3 July 2019

TheWorks.co.uk plc
Preliminary results for the 52 weeks ended 28 April 2019

Solid growth and continued progress with store roll-out strategy

TheWorks.co.uk plc ("The Works", the "Company" or the "Group") the multi-channel value retailer of gifts, arts, crafts, toys, books and stationery, announces today its preliminary results for the 52 weeks ended 28 April 2019 (the "Period" or "FY19").

Financial highlights

Financial metric	FY19 Unaudited	FY18 Unaudited	Change (%)
Revenue	£217.5m	£192.1m	+13.2%
LFL sales growth[1]	+3.0%	+4.7%	
Adjusted[2] EBITDA	£13.8m	£13.2m	+4.2%
Adjusted[2] profit before tax	£6.7m	£4.2m	+58.6%
Profit before tax	£2.3m	£2.6m	-9.6%
Adjusted[2] basic earnings per share	9.0p	7.2p	+25.0%
Basic earnings per share	1.9p	4.0p	-52.5%

Details of the footnotes can be found on page 3

- Adjusted profit before tax is £7.4m after normalising net finance charges to reflect the full-year impact of the post-IPO debt structure
- Proforma adjusted basic and diluted earnings per share, reflecting the current share capital structure for the full year, were 8.4 pence (FY18: 5.1 pence), an increase of 65%
- Strong financial position with net cash of £2.9m at the end of FY19 (FY18: £24.5m net debt)
- Maiden final dividend of 2.4 pence proposed, taking the full-year dividend to 3.6 pence

Operational highlights

1. Rollout of profitable new stores

- Opened a net 50 new stores in the Period, taking total store estate to 497
- Strong returns on new store openings, ahead of those delivered in recent years with current payback within a year
- On track to deliver another 50 net new store openings in the current year

2. Continue to grow LFL sales

- Positive LFL growth, driven by growth both in stores and online
- Enhanced product proposition, providing customers with new, great value, products driving "product discovery" in store
- Identified and capitalised on the Squishies "Mega Trend", driving an incremental £0.6m of EBITDA (FY18 Spinners Mega Trend generated £1.2m of incremental EBITDA)
- Leveraged opportunities for additional sales in-store due to growth of Click & Collect sales channel

3. Further develop the Group's multi-channel proposition

- Refreshed the online customer journey and in-store processes for Click & Collect, driving over half a million additional customer visits in the year
- Launched a transactional website in the Republic of Ireland

- Drove strong growth in loyalty membership, with active members increasing by 0.7 m (to 1.8m)
- Outsourced all online fulfilment operations to a third party during the year to support online range extensions and efficient servicing of stores in the medium term. Increased cost base in the short-term due to operational challenges faced during first peak trading period

4. Continue to deliver margin enhancement
- Continued improvement in product gross margins
- Ongoing focus on cost control, with this remaining central to the Group's philosophy and culture

Trading update for the 9 weeks to 30 June 2019
- LFL sales growth marginally negative, but +1% excluding the impact of the prior year Mega Trend[3]
- Opened a net 9 new stores, including our 500th store

Kevin Keaney, Chief Executive Officer of The Works, commented:

"In our first year as a listed business, I am pleased that TheWorks.co.uk has achieved good growth, underpinned by our clear strategy and a consistent focus on our customers.

Opening new stores remains our biggest driver of growth and we have taken advantage of the favourable property market by opening a net 50 new stores in the year. We delivered good like-for-like sales across all channels, as our continued focus on product newness and our nimble buying strategy enabled us to anticipate customer demand for current trends and seasonal ranges. Our solid performance was also driven by our multi-channel proposition, which offers customers even more flexibility and convenience in how they shop. We are particularly pleased with the performance of our Click & Collect service, which remains our fastest growing channel and resulted in half a million additional customer visits to our stores.

Underlying like-for-like sales in the first nine weeks of the current year have improved since the final quarter of last year to +1%. This was achieved against a consumer backdrop that remains subdued and we are now assuming that this will continue for the foreseeable future.

This is a challenging environment, however, it also creates opportunities. The structural shift in the retail sector has resulted in a constant flow of more affordable, good quality retail space. We have a full pipeline of new sites and recent openings have continued to perform well. We also have exciting plans for Christmas, the key period in leveraging our differentiated customer proposition, by offering a wide range of new products at outstanding value. This, combined with our other growth levers, makes us confident of making further progress in the current year."

Preliminary results presentation

A presentation for analysts will be held today at 9.30am at Teneo, 6 More London Place, London, SE1 2DA. If you would like to attend, please contact Rachel Miller at Teneo on 0207 420 3190. A copy of the presentation will also be made available on the Company's investor relations website (www.theworksplc.co.uk).

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Basis of preparation

Throughout the preliminary announcement, and consistent with prior periods, adjusted and alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP). The Board manages and assessed the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to shareholders. Adjusted measures are defined in Note 3 in the attached Financial Statements.

Explanatory notes

[1] LFL sales are defined as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks (but excluding sales from stores closed for all or part of the relevant period or prior year comparable period), and from the Company's eCommerce platform, calculated on a calendar week basis. No adjustments have been made for prior year Mega Trends[3].

[2] Adjusted profit figures exclude adjusting items principally relating to the IPO and debt refinancing in July 2018. See Note 3 of the attached Financial Statements for further details.

[3] Mega Trends are defined as any individual product, or collection of products, for which sales exceed 3 per cent. of weekly sales for a temporary period and for which management deem to be material in terms of impacting on the underlying performance of the Company. The EBITDA impact of Mega Trends has been calculated as the gross margin on sales for the period during which these ranges were classified as "Mega Trends" less an allocation of direct costs associated with selling these products (being store labour and distribution costs, allocated as a % of total sales based on the overall ratios for these as a Company during the period).

Chairman's Statement

The past year has been one of great milestones. We achieved our eighth record Christmas in a row, we opened a net 50 new stores and we successfully completed an IPO. These achievements are made more significant when we consider just how many challenges are facing the UK retail sector.
Throughout the year, TheWorks.co.uk plc has continued in its strategy to deliver:

- Rollout of a net 50 stores per year
- Like-for-like sales growth
- Multi-channel development
- Margin enhancement

The store opening strategy is particularly important and remains our biggest driver of growth. As some of our fellow retailers shut up shop beside us, TheWorks.co.uk plc is becoming a growing presence on UK high streets. In the last year, returns on new store openings have been particularly strong as we continue to make the most of the increasingly favourable UK retail property market. I have been in retail for many years and believe that the past year has been one of the best ever years for opening new stores. It is crucial to our multi-channel proposition development, it is helping to spread awareness of the brand and is enabling us to attract new and loyal customers to the business.

This milestone year was delivered successfully by an extremely passionate and experienced management team, led by Kevin Keaney (CEO) who has overseen the TheWorks.co.uk plc's growth over the past eight years, working in partnership with Gavin Peck who joined as Chief Financial Officer ahead of the IPO. Gavin brings with him fantastic listed and retail business experience.

As part of the IPO process, we appointed Harry Morley as Senior Independent Non-Executive Director and Catherine Glickman as a Non-Executive Director and as members of the Board. They bring extensive experience in governance, leadership of UK listed businesses and the retail and consumer industry.

Despite the headwinds facing the industry, it was another very solid year for The Works.co.uk plc, with 13.2 per cent revenue growth and further profit growth in the year. We have not been immune to fluctuations in consumer spending and the economic and political uncertainty which resulted in slower momentum in Q4. The business remains highly cash generative, with low levels of debt meaning we are well-placed to trade through current market conditions. In line with our dividend policy, the Board is pleased to be proposing its maiden final dividend of 2.4 pence per share taking the full-year dividend to 3.6 pence per share.

As mentioned in our half-year results, I have faced my own, more personal challenges in the past year that resulted in spending some time in hospital after a diagnosis of pancreatitis. It has been a rollercoaster, full of ups and downs. I have been lucky enough to have received the very best care and so much support from those around me, including the team at The Works.co.uk.plc. I am most certainly on the road to recovery and look forward to getting back to business in the year ahead.

