	9.2
Stock per balance sheet	**53.6**	**40.0**

Cashflow

The Group ended the period with net cash of £7.0m. Approximately £5.0m of October payments were made on 31 October, which fell into H2 FY22, thereby creating a favourable timing difference. The cash position at the end of the Period fully reflects the build of stock prior to the peak trading season.

The net cash outflow for the Period was £9.3m (H1 FY22: inflow of £17.0m), reflecting a return to the normal pattern for the business which typically generates cash in H2 but not in H1. This was in contrast to H1 FY22, which was unusual in that a cash inflow occurred. The size of the outflow during H1 FY23 was increased by the larger increase in stock described above.

The table on the following page shows an abbreviated summarised cashflow analysis.

	H1 FY23 £m	H1 FY22 £m	Variance £m
Operating cash flows before changes in working capital	**5.6**	**15.4**	**(9.8)**
Deduct from statutory presentation: rent payments	(14.3)	(16.2)	2.0
Deduct from statutory presentation: CLBILS repayment	-	7.5	(7.5)
Deduct from statutory presentation: RCF drawdown	(4.0)	-	(4.0)
Non IFRS cashflow before working capital movements	**(12.6)**	**6.7**	**(19.3)**
Net movements in working capital	3.8	19.7	(15.9)
Capex	(2.5)	(1.6)	(0.9)
Tax paid	(1.5)	-	(1.5)
Interest and financing costs	(0.6)	(0.2)	(0.4)
Cashflow before loan movements	**(13.4)**	**24.6**	**(38.0)**
Repayment of CLBILS loan	-	(7.5)	7.5
Drawdown of RCF	4.0	-	4.0
Exchange rate movements	0.3	(0.1)	0.4
Purchase of treasury shares by EBT	(0.1)	-	(0.1)
Net (decrease)/increase in cash and cash equivalents	**(9.3)**	**17.0**	**(26.3)**
Opening net cash balance excluding IAS 17 leases	16.3	0.8	
Closing net cash balance excluding IAS 17 leases	**7.0**	**17.8**	

£4.0m was drawn under the Group’s RCF facility during October 2022, which was repaid on 31 October 2022, just after the Period end.

Bank facilities

The Group’s bank facilities comprise a £30.0m revolving credit facility (‘RCF’) with HSBC which expires on 30 November 2025. The facility includes financial covenants which are structured in a way which is standard for retail businesses, in relation to leverage and fixed charge cover.

Dividends

A final dividend for FY22 was paid shortly after the Period end. As noted earlier in this report, in line with last year, the Board is not proposing an interim dividend, but will review the appropriate level of dividend for FY23 alongside the final results (expected to be published in July 2023).

The Board remains committed to returning capital to shareholders and has previously done this via the payment of dividends. The Board is also open minded to other forms of capital distribution if appropriate in addition to, or instead of dividends. The nature and size of other forms of distribution (for example, share buy backs) would depend on conditions at the time including in relation to profit levels, the existence of excess liquidity, and the prevailing share price.

Stephen Alldridge
Chief Financial Officer
20 January 2023

Unaudited Condensed Consolidated Income Statement
For the 26 weeks ended 30 October 2022

		26 weeks to 30 October 2022			26 weeks to 31 October 2021			52 weeks to 1 May 2022		
		Adjusted	**Adjusting items**	**Total**	Adjusted	Adjusting items	Total	Adjusted	Adjusting items	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue	3	**118,932**	**-**	**118,932**	116,073	-	116,073	264,630	-	264,630
Cost of sales	5	**(111,004)**	**-**	**(111,004)**	(98,344)	58	(98,286)	(216,082)	29	(216,053)
Gross profit		**7,928**	**-**	**7,928**	17,729	58	17,787	48,548	29	48,577
Other operating income / (expense)		**4**	**-**	**4**	(116)	-	(116)	(111)	-	(111)
Distribution expenses		**(5,030)**	**-**	**(5,030)**	(4,101)	-	(4,101)	(9,128)	-	(9,128)
Administrative expenses		**(11,223)**	**-**	**(11,223)**	(11,810)	-	(11,810)	(24,004)	-	(24,004)
Operating (loss)/profit		**(8,321)**	**-**	**(8,321)**	1,702	58	1,760	15,305	29	15,334
Finance income	6	**23**		**23**	5	-	5	16	-	16
Finance expense	6	**(2,364)**	**-**	**(2,364)**	(2,757)	-	(2,757)	(5,192)	-	(5,192)
Net financing expense		**(2,341)**	**-**	**(2,341)**	(2,752)	-	(2,752)	(5,176)	-	(5,176)
(Loss) / profit before tax		**(10,662)**	**-**	**(10,662)**	(1,050)	58	(992)	10,129	29	10,158
Tax	9	**1,986**		**1,986**	140	-	140	(1,436)	-	(1,436)
Loss for the period	4	**(8,676)**	**-**	**(8,676)**	(910)	58	(852)	8,693	29	8,722
Loss before tax and IFRS 16	4	**(9,737)**	**-**	**(9,737)**	(1,189)	53	(1,136)	9,525	(241)	9,284
Basic (loss)/earnings per share (pence)	10	**(13.9)**		**(13.9)**	(1.5)	-	(1.4)	13.9		14.0
Diluted (loss)/earnings per share (pence)	10	**(13.9)**		**(13.9)**	(1.5)	-	(1.4)	13.7		13.7

All results arise from continuing operations. The loss for the period is attributable to equity holders of the Parent company.

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 October 2022

	26 weeks to 30 October 2022 £000	26 weeks to 31 October 2021 £000	52 weeks to 1 May 2022 £000
(Loss) / profit for the period	**(8,676)**	(852)	8,722
Items that may or may not be recycled subsequently into profit and loss			
Cash flow hedges – changes in fair value	**(498)**	1,807	4,181
Cash flow hedges – reclassified to profit and loss	**(1,258)**	201	(321)
Cost of hedging reserve – changes in fair value	**56**	(484)	(83)
Cost of hedging reserve – reclassified to profit and loss	**47**	55	94
Tax relating to components of other comprehensive income	**-**	-	-
Other comprehensive (expense) / income for the period, net of income tax	**(1,653)**	1,579	3,871
Total comprehensive (expense) / income for the period attributable to equity shareholders of the Parent	**(10,329)**	727	12,593

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 October 2022

	Note	**30 October 2022**	31 October 21 (Restated - Note 1b)	1 May 2022
		£000	£000	£000
Non-current assets				
Intangible assets	12	**2,901**	2,320	2,672
Property, plant and equipment	13	**13,351**	16,211	13,970
Right of use assets	13	**89,133**	102,844	94,351
Deferred tax assets		**5,463**	2,992	3,477
		110,848	124,367	114,470
Current assets				
Inventories	14	**53,571**	40,043	29,387
Trade and other receivables		**10,469**	14,871	8,427
Derivative financial asset	18	**1,775**	425	2,393
Current tax asset		**372**	694	-
Cash and cash equivalents		**10,971**	17,783	16,280
		77,158	73,816	56,487
Total assets		**188,006**	198,183	170,957
Current liabilities				
Interest bearing loans and borrowings	15	**4,000**	(262)	-
Lease liabilities	15	**23,830**	27,915	25,434
Trade and other payables		**66,948**	64,264	35,958
Provisions	16	**204**	836	204
Derivative financial liability	18	**-**	702	-
Current tax liability		**-**	-	1,115
		94,982	93,455	62,711
Non-current liabilities				
Lease liabilities	15	**81,128**	94,508	85,702
Provisions	16	**767**	-	913
		81,895	94,508	86,615
Total liabilities		**176,877**	187,963	149,326
Net assets		**11,129**	10,220	21,631
Equity attributable to equity holders of the Parent				
Share capital	17	**625**	625	625
Share premium	17	**28,322**	28,322	28,322
Merger reserve		**(54)**	(54)	(54)
Share based payment reserve		**2,512**	1,807	2,252
Hedging reserve		**290**	835	2,227
Retained earnings		**(20,566)**	(21,315)	(11,741)
Total equity		**11,129**	10,220	21,631

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders						
For the 26 Weeks Ended 30 October 2022	Share capital £000	Share premium £000	Merger reserve £000	Hedging reserve[1] £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
As at 1 May 2022	**625**	**28,322**	**(54)**	**2,227**	**2,252**	**(11,741)**	**21,631**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(8,676)	(8,676)
Other comprehensive income	-	-	-	(1,653)	-	-	(1,653)
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**(1,653)**	**-**	**(8,676)**	**(10,329)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	(284)	-	-	(284)
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	260	-	260
Acquisition of treasury shares	-	-	-	-	-	(149)	(149)
Total transactions with owners	**-**	**-**	**-**	**-**	**206**	**(149)**	**111**
Balance at 30 October 2022	**625**	**28,322**	**(54)**	**290**	**2,512**	**(20,566)**	**11,129**

For the 26 Weeks Ended 31 October 2021	£000	£000	£000	£000	£000	£000	£000
As at 2 May 2021	**625**	**28,322**	**(54)**	**(1,203)**	**1,601**	**(20,463)**	**8,828**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(852)	(852)
Other comprehensive income	-	-	-	1,579	-	-	1,579
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**1,579**	**-**	**(852)**	**727**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	459	-	-	459
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	206	-	206
Total transactions with owners	**-**	**-**	**-**	**-**	**206**	**-**	**206**
Balance at 31 October 2021	**625**	**28,322**	**(54)**	**835**	**1,807**	**(21,315)**	**10,220**

For the 52 Weeks Ended 2 May 2022	£000	£000	£000	£000	£000	£000	£000
Balance at 2 May 2021	625	28,322	(54)	(1,203)	1,601	(20,463)	8,828
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	8,722	8,772
Other comprehensive expense	-	-	-	3,871	-	-	3,871
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**3,871**	**-**	**8,722**	**12,593**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	(441)	-	-	(441)
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	651	-	651
Total transactions with owners	**-**	**-**	**-**	**-**	**651**	**-**	**651**
Balance at 1 May 2022	**625**	**28,322**	**(54)**	**2,227**	**2,252**	**(20,463)**	**21,631**

[1] In the comparative period the hedging reserve included £108k for the 26 weeks ended 30 October 2021 (£176k for the 52 weeks ended 1 May 2022) in relation to changes in forward points which are recognised in other comprehensive income and accumulated as a cost of hedging within the hedging reserve (£NIL in respect of H1 FY23).