At a time of unprecedented political uncertainty for the retail sector and for the UK, The Works.co.uk plc continues to demonstrate its resilience. Whilst we are not immune to the impact that this uncertainty may have on general consumer confidence our multi-channel proposition, means we are well-placed to weather the storm and we remain in a strong financial position enabling us to continue to invest to support our future growth.

Dean Hoyle
Chairman
3 July 2019

Chief Executive Officer's Review

TheWorks.co.uk plc has had a milestone year, as we opened new stores, developed our multi-channel offering and started a new chapter as a publicly listed business. I am immensely proud that throughout this period of transition, our teams have remained focused on delivering a fantastic retail experience to existing and new customers. We grew revenues 13.2 per cent in the year, with great success during our seasonal events including delivering our eighth successive record Christmas.

The trading conditions have been challenging, particularly in the final quarter, with a number factors impacting performance that are outside of our control. Whilst there is little we can do about the economic and political uncertainty in the UK, I am very confident in our proposition and our ability to execute our strategy through these difficult times, with the same unwavering commitment to our customers.

Business

Our mission is to be a family friendly retailer that offers customers a unique and enjoyable shopping experience, built on our core principles of value, variety and quality.

As the UK's leading multi-channel specialist retailer of value gifts, arts, crafts, toys, books and stationery, we pride ourselves on offering customers an experience of discovery. Our low cost, uncomplicated, but disruptive model means that we can pass on big savings to our customers. Each of our stores takes customers through the four zones of products to explore: Kids, Arts, Crafts and Hobbies, Stationery and Family Gifts.

Our range is continuously changing so that customers can always find something new. The sense of discovery is what makes our stores exciting and keeps them fresh. We only keep around 300 of the 6,000 products in our stores permanently stocked, which means that everything else is rotated by our buying team on a regular basis. It gives our customers more reasons to visit us and offers a new experience every time. Our buying teams are constantly seeking out new products. Their depth of experience enables them to spot new trends and crazes, like the 'squishies' Mega Trend this year, and the flexibility of our buying model allows us to take market-leading positions on these Mega Trends when they come along.

We also offer a great selection of own branded products across all our ranges. These products are designed and created by our in-house design team and enable us to keep offering unique, good-quality products at great value. This is an area of our offering that we have been growing, with our own branded products now representing over 30 per cent of our sales.

Market overview

The UK retail industry has also gone through its own period of change in the last year. We've seen many of our high street neighbours shutting stores and consumers have been faced with economic and political uncertainty. While not immune to this, I'm pleased to say that TheWorks.co.uk plc is trading through this challenging time well and we continue to support our customers by offering great value every day.

This uncertain environment also presents opportunities. TheWorks.co.uk plc is extremely well-placed to capitalise on the growing trends within modern retailing: value, convenience and online. Customers love the variety and great value of our products, which are available through online delivery, Click & Collect and in our growing network of stores. The favourable property market also means we are able to open new stores in areas that have been inaccessible to us in the past.

Going forward, there will of course be challenges. We look at the current trading conditions with realism but also with great confidence, founded on a deep understanding of our customers, the capabilities of our management team and a strong and simple strategy.

Strategy

New store rollout

Making our unique proposition accessible to the hundreds of catchments that do not already have one of our stores remains a key pillar of our strategy. As such, opening new stores remains our biggest driver of growth. We opened 50 net new stores in the year, taking our total number of stores to 497 at the end of the year.

Our approach to new stores has always been very disciplined. Each store location is examined individually to ensure that we are consistently opening in the right places. We have complemented this during the year with a new forecasting tool developed in conjunction with CACI, the location planning consultants. Our lease terms are flexible with an average of less than three years to the next break or exit point, ensuring we continue to benefit from new opportunities in these favourable property market conditions. Taking advantage of a limited number of opportunities to relocate lower contribution stores which are coming to the end of their lease to a better-positioned, more modern store generating a higher contribution is now a regular part of our store rollout programme.

Our disciplined approach to opening new stores and the growing popularity of our brand means that we are currently seeing payback on new stores within a year of opening. This is reinforcing our confidence in the strong returns available from the opportunity we see for The Works.co.uk plc to expand to a portfolio of up to 1,000 stores in the UK and Ireland in the years ahead.

LFL sales growth

Our business, like many other retailers, is highly seasonal and we flex a significant proportion of our in-store space throughout the year to maximise the opportunities from key seasonal events like Christmas and Back to School. The low number of core lines in our stores enables us to continuously tailor our product offering to the current trends and seasons. This proved particularly effective in the past year as we had good like-for-like sales growth of 3%, with positive growth across all channels, boosted by the Squishies Mega Trend, strong sales of our summer 'Out to Play' range and another record Christmas where our stores were transformed into Santa's Giftshop. The slowdown in the final quarter, reflecting the impact of the widely reported economic and political uncertainty in the UK, held back what would have been an extremely successful year.

Going forward, we will ensure that we keep innovating for our customers and keep our stores a destination of discovery. We are always bringing in new products and ranges, like our very popular 'Pen Bars'. We also trialled the sale of helium balloons in 50 stores in the second half of the year and thanks to a great customer response, plan to roll this out to all stores in the coming year.

Multi-channel strategy

We are growing our online presence not simply as a different channel for customers but an integrated part of the physical shopping experience. The two channels are complementary and enable us to offer a fantastic Click & Collect service, which I'm proud to say remains our fastest growing channel and resulted in half a million customers visiting our stores to collect their order last year.

This year, we have made good enhancements to our web functionality, supporting the growing number of customers attracted online and improving the conversion rates of these customers. In Summer 2018, we extended the seasonal offering in store by creating the online 'Holiday Shop'. This was very well-received and led to the launch of the new 'Christmas Shop' in 2018.

It's important to us that all our customers have access to TheWorks.co.uk plc experience and I'm happy to say that we launched an eCommerce trading site in the Republic of Ireland during the year.

Finally, our loyalty membership is unique in the value retail space and has grown strongly in the year, now with nearly two million members across the UK and Ireland. It is wonderful to welcome new, loyal customers to our business. It means we have a better understanding of our customers and the opportunity to engage with them more efficiently and effectively around the offers and opportunities available in store.

Margin enhancement

As a value retailer, improving our margins is a core part of our strategy. Our buying team have continued to work hard to improve our product margins. Part of this strategy has been the ongoing growth in our own brand range to 24 brands, providing customers with quality alternatives to branded goods while helping us grow our margins. In the last year this included the successful launch of our 'Corner Piece' adult jigsaws with a plan to take this into children's jigsaws in the coming year.

Alongside this, it is essential that we maintain a strong focus on cost control in order to deliver the great value that our customers appreciate and this remains central to the business's philosophy and culture.

To help mitigate against some of the margin headwinds we face, including increased costs from foreign exchange movements and national living and minimum wages, we continue to increase our focus on driving efficiencies where sensible, leveraging our investments in people and infrastructure in recent years.

Investment in our people and infrastructure

Investing in the capability of our teams and in the key infrastructure we need to support our exciting growth plans continues to be of high priority.

I remain privileged to lead an extremely passionate and experienced management team. Our people are at the heart of our business and bring so much energy and dedication to their jobs every day. I would like to take this opportunity to thank colleagues across the country for their hard work during what has been a transformational year for the business. We have created over 350 new jobs this year, serving our growing store estate. As a retailer with a positive growth story we have been able to attract talented new colleagues but we also take great pride in the high number of internal promotions we have made in the last 12 months.

The high level of engagement of our fantastic colleagues was recognised when we were placed 18th in the Sunday Times' 25 Best Big Companies to work for 2019 in the UK. We are excited to be able to offer our colleagues the opportunity to share in the future success of the business through the planned launch of a SAYE scheme this summer.

In terms of infrastructure we took the decision last year to outsource our online fulfilment to a third party logistics provider, iForce. This outsourcing of our online fulfilment will allow us to continue to efficiently service our stores from our purpose built distribution centre in Coleshill, Birmingham.

This move is a key enabler for further range expansion online but has, in the short-term, increased our cost base and led to us needing to scale back eCommerce sales in December given operational challenges faced going through our first peak trading period with our partner. We continue to believe this move was the right decision for the long-term success of the business and are working closely with our partner to address the challenges faced and drive efficiencies through the operation.

Corporate social responsibility

Wherever there is a TheWorks.co.uk plc store, we endeavor to become part of our local community. We rely on communities to serve, maintain and shop in our stores every day and it's important that we're able to contribute to these communities as well, through daily engagement, local knowledge and a friendly shopping destination. In the past year, our new store opening programme has created over 350 new jobs and brought a vibrant, new brand to these communities.

We continue to develop our partnership with Cancer Research UK, now having raised over half a million pounds for them with recent initiatives including Race for Life and launching a range of CRUK bookmarks for sale in our stores. Our colleagues love getting involved and we look forward to growing this number further in the coming year.

Summary and outlook

I am very proud of what we have achieved in the year. Even in a challenging retail environment, we have achieved good growth through the hard work and dedication of our colleagues, underpinned by our clear strategy and a consistent focus on our customers.

Our profitable new store growth continues, with a strong pipeline moving into this current financial year and our 500th store having opened in Winchester in May 2019. In the coming year we will remain focused on delighting our customers with a wide and constantly refreshed range of great value products through our flexible and convenient multi-channel offering. We will also introduce our unique multi-channel value proposition to even more customers by expanding our store portfolio and our online offer, whilst remaining flexible and nimble traders.

As mentioned above, the consumer backdrop has been subdued since the turn of the calendar year and we are now assuming that this will continue for the foreseeable future. This is a challenging environment, however, it also creates opportunities. The structural shift in the retail sector has resulted in a constant flow of more affordable, good quality retail space. We have a strong pipeline of new sites and recent openings have continued to perform well. We also have exciting plans for Christmas 2019, the key period for leveraging our differentiated customer proposition, by offering a wide range of new products at outstanding value. This, combined with our other growth levers, makes us confident of making further progress in the current year.

Kevin Keaney
Chief Executive Officer

3 July 2019

Chief Financial Officer's Review

The 'FY19' accounting period relates to the 52 weeks ended 28 April 2019 and the comparative 'FY18' period refers to the 52 weeks ended 29 April 2018.

Revenue

Total revenues during the year grew by 13.2 per cent to £217.5 million (FY18: £192.1 million) driven by our ongoing new store opening programme, with a net 50 new stores added in the period, supported by like-for-like sales growth of 3 per cent. Like-for-like sales growth was driven by positive growth in both stores and online

Adjusted cost of sales and operating expenses

Cost of sales and operating costs (excluding adjusting items) are broken down as follows:

	FY19		FY18	
	£000	**% of revenue**	**£000**	**% of revenue**
Cost of goods sold	81,226	37.4	74,549	38.8
Store wages	37,184	17.1	30,913	16.1
Store property costs	42,188	19.4	37,612	19.6
Other direct costs	14,261	6.6	11,598	6.0
Adjusted cost of sales	**174,859**	**80.4**	**154,672**	**80.5**
Distribution costs	11,797	5.4	9,120	4.7
Administrative costs	17,038	7.8	15,084	7.9
Adjusted operating costs	**28,835**	**13.3**	**24,204**	**12.6**

Note:

- The above figures exclude depreciation, impairment and gains/losses on disposals of property, plant and equipment and amortisation of software of £4,153k in FY19 (FY18: £3,494k) within cost of sales and £1,858k in FY19 (FY18: £1,894k) within operating expenses.
- Payment transaction fees, online marketing costs and point of sale costs, historically included within cost of goods sold, have been allocated to other direct costs above (both for FY19 and FY18, consistent with their treatment within the half year results).

The overall ratio of cost of sales (excluding depreciation) to revenue remained broadly flat at 80.4 per cent with the following movements in sub-categories:

- **Cost of goods sold:** principally comprises the cost of finished goods purchased from third-party suppliers and other related costs such as import duty and freight/carriage costs. The improvement in this cost ratio has been driven by a number of factors, including improved product mix (eg to higher margin stationery categories) and mark-down management, continued improvements in buying (leveraging our increased scale), further own-brand development (eg through our 'Corner Piece' jigsaw range) and a favourable movement in the US dollar exchange rate (given the year-on-year impact of our hedges). Despite the continued weakness in Sterling, the business benefited from effective hedges for its US dollar requirements helping to drive the cost of imported goods lower in the first half of the financial year. The benefit of these hedges unwound in the second half of the year and will become a cost headwind in FY20.

- **Store wages:** includes wages and salaries (including bonuses) for store-based colleagues, together with National Insurance, employers' pension contributions, overtime, holiday and sick pay. This cost has increased as new stores have been opened and pay increases (reflecting the increase in national living and minimum wages) have been awarded. The increase in the cost ratio reflects these factors, with some mitigation as a result of steps taken to manage hours in store more effectively. However, our ability to mitigate these cost increases is limited given a large number of our stores work on a minimum of two people per hour for large portions of the year. As such we will continue to face into increased store wages costs as national living and minimum wages increase further.

- **Store property costs:** consists principally of store rents, business rates and service charges. This cost has also increased as new stores have been opened and has stayed relatively constant as a ratio of revenue. Whilst there remains an opportunity to drive savings in these costs within the existing estate (eg through negotiating lower rents on expiry) these savings are more modest than other retailers' given the relatively short average lease length within our portfolio means many of our leases have been negotiated in the past five years.

- **Other direct costs:** includes payment transaction fees, store utility costs, store maintenance, online marketing costs, labour costs associated with fulfilling our eCommerce sales and point of sale costs. This cost category is largely variable in respect of existing stores and also increases with new store openings and growth in eCommerce sales. The increase in this cost ratio reflects, in part, the previously announced challenges faced fulfilling our eCommerce sales during our first peak trading period with our new third-party logistics provider leading to higher labour costs than anticipated. These higher labour costs, linked to the challenges faced, are not expected to be repeated in FY20 given the lessons learnt in FY19.

Overall operating costs (excluding depreciation) as a percentage of revenue increased to 13.3 per cent on an adjusted basis with the following movements in sub-categories:

Distribution costs: include costs associated with running the Group's distribution centre, costs relating to store deliveries, the delivery costs associated with our customers' online orders and the property costs recharged from the third-party provider for the fulfilment of our eCommerce sales. These costs are semi-variable in nature, linked to increased store numbers and eCommerce sales levels. The increase as a ratio of revenue in the year primarily reflects the increased costs associated with outsourcing the fulfilment of our eCommerce operations to a third-party provider as noted above (with the full year impact of this to come through in FY20). This cost has also increased as a result of pay increases awarded to colleagues working in our distribution centre (reflecting the increase in national living and minimum wages).

Administration costs: include items such as central administration costs and operating expenses such as central IT costs, support centre salaries and remuneration, insurance, costs relating to divisional and area sales managers and rent and business rates for the Group's head office and distribution centre and professional fees. The increase in these costs reflects further investment in people in key functions including area sales managers (as the store portfolio has grown) and our buying team. It also reflects the Group incurring additional costs associated with being a public company, totaling £0.5 million, in particular increased professional fees. As noted previously, the Group has invested in central infrastructure and people in recent years to support the increased pace of rollout and the medium-term objective remains for the Group to reduce this cost ratio through leveraging economies of scale and business efficiencies.

Depreciation (excluded from the table above) increased from £5.4 million to £6.0 million primarily reflecting the impact of the accelerated store rollout in recent years. Depreciation will continue to increase in the coming years given the higher level of planned capital expenditure (see below).

Foreign exchange

With over one-third of the Group's cost of goods sold expense relating to products sourced in US dollars, the Group takes a prudent but flexible approach to hedging the risk of exchange rate fluctuations.

As noted above, in the first half of the current financial year we benefited from a tailwind from foreign exchange due to the relative movement in the value of sterling and its impact on our average US dollar hedge rates. At the date of this announcement, the Group has hedged around half of its foreign exchange requirement for FY20, albeit at a lower rate than that achieved in FY19. Based on current spot rates it is anticipated that the Group will face a foreign exchange headwind in FY20.