Unaudited Condensed Consolidated Cash Flow Statement

For the 26 weeks ended 30 October 2022

	30 October 2022	31 October 2021	1 May 2022
	£000	£000	£000
Cash Flows From Operating Activities			
(Loss) / profit for the period	**(8,676)**	(852)	8,722
Adjustments for:			
Depreciation of property, plant and equipment	**2,410**	2,554	5,005
Impairment of property, plant and equipment	**-**	-	416
Reversal of impairment of property, plant and equipment	**-**	(53)	(175)
Depreciation of right-of-use assets	**11,172**	10,172	20,029
Impairment of right-of-use assets	**-**	-	710
Reversal of impairment of right-of-use assets	**-**	(5)	(980)
Amortisation of intangible assets	**526**	376	806
Derivative exchange (gain) / loss	**(390)**	281	289
Financial expense	**330**	412	692
Financial income	**(23)**	(5)	(16)
Interest on lease liabilities	**2,034**	2,345	4,500
Loss on sale of property, plant and equipment	**(18)**	185	244
Loss on disposal of right-of-use asset	**519**	269	2,066
Profit on disposal of lease liability	**(558)**	(337)	(2,340)
Share based payment charges	**260**	206	651
Taxation	**(1,986)**	(140)	1,436
Operating cash flows before changes in working capital	**5,600**	15,408	42,055
(Increase) / decrease in trade and other receivables	**(1,706)**	(7,958)	(1,514)
Increase in inventories	**(24,030)**	(10,720)	(892)
Increase in trade and other payables	**29,706**	38,256	9,336
(Decrease) / increase in provisions	**(146)**	118	399
Cash inflows from operating activities	**9,424**	35,104	49,384
Corporation tax paid	**(1,487)**	-	(222)
Net cash from operating activities	**7,937**	35,104	49,162
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(1,773)**	(1,373)	(1,936)
Acquisition of intangible assets	**(755)**	(233)	(1,015)
Interest received	**23**	5	16
Net cash outflow from investing activities	**(2,505)**	(1,601)	(2,935)
Cash flows from financing activities			
Interest paid	**(304)**	(188)	(157)
Payment of lease liabilities (capital)	**(12,223)**	(13,901)	(25,969)
Payment of lease liabilities (interest)	**(2,028)**	(2,345)	(4,500)
RCF drawdown	**4,000**	-	-
Repayment of bank borrowings	**-**	(7,500)	(7,500)
Purchase of treasury shares	**(149)**	-	-
Payment of RCF costs	**(336)**	-	-
Net cash outflow from financing activities	**(11,040)**	(23,934)	(38,126)
Net (decrease) / increase in cash and cash equivalents	**(5,608)**	9,569	8,101
Exchange rate movements	**299**	(101)	(136)
Cash and cash equivalents at beginning of Period	**16,280**	8,315	8,315
Cash and cash equivalents at end of Period	**10,971**	17,783	16,280

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the 26 weeks ended 30 October 2022

1 Accounting Policies

(a) General Information
TheWorks.co.uk plc ('the Company') is a public limited company domiciled in the United Kingdom and its registered office is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, B46 1AL. These unaudited condensed consolidated interim financial statements ('interim financial statements') as at and for the 26 weeks ended 30 October 2022 comprise the results of the Company and its subsidiaries (together referred to as 'the Group').

(b) Basis of preparation
The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with TheWorks.co.uk plc financial statements for the 52 weeks ended 1 May 2022. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

(i) Going concern

The unaudited condensed financial statements have been prepared on a going concern basis, which the Directors consider appropriate for the reasons set out below.

The Directors have assessed the prospects of the Group, taking into account its current position and the potential impact of the principal risks which have been identified through the Group's risk evaluation process.

In preparing its FY22 Annual Report and financial statements (which were approved on 23 September 2022), the Group prepared a cash flow forecast, which covers a period of at least twelve months from the date of approval of these unaudited condensed financial statements, and is henceforth referred to as the 'Base Case' scenario. In addition, a 'severe but plausible' 'Downside Case' sensitivity was prepared to support the Board's conclusion regarding going concern, by stress testing the Base Case to indicate the financial headroom resulting from applying more pessimistic assumptions. These models have subsequently been updated for the purposes of preparing these interim financial statements.

In assessing the basis of preparation the Directors considered:

- The external environment.
- The Group's financial position including the quantum and expectations regarding availability of bank facilities.
- The potential impact on financial performance of the principal risks.
- The output of the Base Case scenario, which represents the Group's estimate of the most likely financial performance over the forecast period.
- Measures to maintain or increase liquidity in the event of a significant downturn in trading.
- The resilience of the Group to these risks having a more severe impact, evaluated via the Downside Case which shows the impact on the Group's cash flows, bank facility headroom and covenants.
- The response to situations in which consumer market conditions are more severe than the Downside Case.

These factors are described below.

External environment
The risks which were most prominent in the Board's consideration of going concern are those relating to the economy and the market, particularly the risk of consumer demand weakening due to the factors that have been widely reported externally, including a much higher level of inflation and interest rates and concerns about the effect these may have on household budgets and consumer spending on discretionary items.

Whilst potentially severe, the adverse impact on trading in the event of a further weakening of consumer demand due to general economic or market weakness is expected to have a less severe impact than the full closure of stores for extended periods, as occurred during periods of the COVID-19 pandemic.

Financial position and bank facilities
At the Period end the Group held net cash (excluding IAS 17 lease liabilities) of £7.0m (HY22: £17.8m) (Note 15).

The Group's bank facilities comprise a £30.0m revolving credit facility (RCF) which terminates at the end of November 2025. The facility includes two financial covenants which are structured in a way that is typical for a retail business of this size and are tested quarterly:

1. The level of net debt to LTM (last twelve months') EBITDA (maximum ratio 2.5x).
2. The "Fixed Charge Cover" or ratio of LTM EBITDA prior to deducting rent and interest, to LTM rent and interest (minimum ratio 1.20x until 31 October 2023, 1.25x until 31 October 2024 and 1.30x thereafter).

The bank facility is larger than the Group expects to use, and has been sized in this way to provide the Board and stakeholders with additional assurance as to the availability of liquidity, given the continuing heightened levels of uncertainty as regards the economy and external environment, and to provide such assurance beyond the going concern period.

Potential impact of risks on Base Case and Downside Case scenarios

The 'Principal risks and uncertainties' section of the Strategic report on pages 39 to 44 of the Group's FY22 Annual Report, sets out the main risks that the Board considers relevant.

It is considered unlikely that all the risks would manifest themselves to adversely affect the business at the same time. The Directors have estimated what the most likely combination of risks might be that could materialise within the going concern assessment period and how the business might be affected; this combination of risks is reflected in the Base Case assumptions. As noted above, the most prominent risk in the near term is considered to be the risk of lower consumer spending due to a weakened economy, which could affect sales, costs and liquidity.

During late FY22 the Group experienced a cyber security incident. This had a limited immediate/direct impact on trading towards the end of FY22 although there was a residual effect on trading during early FY23 as the Group took the decision to implement a very cautious and low risk approach to reinstating its systems, whilst simultaneously introducing significantly strengthened cyber security measures. As a result of these measures the risk of a material impact from any future cyber security attack should be substantially lessened.

The Downside Case scenario takes into consideration the same risks as the Base Case but assumes that their effects are more severe, especially if consumer spending weakens further.

Base Case scenario

The Base Case scenario assumptions are aligned with the Group's internal forecast:

- During FY22 sales were adversely impacted during the peak trading season by significant disruptions to the flow of stock into the business due to problems in the ocean freight system and store sales were also affected by the Omicron COVID-19 variant. The Base Case assumes that sales are not affected by these factors during the going concern period.
- Online sales levels during FY23 have been lower than expected. The Base Case assumes that online sales improve from their recent levels but not to the level initially expected, despite the fact that the Group plans to implement measures to improve online sales.
- The gross margin assumptions include provision for the continuation for a longer period than initially expected of higher than normal ocean container freight costs, until the end of FY23. Actual container freight rates have since reduced significantly compared with the rates included in the Base Case, which more than offsets additional discounting which is expected to be incurred in the January 2023 sale.
- The Base Case provides for known or expected inflationary increases including those associated with significantly higher electricity prices which are assumed to double and not to reduce during the going concern period, and wage rates including further increases in the National Living Wage.
- Capital expenditure levels are in line with the Group's strategic plan, which would enable a reduction in capital expenditure in the event of a Downside scenario occurring.

The output of the Base Case model scenario indicates that the Group would have sufficient financial resources to continue to meet its liabilities as they fall due over the going concern period.

Measures to maintain or increase liquidity in the event of a significant downturn in trading

If deemed necessary, mitigating actions would be taken in response to a significant downturn in trading, which would increase liquidity. These may include, for example, delaying and reducing stock purchases, stock liquidation, reductions in capital expenditure, the review of payment terms and the review of dividend levels. Some of these potential mitigations have been built into the Downside Case model, and some have been noted as additional measures that may be taken in practice in the event of that scenario, or worse, actually occurring.

Severe but plausible Downside Case scenario

The Downside Case makes the following assumptions to reflect more adverse conditions compared to the Base Case:

- Store LFL sales are assumed to be lower than the Base Case to allow for the possibility that consumer spending is adversely affected as outlined above.
- Online sales are assumed to be lower than in the Base Case, reflecting the possibility that external factors such as a shift in consumer shopping patterns away from online sales may be more severe than anticipated, and/or the failure by the Group to successfully implement its plans to improve the online sales performance.
- The gross margin assumptions are consistent with the Base Case, which the Board believes already takes a sufficiently cautious view.
- Volume related costs in the Downside Case are lowered where they move directly with sales levels; for example, online fulfilment and marketing costs are assumed to reduce to correspond with the lower online sales. The model also reflects certain steps which could be taken to mitigate the effect of lower sales levels, depending on management's assessment of the situation at the time. These include adjustments to stock purchases, reducing capital expenditure, reductions in headcount or labour usage, a reduction in discounts allowed as part of the Group's loyalty scheme and suspending the payment of dividends.

  Having considered the output of the Downside Case and the additional mitigating steps available, the Board's conclusion is that the business would continue to have adequate resources to continue in operation under this severe but plausible set of assumptions.

Consideration of more severe scenarios

The Board recognises that more severe downside scenarios than those modelled might arise. Accordingly, it has considered a range of more severe possibilities than are reflected in the Downside Case, including a 10% reduction in sales between January 2023 and April 2024.

In these circumstances, in addition to the measures included in the Downside Case, further mitigating measures would be required and are available which when implemented, would generate additional profit and/or cash and provide further liquidity headroom and/or further headroom in relation to the financial covenants. Such measures could include further reductions in capital expenditure and further reductions in discretionary expenditure in areas such as travel, training and professional fees.

Conclusion regarding basis of preparation

The current economic environment, characterised by higher inflation than has been experienced for a number of years, and a high level of uncertainty about how long the situation will persist and whether it will become worse before it improves, creates a higher than normal level of uncertainty with regard to the strength of consumer spending. However, the Board's assessment is that, despite this, the overall level of risk is not as high as was represented by COVID-19, which resulted in a complete inability to operate the majority of the Group's business for significant periods of time. The resilience demonstrated by the business during those periods, in very challenging conditions, provides additional assurance about the Group's ability to continue as a going concern in the event of an extended economic downturn due to high inflation etc.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the unaudited condensed financial statements and have therefore prepared them on a going concern basis.