From January 2019 we elected to hedge account our foreign currency contracts under IFRS 9 to avoid unnecessary volatility in earnings.

Adjusted EBITDA

The Group delivered adjusted EBITDA of £13.8 million in the year (FY18: £13.2 million). The adjusted EBITDA margin of the Group decreased from 6.9 per cent to 6.3 per cent due to increases in store wages, distribution and administrative costs offsetting the improvement in product margins as noted above.

Adjusted EBITDA includes £0.6 million of EBITDA generated from Mega Trends in the year (FY18: £1.2 million). Adjusting for the impact of Mega Trends, the Group delivered EBITDA of £13.2m in FY19 versus £12m in FY18.

Net financing costs

Net financing costs in the year include approximately three months with the pre-IPO capital structure (see below) with higher levels of leverage and a higher weighted average interest cost. Had the IPO and debt refinancing completed on 29 April 2018, the net financing costs expensed in the Income Statement in the year would have totalled approximately £0.3 million, rather than the adjusted net financing expense of £1.0 million reported.

Adjusted profit before tax

The Group delivered adjusted profit before tax of £6.7 million in the year (FY18: £4.2 million). The adjusted profit before tax margin of the Group increased from 2.2 per cent to 3.1 per cent. Adjusted Profit before Tax for the year increases to £7.4 million when adjusting for the full year impact of the new capital structure on net financing costs as mentioned above.

As a consequence of the IPO and refinancing completed during the year, statutory results differ materially from the adjusted results and can be reconciled as follows:

	FY19	**FY18**
	£000	**£000**
Adjusted profit before tax	6,728	4,241
Relocation of eCommerce fulfilment operations	(495)	-
Relocation of support centre	-	(8)
IPO-related costs	(2,936)	(1,475)
Staff incentives on IPO	(1,212)	-
Packaging waste costs penalty	-	(186)
Write-off of capitalised costs associated with the repaid loan	240	-
Statutory profit before tax	**2,325**	**2,572**

Further detail on the adjusting items is set out in Note 3 to the attached financial statements.

Accounting for leases

IFRS 16: Leases becomes effective for the first time in the next financial year, ending 26 April 2020. It requires entities to apply a single lessee accounting model, with lessees recognising right-of-use-assets and lease liabilities on balance sheet for all applicable leases. In addition, the nature of expenses related to those leases will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and an interest expense relating to lease liabilities. Whilst the cash flow profiles of such operating lease arrangements will not change, EBITDA profitability will improve significantly as a result. The Group intends to adopt the standard's modified retrospective approach. The currently anticipated financial statement impact from which is set out in Note 15 to the attached Financial Statements.

Tax

The tax charge for the year increased to 51.8 per cent of profit before tax (FY18: 30.6 per cent). The underlying tax charge (excluding the impact of adjusting items) reduced to 22.0 per cent of profit before tax (FY18: 24.6 per cent).

Earnings per share

Basic and diluted earnings per share for the year were 1.9 pence (FY18: 4.0 pence), a decrease of 52.5 per cent. Basic and diluted adjusted earnings per share for the year were 9.0 pence (FY18: 7.2 pence), an increase of 25 per cent. On a proforma basis (ie reflecting the current share capital structure for the full year) adjusted basic and diluted earnings per share for the year were 8.4 pence (FY18: 5.1 pence), an increase of 65 per cent.

Capital expenditure

Capital expenditure totalled £8.5 million in the year of which £5.0 million related to new stores. In the equivalent period last year, capital expenditure totalled £7.8 million of which £5.3 million related to new stores, reflecting the higher number of new store openings in the prior year. Other capex of £3.5 million in the period (£2.6 million in the prior year) includes £0.2 million relating to the new in-store signage and zoning as mentioned above, higher web development costs in the period and increased minor store works and capital repairs. Capital expenditure will increase to £10 million in FY20 primarily reflecting the investment being made in the new web platform. Capital expenditure will likely remain at this level in the near term as other key IT projects, including the rollout of new tills to stores are undertaken.

IPO and debt refinancing

The IPO of the Company was completed with formal admission to the Official List and to trading on the London Stock Exchange on 19 July 2018. A debt refinancing was also completed on 20 July 2018. This year's results therefore reflect very different capital structures pre and post these significant transactions and, as such, a year-on-year comparison of financing costs, profit before tax and profit after tax is not meaningful.

As noted above, a new £25 million revolving credit facility ('RCF') was put in place at the time of the IPO with the previous debt facility (a £31.2 million loan) being repaid at the same time, in part, through the net proceeds received into the Group on IPO. The arrangement fees in relation to the new debt facility, totalling £188k, have been capitalised and will be amortised to the Income Statement over the three-year term of the facility in accordance with accounting standards. Debt costs capitalised in relation to the previous debt facility of £386k were written off as a non-cash, adjusting items at the same time. The new RCF is subject to LIBOR plus a margin in the range 1.5 per cent to 2.5 per cent, subject to a leverage ratchet.

Strong financial position

The Group remains highly cash-generative before financing activities. As at 28 April 2019, net debt (excluding unamortised debt costs capitalised of £0.2 million) was £(2.9) million, analysed as follows:

	£000
Current liabilities – finance lease obligations (net of unamortised debt costs capitalised)	230
Non-current liabilities – finance lease obligations (net of unamortised debt costs capitalised)	403
Total borrowings	633
Add: unamortised debt costs capitalised	135
Gross debt	768
Less: cash	(3,687)
Net debt/(cash)	**(2,919)**

Average net debt over FY19 was £3.3 million (representing 0.2 times adjusted EBITDA) demonstrating the strong financial position of the Group.

Dividend Policy

As stated at the time of IPO, the Board intends to adopt a progressive Dividend Policy.

The Board is pleased to be proposing its maiden final dividend of 2.4 pence per share, giving a total dividend for the year of 3.6 pence per share. This dividend will be paid on 24 September 2019 to shareholders on the register at close of business on 30 August 2019.

The Board also intends to continue to review the appropriate capital structure of the Group. As stated at the time of the IPO, the Board intends to maintain a capital structure that is conservative yet efficient in terms of providing long-term sustainable returns to shareholders.

Risks and uncertainties

The Board has undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and reviews the Group's most significant risks at least twice a year. Further details are included in the attached financial statements.

Going concern

Taking into account current and anticipated trading performance, current and anticipated levels of borrowings and the availability of borrowing facilities and exposures to and management of the financial risks, the Board is of the opinion that, at the time of approval of the financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

Gavin Peck
Chief Financial Officer

3 July 2019

Consolidated Income Statement (unaudited)

For the year ended 28 April 2019

		52 weeks to 28 April 2019			52 weeks to 29 April 2018		
	Note	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000
Revenue		**217,469**	**-**	**217,469**	192,100	-	192,100
Cost of sales		**(179,012)**	**-**	**(179,012)**	(158,167)	-	(158,167)
Gross profit		**38,457**	**-**	**38,457**	33,933	-	33,933
Other operating income		**8**	**-**	**8**	7	-	7
Distribution expenses		**(12,025)**	**(495)**	**(12,520)**	(9,358)	-	(9,358)
Administrative expenses		**(18,668)**	**(4,148)**	**(22,816)**	(16,737)	(1,669)	(18,406)
Operating profit / (loss)	**4**	**7,772**	**(4,643)**	**3,129**	7,845	(1,669)	6,176
Finance income		**20**	**-**	**20**	20	-	20
Finance expenses		**(1,064)**	**240**	**(824)**	(3,624)	-	(3,624)
Net financing expense	6	**(1,044)**	**240**	**(804)**	(3,604)	-	(3,604)
Profit / (loss) before tax		**6,728**	**(4,403)**	**2,325**	4,241	(1,669)	2,572
Taxation	7	**(1,481)**	**276**	**(1,205)**	(1,045)	258	(787)
Profit / (loss) for the period		**5,247**	**(4,127)**	**1,120**	3,196	(1,411)	1,785
Basic earnings per share (pence)	9	**9.0**		**1.9**	7.2		4.0
Diluted earnings per share (pence)		**9.0**		**1.9**	7.2		4.0

Profit for the period is attributable to equity holders of the Parent.

Consolidated Statement of Comprehensive Income (unaudited)
For the year ended 28 April 2019

	2019 £000	2018 £000
Profit for the year	**1,120**	1,785
Items that may or may not be recycled subsequently into profit and loss		
Cash flow hedges - changes in fair value	**96**	-
Cash flow hedges - reclassified to profit and loss	**2**	-
Cost of hedging reserve - changes in fair value	**37**	-
Cost of hedging reserve - reclassified to profit and loss	**(17)**	-
Tax relating to components of other comprehensive income	**-**	-
Other comprehensive income for the period, net of income tax	**118**	-
Total comprehensive income for the period attributable to equity shareholders of the Parent	**1,238**	1,785

Consolidated Statement of Financial Position (unaudited)
As at 28 April 2019

	Note	2019	2018
		£000	**£000**
Non-current assets			
Intangible assets	10	**18,494**	18,499
Property, plant and equipment	11	**20,786**	18,693
Deferred tax assets		**351**	299
		39,631	37,491
Current assets			
Inventories		**25,157**	21,495
Trade and other receivables		**17,589**	17,224
Derivative financial asset		**158**	89
Current tax asset		**-**	-
Cash and cash equivalents	12	**3,687**	7,420
		46,591	46,228
Total assets		**86,222**	83,719
Current liabilities			
Interest-bearing loans and borrowings	13	**230**	209
Trade and other payables		**46,646**	43,905
Provisions		**218**	119
Derivative financial liability		**25**	-
Current tax liabilities		**300**	287
		47,419	44,520
Non-current liabilities			
Interest-bearing loans and borrowings	13	403	31,249
Provisions		63	-
		466	31,249
Total liabilities		**47,885**	75,769
Net assets		**38,337**	7,950
Equity attributable to equity holders of the parent			
Share capital		**625**	-
Share premium		**28,322**	51,500
Merger reserve		**(54)**	(51,500)
Share-based payment reserve		**1,373**	-
Hedging reserve		**144**	-
Retained earnings		**7,927**	7,950
Total equity		**38,337**	7,950

Statement of changes in equity (unaudited)
As at 28 April 2019

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Hedging reserve[1] £000	Retained earnings £000	Total equity £000
Balance at 30 April 2017	-	-	-	-	-	6,165	6,165
Effect of group reconstruction	-	51,500	(51,500)	-	-	-	-
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,785	1,785
Balance at 29 April 2018	-	**51,500**	**(51,500)**	**-**	**-**	**7,950**	**7,950**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,120	1,120
Other comprehensive expense	-	-	-	-	118	-	118
	-	-	-	**-**	**118**	**1,120**	**1,238**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	26	-	26
Transactions with owners of the Company							
Effect of group reconstruction							
Bonus issue of shares	54	(54)	-	-	-	-	-
Capital reduction	-	(51,446)	51,446	-	-	-	-
Second bonus issue	393	-	-	-	-	(393)	-
Issue of shares on IPO	178	28,322	-	-	-	-	28,500
Share based payment charges	-	-	-	1,373	-	-	1,373
Dividend (note 8)	-	-	-	-	-	(750)	(750)
Total transactions with owners	**625**	**(23,178)**	**51,446**	**1,373**	**-**	**(1,143)**	**29,123**
Balance at 28 April 2019	**625**	**28,322**	**(54)**	**1,373**	**144**	**7,927**	**38,337**

[1] Hedging reserve includes £19,090 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.

Consolidated Cash Flow Statement (unaudited)
For year ended 29 April 2018

	Note	2019 £000	2018 £000
Cash inflows from operating activities	14	**10,703**	14,703
Corporation tax paid		**(1,221)**	(705)
Net cash inflow from operating activities		**9,482**	13,998
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	**(7,120)**	(6,754)
Acquisition of intangible assets	10	**(1,044)**	(698)
Proceeds from sale of property, plant and equipment		**-**	9
Interest received		**20**	20
Net cash from investing activities		**(8,144)**	(7,423)
Cash flows from financing activities			
Interest paid		**(1,357)**	(3,075)
Payment of finance lease liabilities		**(264)**	(173)
Proceeds from share issue		**28,500**	-
Dividends paid	8	**(750)**	-
Repayment of bank borrowings		**(31,200)**	-
Net cash from financing activities		**(5,071)**	(3,248)
Net (decrease) /increase in cash and cash equivalents		**(3,733)**	3,327
Cash and cash equivalents at beginning of year		**7,420**	4,093
Cash and cash equivalents at end of year	12	**3,687**	7,420

Notes to the financial statements (unaudited)

General information

TheWorks.co.uk plc (the Company) is a public limited company (11325534) domiciled in the United Kingdom and its registered office is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, B46 1AL. These consolidated financial statements for the year ended 28 April 2019 comprise the Company and its subsidiaries (together referred to as 'the Group').

Basis of preparation

The preliminary announcement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 28

April 2019 or 29 April 2018 but is derived from these accounts. Statutory accounts for the 52 weeks ended 29 April 2018 have been delivered to the registrar of companies, and those for the 52 weeks ended 28 April 2019 will be delivered in due course.

Impact of the Group restructure prior to the Initial Public Offering

On the 19 July 2018, TheWorks.co.uk plc was admitted to trading on the London Stock Exchange. In preparation for the Initial Public Offering, the Group was restructured. On 10 July 2018 TheWorks.co.uk plc (formerly TheWorks.co.uk Limited, incorporated on 24 April 2018 for the purpose of the restructure) acquired 100% of the share capital of The Works Investments Limited in a share for share exchange, thereby inserting TheWorks.co.uk Plc as the parent company of the Group. The shareholders of The Works Investments Limited became 100% owners of the enlarged share capital of TheWorks.co.uk plc.

By applying the principles of reverse acquisition accounting, the Group financial statements are presented as if TheWorks.co.uk plc had always owned The Works Investments Limited. The comparative financial information for the 52 weeks ended 29 April 2018 are the consolidated results of The Works Investments Limited and have been extracted from the audited annual financial statements of The Works Investments Limited (company number 09073458).

Accounting policies

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the 52 weeks ended 29 April 2018, which are available on the Company's website www.theworksplc.co.uk.

From 30 April 2018 the following standards, amendments and interpretations were adopted by the Group:

• IFRS 9 Financial Instruments
• IFRS 15 Revenue from Contracts with Customers.

The adoption of the above has not had a significant impact on the Group's profit for the period or equity.

Adjusting items

The Group has chosen to present adjusted profit and earnings measures. Transactions are categorised as 'Adjusting items' if the resulting adjusted profit and earnings information provides a more meaningful comparison of performance year-on-year. The reported adjusting items are detailed in note 3 below.

1. Segmental Reporting

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

The Group has only one reportable segment, The Works Stores Limited, which reflects the Group's management and reporting structure as viewed by the Board of Directors, which is considered to be the Group's Chief Operating Decision Maker.

2. Alternative Performance Measures ("APM")

Adjusted EBITDA is a key measure used by the Board of Directors. Adjusted EBITDA represents adjusted profit for the period before; net finance expense, taxation, depreciation and amortisation, loss on disposals of property, plant and equipment, and adjusting items. Adjusting items are gains or losses incurred in a period which are not expected to be recurring (refer to Note 3).

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities. The following table provides a reconciliation of adjusted EBITDA to profit after tax.

	52 weeks ended 29 April 2019	52 weeks ended 29 April 2018
	£000	**£000**
Adjusted EBITDA	**13,783**	13,233
Adjusting items	**(4,403)**	(1,669)
Loss on disposals of property, plant and equipment	**(9)**	(237)
Depreciation	**(4,912)**	(4,077)
Amortisation	**(1,049)**	(939)
Finance expenses	**(1,064)**	(3,624)
Finance income	**20**	20
Impairment of property, plant and equipment	**(41)**	(135)
Tax charge	**(1,205)**	(787)
Profit after tax	**1,120**	1,785

Like-for-like sales

These are defined as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks (but excluding sales from stores closed for all or part of the relevant period or prior year comparable period), and from its e-commerce platform, calculated on a calendar week basis. No adjustments have been made for Mega Trends (see below).