(ii) Accounting policies

The interim financial statements have been prepared on a basis consistent with the accounting policies published in the Group's financial statements for FY22.

(iii) Restatement of figures previously reported in the interim financial statements for H1 FY22

Change to practice of grossing up business rates prepayments

In the FY22 interim accounts, as had previously been well established and accepted common practice, unpaid business rates invoices on the accounts payable ledger were recorded as a prepayment in the consolidated balance sheet. It has subsequently transpired that this was technically incorrect, and the prior year figures have therefore been restated to match the new practice which is not to prepay the whole year's rates value. This reduces the prior year business rates prepayment and accounts payable balances by £3,137k. This change has no profit or cash effect.

(c) Alternative performance measures and Adjusting items

The Group tracks a number of alternative performance measures (APMs) in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. They are consistent with how the business performance is planned and reported internally, and are also consistent with how these measures have been reported historically. Some of the APMs are also used for the purpose of setting remuneration targets.

The APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial statements prepared in accordance with IFRS. The Group believes that the APMs are useful indicators of its performance but they may not be comparable with similarly titled measures reported by other companies due to the possibility of differences in the way they are calculated.

The key APMs that the Group uses include: like-for-like sales growth (LFL); Earnings before interest, tax, depreciation and amortisation (EBITDA), Profit before tax and IFRS 16, Adjusted EBITDA, Adjusted Profit; and Adjusted earnings per share. The APMs used by the Group and explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant, are set out in Note 4.

“Adjusted” measures are calculated by adding back or deducting Adjusting Items. Adjusting items are material in size and unusual in nature or incidence and, in the judgement of the Directors, should therefore be disclosed separately on the face of the financial statements to ensure that the reader has a proper understanding of the Group’s financial performance and that there is comparability of financial performance between periods.

Refer to Note 5 for information regarding items that were treated as Adjusting in the comparative periods.

(d) Key sources of estimation uncertainty

The preparation of consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts.

Critical judgements represent key decisions made by management in the application of the Group’s accounting policies. Where a significant risk of materially different outcomes exists due to assumptions or other judgements, this will represent a key source of estimation uncertainty.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months are discussed below.

Key sources of estimation uncertainty which are material to the financial statements are described in the context of the matters to which they relate, in the following notes:

Description	Note
Going concern	1
Inventory – shrinkage provision	14

2 Segmental reporting

IFRS 8 requires segment information to be presented on the same basis as used by the Chief Operating Decision Maker for assessing performance and allocating resources.

The Group has one operating segment with two revenue streams, stores and online. This reflects the Group's management and reporting structure. Aggregation is deemed appropriate due to both operating segments having similar economic characteristics, similar products on offer, and numerous operational and commercial interdependencies.

3 Revenue

The Group's revenue is derived from the sale of finished goods to customers. The following table shows the primary geographical markets from which revenue is derived.

	26 weeks ended 30 October 2022 £000	26 weeks ended 31 October 2021 £000	52 weeks ended 1 May 2022 £000
Sale of goods			
– UK	**116,933**	114,060	260,087
– EU (Republic of Ireland)	**1,999**	2,013	4,543
Total revenues	**118,932**	116,073	264,630

Seasonality of operations

The Group's revenue is subject to seasonal fluctuations as a result of the Christmas period. The peak period is from October through to December; consequently, the first half of the year from April to October is expected to generate less revenue than the second half.

4 Alternative performance measures ("APMs")

Like-for-like ("LFL") sales

LFL sales are defined by the Group as the year-on-year growth in gross sales from

- stores which have been trading for a full financial year prior to the current year and have been trading throughout the current financial period being reported on, and
- from the Company's online store, calculated on a calendar week basis.

The measure is used widely in the retail industry as an indicator of underlying sales performance, eliminating the effects of changes between comparative periods in the number of stores trading.

EBITDA, Adjusted EBIDTA and Adjusted profit after tax

EBITDA is defined by the Group as earnings before interest, tax, depreciation, amortisation and profit/loss on the disposal of fixed assets. Adjusted EBITDA is calculated by adding back or deducting Adjusting items to EBITDA. See Note 1 (c) for a definition of Adjusting items.

The Group also reports another measure of Adjusted EBITDA, which removes the impact of IFRS 16, to provide a measure that is consistent with internal reporting and is as used by the Group in its investment appraisals. The table provides a reconciliation of Adjusted EBITDA to profit/(loss) after tax and the impact of IFRS 16:

	26 weeks ended 30 October 2022 £000	26 weeks ended 31 October 21 £000	52 weeks ended 1 May 2022 £000
Non IFRS 16 Adjusted EBITDA	**(6,389)**	2,500	16,562
IAS17 income statement charges not recognised under IFRS 16	**12,242**	12,410	24,433
Foreign exchange differences on euro leases	**(123)**	11	120
Post IFRS 16 Adjusted EBITDA	**5,730**	14,921	41,115
Loss on disposal of right-of-use assets	**(519)**	(269)	(2,066)
Profit on disposal of lease liability	**558**	337	2,340
Loss on disposal of property, plant and equipment	**18**	(185)	(244)
Depreciation of PPE	**(2,410)**	(2,554)	(5,005)
Depreciation of RoUA	**(11,172)**	(10,172)	(20,029)
Amortisation	**(526)**	(376)	(806)
Finance expenses	**(2,364)**	(2,757)	(5,192)
Finance income	**23**	5	16
Adjusted (loss) / profit before tax	**(10,662)**	(1,050)	10,129
Adjusted tax credit / (charge)	**1,986**	140	(1,436)
Adjusted (loss) / profit after tax	**(8,676)**	(910)	8,693
Adjusting items (Note 5)	**-**	58	29
Tax (charge) / credit in relation to Adjusting items	**-**	-	-
Loss after tax	**(8,676)**	(852)	8,722

Profit before tax and IFRS 16

The following tables provides a reconciliation of profit/(loss) before tax and IFRS 16 adjustments to profit/(loss) before tax.