Adjusted profit metrics

To allow the Board of Directors to see the profit based on underlying trade only key profit measures have been adjusted for certain adjusting items, principally costs relating to the IPO, debt re financing and the set up costs in relation to the relocation of the e-commerce warehouse to a third party supplier. Key profit measures include operating profit, profit before tax, profit for the period and earnings per share. These adjusted metrics are included within the consolidated income statement and statement of other comprehensive income, with further details of adjusting items included in Note 3. These adjusted profit measure are not defined performance measures in IFRS. The Group's definition of adjusted profit measures may not be comparable with similarly titled performance measures and disclosures by other entities.

Leverage

Is calculated as the ratio of net debt to adjusted EBITDA for the previous 12 months.

Mega Trends

These are defined as any individual product, or collection of products, for which sales exceed 3 per cent of weekly sales for a temporary period and for which management deem to be material in terms of impacting on the underlying performance of the Company.

3. Adjusting items

During the period adjusting items were incurred in relation to the following:

	2019	2018
	£000	**£000**
Distribution expenses		
Relocation of e-commerce[1]	495	-
Total distribution expenses	**495**	-
Admin expenses		
Professional fees - one off non-operational activities[2]	**2,936**	1,475
Staff incentives on IPO	**1,212**	-
Relocation of support centre costs	**-**	8
Packaging waste costs penalty	**-**	186
Total admin expenses	**4,148**	1,669
Finance expenses		
Write off of capitalised costs, interest and fees associated with loan repaid on IPO[3]	**(240)**	-
Total finance expenses	**(240)**	-
Total adjusting items	**4,403**	1,669

[1] This includes the loss on disposal of the fixed assets associated with the e-commerce picking tower at the Group's distribution centre in Coleshill, Birmingham, which was disposed in the second half of the year following completion of the transition to the third party logistics provider for the e-commerce warehouse and order fulfilment.
[2] Professional fees relate to IPO costs incurred in the current year and restructuring costs in the prior year.
[3]This includes £386,000 in relation to capitalised loan costs written off on the loan repaid on IPO, offset with a release of £626,000 of interest and fees in relation to the borrowing facilities repaid on IPO.

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4. Operating profit

Operating profit (before adjusting items) is stated after charging the following items:

	2019 £000	2018 £000
Impairment loss on fixed assets[1]	**41**	135
Loss on disposal of property, plant and equipment	**9**	237
Depreciation	**4,912**	4,077
Amortisation	**1,049**	939
Operating lease payments:		
- Hire of plant and machinery	**509**	419
- Other operating leases	**20,203**	17,960
- Contingent rent	**5,935**	5,636
Net foreign exchange losses	**84**	188
Cost of inventories recognised as an expense	**80,788**	74,072
Staff costs	**48,213**	40,647

[1] Note this includes impairment charge of £176,015 in relation to the PPE of five loss making stores and a release of the prior year impairment £135,000.

5. Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2019	2018
Office and management	**196**	180
Shop staff	**3,268**	2,876
Warehouse and distribution staff	**152**	155
	3,616	3,211

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	**44,794**	37,935
Social security costs	**2,872**	2,389
Contributions to defined contribution plans	**547**	323
	48,213	40,647
Agency labour costs	**1,792**	2,860
	50,005	43,507

6. Finance income and expense

Recognised in statement of comprehensive income

	2019 **£000**	2018 £000
Finance income		
Bank interest receivable	**20**	20
Total finance income	**20**	20
Finance expense		
Bank interest payable	**221**	155
Other interest payable	**820**	3,455
Other finance costs	**23**	14
Total adjusted finance expense	**1,064**	3,624
Write off of capitalised costs, interest and fees associated with loan repaid on IPO[1]	**(240)**	-
Total finance expense	**824**	3,624

[1]Refer to Note 3 for further details.

Net financing costs in the Period include approximately three months with the previous capital structure with higher levels of leverage and a higher weighted average interest cost. Refer to Note 13 for further detail on the capital structure pre and post IPO.

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7. Taxation recognised in Consolidated Income Statement

	2019 £000	2018 £000
Current tax expense		
Current year	**1,200**	885
Adjustments for prior years	**(71)**	(186)
Current tax expense	**1,129**	699
Foreign tax expense		
Current year	**106**	70
Adjustments for prior years	**-**	(3)
Foreign tax expense	**106**	67
Deferred tax expense		
Origination and reversal of temporary differences	**(139)**	(100)
Reduction in tax rate	**14**	-
Adjustments for prior years	**95**	121
Deferred tax expense	**(30)**	21
Total tax expense	**1,205**	787

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 29 April 2018 has been calculated based on these rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	**2,325**	2,572
Tax using the UK corporation tax rate of 19% (2018: 19 %)	**442**	489
Property, plant and equipment timing differences	**-**	185
Non-deductible expenses	**819**	205
Effect of tax rates in foreign jurisdictions	**(55)**	70
Tax over provided in prior periods	**24**	(68)
Reduction in tax rate on deferred tax balances	**-**	12
Foreign PE exemption	**-**	(106)
Change in tax rate	**15**	-
Income not taxable	**(14)**	
Share options	**(26)**	
Total tax expense	**1,205**	787

Income tax expense is recognised at an amount 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 charge in respect of the year ended 28 April 2019 was £1,204,000 (29 April 2018: £787,000). The effective tax rate on total profit before tax was 51.80% (29 April 2018: 30.60%) whilst the adjusted tax rate was 22.00% (29 April 2018: 24.64%). The difference between the total effective tax rate and the adjusted tax rate relates to certain non-recurring costs associated with the listing being non-deductible for tax purposes.

8. Dividends

	Pence per share	**2019** **£000**	2018 £000
Interim dividend for the year ended 28 April 2019	1.2p	750	-
Total dividend paid to shareholders in the year		**750**	-

Dividend equivalents totalling £11,643 (2018: £nil) were accrued in the year in relation to share-based long-term incentive schemes.

The Board is recommending a final dividend in respect of the financial year ended 28 April 2019 of 2.4 pence per share, resulting in a total final dividend of £1,500,000. The dividend will, subject to shareholder's approval at the Annual General Meeting on 28 August 2019, be paid on 24 September 2019 to shareholders on the register at the close of business on 30 August 2019. No liability is recorded in the financial statements in respect of this final dividend as it was not approved at the balance sheet date.

9. Earnings per share

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

Diluted earnings per share is based on 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.

The Group has chosen to present an adjusted earnings per share measure, with profit adjusted for adjusting items (see note 3 for further details) to reflect the Group's underlying profit for the year.