	26 weeks ended 30 October 2022			26 weeks ended 31 October 21			52 weeks ended 1 May 2022		
	Adjusted £000	**Adjusting items £000**	**Total £000**	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000
(Loss) / profit before tax before IFRS 16 adjustments	**(9,737)**	**-**	**(9,737)**	(1,189)	53	(1,136)	9,525	(241)	9,284
Remove IAS 17 rental charge	12,242	-	12,242	12,410	-	12,410	24,433	-	24,433
Remove depreciation charged on the existing assets	104	-	104	153	-	153	275	-	275
Remove interest charged on the existing liability	19	-	19	14	-	14	31	-	31
Depreciation charge on right of use asset	(11,172)	-	(11,172)	(10,172)	-	(10,172)	(20,029)	-	(20,029)
Interest cost on lease liability	(2,034)	-	(2,034)	(2,345)	-	(2,345)	(4,500)	-	(4,500)
Loss on disposal of right of use asset	(519)	-	(519)	(269)	-	(269)	(2,066)	-	(2,066)
Profit on disposal of lease liability	558	-	558	337	-	337	2,340	-	2,340
Foreign exchange difference on euro leases	(123)	-	(123)	11	-	11	120	-	120
Additional impairment charge under IAS 36	-	-	-	-	5	5	-	270	270
Net Impact of IFRS 16 on (loss) / profit before tax	**(925)**	**-**	**(925)**	**139**	**5**	**144**	**604**	**270**	**874**
(Loss) / profit before tax	**(10,662)**	**-**	**(10,662)**	(1,050)	58	(992)	10,129	29	10,158

Other adjusted profit metrics

Other key profit measures including operating profit, profit before tax, profit for the period, and earnings per share are also calculated on an Adjusted basis by adding back or deducting Adjusting items. These adjusted metrics are included within the consolidated income statement and statement of other comprehensive income, with details of Adjusting items which affected the comparative period included below in Note 5.

5 Adjusting items

During the comparative period, the items analysed below have been classified as Adjusting:

	26 weeks ended 30 October 2022 £000	26 weeks ended 31 October 2021 £000	52 weeks ended 1 May 2022 £000
Within cost of sales			
Impairment charges[1]	**-**	-	1,126
Impairment reversals[1]	**-**	(58)	(1,155)
Total within cost of sales	**-**	**(58)**	**(29)**
Total Adjusting items	**-**	**(58)**	**(29)**

[1] These relate to prior period fixed asset impairment charges and reversals of impairment charges.

6 Finance income and expense

	26 weeks ended 30 October 2022 £000	26 weeks ended 31 October 2021 £000	52 weeks ended 1 May 2022 £000
Finance income			
Bank interest receivable	**23**	5	16
Total finance income	**23**	**5**	**16**
Finance expense			
Bank interest payable	**147**	269	401
Amortisation of capitalised loan costs	**183**	143	291
Interest payable on lease liabilities	**2,034**	2,345	4,500
Total finance expense	**2,364**	**2,757**	**5,192**

7 Share based payments

During the Period, no shares were awarded under "TheWorks.co.uk 2018 Long Term Incentive Plan" and no share options were awarded under the Save As You Earn Scheme. (26 weeks ended 31 October 2021: 1,085,105 and 1,209,189, 52 weeks ended 1 May 2022: 1,085,105 and 1,209,189 respectively).

During the Period, no restricted stock awards were granted to key management and senior employees (26 weeks ended 31 October 2021: 601,693, 52 weeks ended 1 May 2022: 601,693).

Expense recognised in the income statement

The IFRS 2 charge recognised during the Period was as follows:

	26 weeks ended 30 October 2022 £000	26 weeks ended 31 October 2021 £000	52 weeks ended 1 May 2022 £000
LTIP - Share based payment expense	**213**	146	584
SAYE - Share based payment expense	**47**	60	67
Total IFRS 2 charges	**260**	**206**	**651**

8 Employee benefits

The Group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £431k (26 weeks ended 31 October 2021: £384k; 52 weeks ended 1 May 2022: £777k).

9 Tax

The income tax expense or credit is determined by multiplying the loss before tax for the interim reporting period by management's best estimate of the weighted average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Group's total income tax credit in respect of the Period was £1.99 million (H1 FY22: £0.14 million). The effective tax rate on the total loss before tax was 18.6% (H1 FY22: 14.1%), the Adjusted tax rate was 18.6% (H1 FY22: 13.3%).

The difference between the total effective tax rate and the Adjusted tax rate in the prior period relates to certain costs and depreciation charges being non-deductible for tax purposes.

The year on year increase in the effective tax rate is due to the prior year rate being lower than usual, due to an increase in the value of the deferred tax asset, which was recognised during FY22. This was a result of the forthcoming increase in the U.K. corporation tax rate from 19% to 25% (effective from 1 April 2023). Deferred tax assets are calculated based on the corporation tax rate applicable when they are anticipated to unwind, therefore, the asset was recognised at the higher rate of 25% at the end of FY22.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share uses the weighted average number of shares in issue for the period, adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares represent employee share incentive awards. In the event that there are losses per share, diluted EPS is deemed to be the same as Basic EPS.