			Proforma	Proforma
	2019	2018	**2019**	2018
	Number	Number	**Number**	Number
Number of shares in issue	**58,536,226**	44,687,483	**62,500,000**	62,500,000
Number of dilutive share options	**30,109**	-	**30,109**	-
Number of shares for diluted earnings per share	**58,566,335**	44,687,483	**62,530,109**	62,500,000
	£000	£000	**£000**	£000
Profit for the financial period	**1,120**	1,785	**2,102**	1,785
Adjusting items	**4,127**	1,411	**3,145**	1,411
Total adjusted profit / (loss) for adjusted earnings per share	**5,247**	3,196	**5,247**	3,196
	pence	pence	**pence**	pence
Basic earnings per share	**1.9**	4.0	**3.4**	2.9
Diluted earnings per share	**1.9**	4.0	**3.4**	2.9
Adjusted basic earnings per share	**9.0**	7.2	**8.4**	5.1
Adjusted diluted earnings per share	**9.0**	7.2	**8.4**	5.1

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10. Intangible assets

	Goodwill £000	**Software £000**	**Total £000**
Cost			
Balance at 29 April 2018	16,180	5,321	21,501
Additions	-	1,044	1,044
Disposals	-	-	-
Balance at 28 April 2019	**16,180**	**6,365**	**22,545**
Amortisation and impairment			
Balance at 29 April 2018	-	3,002	3,002
Amortisation charge for the year	-	1,049	1,049
Impairment losses	-	-	-
Disposals	-	-	-
Balance at 28 April 2019	**-**	**4,051**	**4,051**
Net book value			
At 29 April 2018	16,180	2,319	18,499
At 28 April 2019	**16,180**	**2,314**	**18,494**

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 30 April 2017	16,180	4,934	21,114
Additions	-	698	698
Disposals	-	(311)	(311)
Balance at 29 April 2018	16,180	5,321	21,501
Amortisation			
Balance at 30 April 2017	-	2,286	2,286
Amortisation charge for the year	-	939	939
Disposals	-	(223)	(223)
Balance at 29 April 2018	-	3,002	3,002
Net book value			
At 30 April 2017	16,180	2,648	18,828
At 29 April 2018	16,180	2,319	18,499

11. Property, plant and equipment

	Land and buildings	**Plant and equipment**	**Fixtures & fittings**	**Total**
	£000	**£000**	**£000**	**£000**
Cost				
Balance at 29 April 2018	7,214	1,696	17,534	26,444
Additions	2,178	863	4,408	7,449
Disposals	(139)	(30)	(485)	(654)
Balance at 28 April 2019	**9,253**	**2,529**	**21,457**	**33,239**
Depreciation and impairment				
Balance at 29 April 2018	2,358	753	4,640	7,751
Depreciation charge for the year	1,078	990	2,844	4,912
Net Impairment losses	-	41	-	41
Disposals	(107)	(28)	(116)	(251)
Balance at 28 April 2019	**3,329**	**1,756**	**7,368**	**12,453**
Net book value				
At 29 April 2018	4,856	943	12,894	18,693
At 28 April 2019	**5,924**	**773**	**14,089**	**20,786**

	Land and buildings	Plant and equipment	Fixtures & fittings	Total
	£000	£000	£000	£000
Cost				
Balance at 30 April 2017	5,773	1,205	13,839	20,817
Additions	1,756	871	4,544	7,171
Disposals	(315)	(380)	(849)	(1,544)
Balance at 29 April 2018	7,214	1,696	17,534	26,444
Depreciation and impairment				
Balance at 30 April 2017	1,656	130	3,008	4,794
Depreciation charge for the year	944	860	2,273	4,077
Net Impairment losses	-	135	-	135
Disposals	(242)	(372)	(641)	(1,255)
Balance at 29 April 2018	2,358	753	4,640	7,751
Net book value				
At 30 April 2017	4,117	1,075	10,831	16,023
At 29 April 2018	4,856	943	12,894	18,693

12. Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents per balance sheet	**3,687**	7,420
Net cash and cash equivalents	**3,687**	7,420

13. Borrowings

	2019 £000	2018 £000
Non-current liabilities		
Secured bank loans	**-**	31,200
Finance lease liabilities	**494**	494
Unamortised debt issue costs[1]	**(91)**	(445)
Non-current liabilities	**403**	31,249
Current liabilities		
Finance lease liabilities	**275**	209
Unamortised debt issue costs[1]	**(45)**	-
Current liabilities	**230**	209

[1] In 2018, current unamortised debt issue costs of £356,186 were recognised in the non-current liabilities.

A debt refinancing was completed on 20 July 2018, following the IPO of the Company completing (with formal admission to the Official List and to trading on the London Stock Exchange) on 19 July 2018. The capital structure has therefore changed considerably from the prior year.

A new, three year £25m revolving credit facility ("RCF") expiring in June 2020 (with a one-year extension option), was put in place at the time of the IPO with the previous debt facility (a £31.2m loan) being repaid at the same time, in part, through the net proceeds received into the Group on IPO. The arrangement fees in relation to the new debt facility, totalling £188k, have been capitalised and will be amortised to the Income Statement over the three-year term of the facility in accordance with accounting standards. Debt costs capitalised in relation to the previous debt facility of £386k were written off as a non-cash, adjusting items at the same time. The new RCF is subject to LIBOR plus a margin in the range 1.50% to 2.50%, subject to a leverage ratchet.

The facility was not drawn down at 28 April 2019.

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14. Notes to the Cash Flow Statement

	2019	2018
	£000	£000
Profit for the year	**1,120**	1,785
Adjustments for:		
Depreciation, amortisation and impairment	6,002	5,151
Derivative exchange loss /(gain)	73	(451)
Financial income	(20)	(20)
Financial expense	824	3,624
Loss on sale of property, plant and equipment[1]	403	237
Adjusting items – staff incentives on IPO	1,212	-
Share based payment charges	139	-
Increase in provisions	102	-
Taxation	1,205	787
Operating cash flows before changes in working capital	**11,060**	11,113
Increase in trade and other receivables	(365)	(3,257)
Increase in inventories	(3,635)	(2,449)
Increase in trade and other payables	3,643	9,296
Cash flows from operating activities	**10,703**	14,703

[1]Loss in sale of property, plant and equipment includes £394,000 associated with the e-commerce picking tower, see note 3 for more information.

15. Transition to IFRS 16

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) will replace IAS 17 and related interpretations and requires entities to apply a single lessee accounting model, with lessees recognising right-of-use-assets and lease liabilities on the balance sheet for all applicable leases. In addition, the nature of expenses related to those leases will change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and an interest expense relating to lease liabilities.

The Group intends to adopt the modified retrospective application of the standard applying the practical expedient available on transition not to reassess whether a contract existing at the date of initial application contains a lease. The Group currently anticipates the approximate impact on the financial statements as follows:

	Estimated impact £000
Statement of Financial Position	
IFRS 16 right of use assets	103,777
IFRS 16 lease liabilities	(114,217)
Un-amortised lease incentive de-recognition	5,625
Remove operating lease related prepayment and accruals	(1,860)
Net impact on equity as at 29 April 2019	**(6,675)**

Principal risks and uncertainties

The Board and the senior management team are collectively responsible for managing risks and uncertainties across the Group. In determining the Group's risk appetite and how risks are managed, the Board, Audit Committee and the senior management team look to ensure an appropriate balance is achieved which enables the Group to achieve its strategic and operational objectives and facilitates the long-term success of the Group.

The Board has undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and reviews the Group's most significant risks at least twice a year.

Additional risks and uncertainties, not presently known to management or deemed less material currently, may also have an adverse effect on the business. Further, the exposure to each risk will evolve as we take mitigating actions or as new risks emerge. The principal risks and uncertainties facing the Group as at the date of the Annual Report are set out below, together with details of how these are currently mitigated.

Where appropriate, the impact of these risks occurring has been considered when developing the scenarios tested as part of the financial Viability of the Group.

Risk	Description	Mitigation
Our market	The Group generates most of its revenue from the sale of books, toys, art and craft and stationery products. Although the Group has a proven track record of understanding customers' needs within these categories, these markets are highly competitive, with increasing competition from 'hard discounters' and customers' tastes and shopping habits can change quickly. Failure to effectively predict and respond to these changes could affect our sales, performance and reputation. Further, the vast majority of the Group's sales are derived from physical retail. Recent, well-publicised, examples of challenges for retailers, including the impact of widespread high street footfall decline could significantly impact on the Group's future strategy and growth plans.	• Ongoing focus on 'product discovery' and development of our own brand offering, helps us to differentiate our offering, bringing unique, quality, products to market at great prices. • Experienced trading team works hard to monitor emerging trends and has a track record of meeting these changing consumer tastes. • Continued investment in our trading team, including two key senior buyer additions in the past year. • Competitor pricing and product offering is closely monitored, with key developments discussed at weekly trading meetings and at Board level on a regular basis. • Undertook a market positioning review ahead of IPO and will be undertaking a broadened customer research project in the coming year to better understand our customers and their changing needs. • Sales data, insight from our Loyalty card database and various online feedback channels are used to drive purchasing and marketing decisions. • We continue to invest in our eCommerce operations to support development of our multi-channel offer responding to changing shopping habits and grow our customer base. Investment in a new platform has recently been approved with the project underway for delivery in the first half of 2020 and further online product range expansion plans are being developed.