The Group has chosen to present an Adjusted earnings per share measure, with profit adjusted for Adjusting items (see Note 5 for further details) to reflect the Group's underlying profit for the Period.

	30 October 2022 Number	31 October 2021 Number	1 May 2022 Number
Number of shares in issue	**62,500,000**	62,500,000	62,500,000
Number of dilutive share options (nil in the event of a loss)	**-**	-	940,673
Number of shares for diluted earnings per share	**62,500,000**	62,500,000	63,440,673
	£000	£000	£000
(Loss) / profit for the financial period	**(8,676)**	(852)	8,722
Adjusting items	**-**	(58)	(29)
Total Adjusted (loss) / profit for Adjusted earnings per share	**(8,676)**	(910)	8,693
	Pence	Pence	Pence
Basic (loss) / earnings per share	**(13.9)**	(1.4)	14.0
Diluted (loss) / earnings per share	**(13.9)**	(1.4)	13.7
Adjusted basic (loss) / earnings per share	**(13.9)**	(1.5)	13.9
Adjusted diluted (loss) / earnings per share	**(13.9)**	(1.5)	13.7

11 Dividends

Following the period end a final dividend was paid in respect of FY22 of £1.5m, representing 2.4 pence per share.

12 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 May 22	16,180	9,058	**25,238**
Additions	-	755	**755**
Disposals	-	-	**-**
Balance at 30 October 2022	**16,180**	**9,813**	**25,993**
Amortisation / Impairment			
Balance at 1 May 2022	16,180	6,386	**22,566**
Amortisation charge for the Period	-	526	**526**
Disposals	-	-	**-**
Balance at 30 October 2022	**16,180**	**6,912**	**23,092**
Net book value			
At 1 May 2022	-	2,672	**2,672**
At 30 October 2022	**-**	**2,901**	**2,901**

13 Property, plant and equipment

	RoUA - Property £000	RoUA - Plant & Equipment £000	Land and buildings £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost						
Balance at 1 May 2022	151,405	2,421	10,415	3,818	27,258	**195,317**
Additions	6,473	-	(325)	657	1,441	**8,246**
Disposals	(3,525)	-	(97)	(10)	(153)	**(3,785)**
Balance at 30 October 2022	**154,353**	**2,421**	**9,993**	**4,465**	**28,546**	**199,778**
Depreciation and impairment						
Balance at 1 May 2022	58,067	1,408	6,317	3,388	17,816	**86,996**
Depreciation charge for the period	10,977	195	360	275	1,775	**13,582**
Impairment reversals	-	-	-	-	-	**-**
Disposals	(3,006)	-	(90)	(12)	(176)	**(3,284)**
Balance at 30 October 2022	**66,038**	**1,603**	**6,587**	**3,651**	**19,415**	**97,294**
Net book value						
At 1 May 2022	93,338	1,013	4,098	430	9,442	**108,321**
At 30 October 2022	**88,315**	**818**	**3,406**	**814**	**9,131**	**102,484**

Impairment losses

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the full carrying value may not be recoverable. When a review for impairment is conducted the recoverable amount is estimated based on either value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimates of future cash flows expected to be generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amounts.

An impairment review was conducted at 1 May 2022. The Group determined that each store is a separate CGU. Only stores with an indicator of impairment were included within the impairment assessment, including 38 stores with a budgeted loss at EBITDA level and an additional 30 stores which were historically loss making and may be considered for closure at the next lease break date.

At 30 October 2022 no further impairment charges or reversals have been recognised during the Period (52 weeks to 1 May 2022: £29k reversal; 26 weeks to 31 October 2021: £58k reversal).

14 Inventory

	30 October 2022 £000	31 October 2021 £000	1 May 2022 £000
Goods for resale	46,626	35,210	29,817
Less: stock provisions for shrinkage and obsolescence	(3,214)	(4,354)	(3,252)
Goods for resale net of provisions	**43,412**	**30,856**	**26,565**
Stock in transit	10,159	9,187	2,822
Inventory	**53,571**	**40,043**	**29,387**

A provision of £3.2m for stock obsolescence and shrinkage is included in the balance sheet at the Period end (31 October 2021: £4.4m, 1 May 2022: £3.3m). The provision is an estimate, which is based on stock ageing and historical trends and is reviewed by management during the year.

15 Borrowings and cash

	26 weeks ended 30 October 2022 £000	26 weeks ended 31 October 2021 £000	52 weeks ended 1 May 2022 £000
Non-current liabilities			
Lease liabilities	**81,128**	94,508	85,702
Non-current liabilities	**81,128**	94,508	85,702
Current liabilities			
Revolving credit facility (RCF)	**4,000**	-	-
Unamortised debt issue costs	**-**	(262)	-
Lease liabilities	**23,830**	27,915	25,434
Current liabilities	**27,830**	27,653	25,434

The Group's bank facilities comprise an RCF of £30m expiring 30 November 2025. The facility includes financial covenants in relation to the level of net debt to LTM EBITDA and "Fixed Charge Cover" or ratio of LTM EBITDA prior to deducting rent and interest, to LTM rent and interest.

Net debt reconciliation

	30 October 2022 £000	31 October 2021 £000	1 May 2022 £000
Net debt (excluding unamortised debt costs)			
RCF	**4,000**	-	-
Cash and cash equivalents	**(10,971)**	(17,783)	(16,280)
Net cash at bank	**(6,971)**	(17,783)	(16,280)
Non IFRS 16 lease liabilities	**362**	622	485
Non IFRS 16 net cash	**(6,609)**	(17,161)	(15,795)
IFRS 16 lease liabilities	**104,596**	121,801	110,651
Net debt including IFRS 16 lease liabilities	**97,987**	104,640	94,856

16 Provisions

	Dilapidations £000	**Total £000**
Balance at 1 May 2022	**1,117**	**1,117**
Provisions made during the period	-	-
Provisions used during the period	(146)	(146)
Provisions released during the period	-	-
Balance as at 30 October 2022	**971**	**971**

Dilapidation provision

In accordance with IAS 37 Provisions, the Group recognises provisions for the cost of reinstating certain Group properties at the end of their lease term, based on the conditions set out in the terms of the individual leases. The timing of the outflows will match the ends of the relevant leases, which range from 1 to 14 years.

17 Share Capital

As at 30 October 2022 the company had the following share capital:

	£000
Share capital	625
Share premium	28,322

18 Financial Instruments

The following table details the Group's expected maturities for its financial liabilities based on the undiscounted contractual maturities of the financial liabilities, including interest that will be payable.

Contractual maturity of financial liabilities	Within 1 year £000	2-5 years £000	5+ years £000	Total £000
30 October 2022				
Non Derivative				
Interest bearing	4,000	-	-	4,000
Non-interest bearing	62,219	-	-	62,219
Undiscounted lease liabilities	24,902	60,820	19,236	104,958
Derivative				
Forward currency contracts	-	-	-	-
	91,121	**60,820**	**19,236**	**171,177**
31 October 2021				
Non Derivative				
Interest bearing	-	-	-	-
Non-interest bearing	59,870	-	-	59,870
Undiscounted lease liabilities	31,702	72,545	25,673	129,920
Derivative				
Forward currency contracts	702	-	-	702
	92,274	**72,545**	**25,673**	**190,492**
1 May 2022				
Non Derivative				
Interest bearing	-	-	-	-
Non-interest bearing	32,917	913	-	33,830
Undiscounted lease liabilities	31,592	83,017	21,862	136,471
Derivative				
Forward currency contracts	-	-	-	-
	64,509	**83,930**	**21,862**	**170,301**

Fair value measurements

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy, based on the extent to which the fair value is observable*;*

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value under a Level 2 valuation method. All other financial instruments carried at fair value are measured using the Level 1 valuation method.

There were no transfers between the levels during the current or prior period.

Derivative Financial Instruments

The fair value of derivative financial instruments at the Balance Sheet date is as follows:

	As at 30 October 2022	As at 31 October 2021	As at 1 May 2022
Net Derivative Financial Instruments			
Foreign exchange contracts	**1,775**	(277)	2,393

Classification of financial instruments

The tables below show the classification of financial assets and liabilities as at 30 October 2022. The fair values of financial instruments have been assessed to be approximately equivalent to their carrying values.

	Cash flow hedging instruments £000	**Financial assets at amortised cost £000**	**Other financial liabilities £000**
Financial assets measured at fair value			
Derivative financial instruments	1,775	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	10,469	-
Cash and cash equivalents	-	10,971	-
Financial liabilities measured at fair value			
Derivative financial instruments	-	-	-
Financial liabilities not measured at fair value			
RCF	-	-	(4,000)
Lease liabilities	-	-	(104,958)
Trade and other payables	-	-	(66,948)
As at 30 October 2022	**1,775**	**21,440**	**(175,906)**

	Cash flow hedging instruments £000	**Financial assets at amortised cost £000**	**Other financial liabilities £000**
Financial assets measured at fair value			
Derivative financial instruments	425	-	-
Financial assets not measured at fair value			
Trade and other receivables (Restated - Note 1b)	-	11,734	-
Cash and cash equivalents	-	17,783	-
Financial liabilities measured at fair value			
Derivative financial instruments	(702)	-	-
Financial liabilities not measured at fair value			
Lease liabilities	-	-	(122,423)
Trade and other payables	-	-	(64,264)
As at 31 October 2021	(277)	29,517	(186,687)

	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
Financial assets measured at fair value	-	-	-
Derivative financial instruments	2,393	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	8,427	-
Cash and cash equivalents	-	16,280	-
Financial liabilities measured at fair value			
Derivative financial instruments	-	-	-
Financial liabilities not measured at fair value			
Unsecured bank overdraft	-	-	-
Lease liabilities	-	-	(111,136)
Trade and other payables	-	-	(35,958)
As at 1 May 2022	2,393	24,707	(147,094)

19 Related parties

Identity of related parties with which the Group has transacted
Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no transactions with related parties who are not members of the Group during the financial period.

20 Contingent liabilities

There were no contingent liabilities noted at the end of the Period.

Responsibility statement of the Directors in respect of the interim financial statements

We confirm that to the best of our knowledge:

- the condensed unaudited set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining half of the year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

Stephen Alldridge
Chief Financial Officer
20 January 2023

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material negative impact on the Group's performance over the remainder of the current financial year. These could cause actual results to differ materially from historical or expected results. The Board does not believe that these risks and uncertainties are materially different to those published in the Group's Annual Report for the period ended 1 May 2022.

These risks are associated with

1. The economy/market
2. Design and execution of strategy (previously referred to as "Market")
3. IT systems and cyber security
4. Supply chain
5. Brand and reputation
6. Regulation and compliance
7. Seasonality of sales
8. People
9. Business continuity
10. Environmental (including climate change)
11. Liquidity

Detailed explanations of these risks are set out on pages 39 to 44 of the FY22 Annual Report which is available at https://corporate.theworks.co.uk/application/files/9616/6478/3372/TheWorks.co.uk_plc_Annual_Report_and_Accounts_2022.pdf