		• We continue to enhance our customer experience through further development of our Click & Collect proposition, with this channel continuing to be the fastest growing part of the business.
Economic environment	As a UK retailer, the Group's business is sensitive to general economic, consumer spending and business conditions. A general decline in economic conditions or a reduction in consumer confidence could impact upon customer spending and subsequently have an adverse effect on the Group's revenue and profitability. This risk is currently heightened by the ongoing uncertainty regarding Brexit and the impact that the political and economic instability from this is having on consumer confidence.	• Our proposition, as a value alternative to full price specialist retailers, offering quality products at great prices, positions us well for customers looking to trade-down in times of economic uncertainty. • Sales trends are monitored at weekly trading meetings, attended by senior management, with mitigating actions agreed to drive sales and/or reduce costs accordingly. • Our business and senior management team have a proven track record of delivering sales and margin growth during a long period of economic uncertainty. • Strength of our kids proposition makes our business more resilient to a reduction in consumer spending, particularly at Christmas.
Our brand and reputation	As a retailer, 'TheWorks.co.uk' is our key brand asset. Protecting and enhancing our brand and reputation is vital to the success of the Group. Failure to protect our brand, in particular regarding product quality and safety, could result in our reputation, sales and future prospects being adversely affected.	• Values of the business are well communicated across our colleagues and the senior management team lead by example. • Intellectual property guidance and education is provided to our design and sourcing teams. • Our customer and market research scope focuses on understanding brand perception. • Customer product reviews are monitored on a daily basis, with swift action taken to remove products from sale where quality issues are identified. • The Group has established an in-house product quality assurance team to work more closely with suppliers to ensure product quality, safety and ethical production. • Third-party facilitated technical and ethical audits are in place and all suppliers are required to deliver a valid product safety test certificate ahead of an order being fulfilled. • Launched our 'keen to be green' and 'reworked' logos during the year.

Managing our supply chain	We are reliant on third parties, including many in the Far East, for the supply of our products. This creates a number of potential areas of risk, including the potential for supplier failures and the risks of manufacturing and importing of goods from overseas and potential disruption to various parts within this supply chain process. Brexit uncertainty has heightened this risk in the short term, in particular the uncertainty over the UK's trading relationship, and terms, with other countries and the well documented risk of delays at UK ports.	• An experienced buying team is responsible for the sourcing of our products. • Strong relationships are maintained with key suppliers, many of whom we have traded with for a number of years. • Our supplier base is continually reviewed. Supply options are diversified and/or changed where needed, providing greater flexibility and reducing reliance on individual suppliers. • We have recently moved to a new freight forwarder who is better placed to support our future growth, but maintain relationships with other freight forwarders to mitigate the risk of over-reliance on one provider. • We continue to mitigate the potential risk of inbound delays at ports as a result of Brexit by closely monitoring inventory cover levels and bringing in seasonal stock slightly earlier than planned. • Supply Chain Director role created in December 2018 to provide specific leadership and focus in this area.
Loss of key personnel	The Group's strategy and long-term success is heavily dependent on the quality of the Board and senior management team. There is a risk that a lack of succession for the senior management team and development of our key colleagues, could harm our future prospects and result in increased costs for the business.	• Succession plans are being developed for each of the senior management team and are discussed at Nomination Committee meetings. • All members of the senior management team are significant shareholders in the business and are therefore aligned with driving the strategy and shareholder value. • Objectives and development programmes are currently being put in place to support future leaders. • Our recent recruitment experience is demonstrating that high-calibre candidates want to join a successful and growing retail business. • The Group's remuneration is designed to ensure management incentives support the long-term success of the Group for the benefit of all stakeholders.
Business continuity	Significant disruption to key parts of our model, in particular our store support centre or one of our distribution centres, could severely impact our ability to supply our stores or fulfil our online sales resulting in significant financial or reputational damage.	• A disaster recovery plan and strategy is in place. • IT systems had a full dry run of the disaster recovery processes in the year and a programme of continuous review and testing is scheduled. • Further disaster recovery dry run scenarios were undertaken during the year. • The Group maintains appropriate business interruption insurance cover. • Investment in an emergency generator at our store support centre in the year to insulate us from any significant power cuts.

<table>
<tr><td>Regulation and compliance</td><td>The Group is exposed to a growing number of legal and regulatory compliance requirements including: the Bribery Act, the Modern Slavery Act, tax evasion, GDPR, Gender Pay Gap reporting, National Living and Minimum Wage, Environmental and Rules.

Failure to comply with these regulations could lead to financial claims, penalties, damages, fines or reputational damage which, in some cases, could be very material and could significantly impact the financial performance of the business.</td><td>The Group’s CFO and Company Secretary oversee regulatory compliance with support from external advisers.
Senior management team members are aware of the key compliance requirements within their business units and liaise directly with the CFO and external advisers to identify and manage issues.
The Group has a number of policies and procedures governing behaviours in all key areas, some addressing mandatory requirements (eg anti-bribery and corruption, adherence to national living wage requirements) and others adopted voluntarily.
A whistle-blowing policy and procedure is in place, allowing colleagues to confidentially report any concerns or inappropriate behaviour within the business.
The Group has adopted a GDPR policy, appointed a data supervisor and established a monthly GDPR governance meeting, with minutes and actions from this meeting circulated to the senior management team.
An out-sourced internal audit function was established in the year.</td></tr>
<tr><td>IT systems and cyber security</td><td>The Group is reliant on the efficiency, reliability and resilience of key IT systems. Failure to develop and maintain these systems, or any prolonged system performance problems or cyber attack, could seriously affect our ability to trade and/or could lead to significant fines and reputational damage.</td><td>Recovery of key business systems is captured as part of the Business Continuity Plan.
Support contracts, with appropriate SLAs, are in place for all third-party systems with in-house systems supported by an experienced in-house development team.
Cyber security review undertaken in the final quarter of the year by external consultants. Recommendations are in the process of being assessed with a view to these being implemented in the coming year.
Review of in-house ‘Nimbus’ operating system documentation and change management processes was undertaken by an external consultant in the year.
Outline five-year IT strategy was developed in the year. This strategy includes upgrades to existing IT infrastructure as well as developing new functionality.
IT Steering Group, attended by the CEO and CFO, meets monthly to prioritise and approve all material IT projects and to monitor system performance.
Boxer email security has been implemented through the year to protect access to emails on mobile phones.</td></tr>
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Cost inflation	Escalation of costs, such as increases in raw materials, commodity and wage costs, could adversely impact the Group's ability to deliver its forecast profit growth. This risk is currently heightened due to: • Brexit uncertainty and the potential impact on the value of sterling and uncertainty over duty rates post-Brexit impacting on the cost of products sourced from the Far East. • The current political focus on raising national living and minimum wages given the vast majority of the Group's colleagues are paid the national minimum or living wage.	• Budgets and forecasts prepared by the Group include the expected impact of the national living wage and other known cost inflation (eg in electricity prices) and, therefore, the Board's strategic planning takes these into account. • Cost control remains central to the culture and philosophy of the business with 'margin enhancement' being a key growth pillar of our strategy. • Cost mitigation strategies are in place to offset, where possible, increases in national minimum and living wages (eg through productivity improvements in our distribution centre). • Hedging policy in place to manage exposure to foreign exchange rate fluctuations in the short term, with foreign exchange hedging contracts being pre-approved by the CFO and communicated to the Board on a monthly basis. • Flexible nature of the Group's product offering means we have the ability to adapt or change products to meet our margin targets, supported by the continued growth in our own brand offering.
Stock management	Ineffective controls over the management of our stock could impact on the achievement of our gross margin objectives, whilst lack of sufficient product availability could impact on sales.	• Supply Chain Director role created and the stock inventory team strengthened in the past year. • Stock cover levels are set as part of the annual budget process with stock cover by product group, and at a total level, reviewed on a weekly basis against these budgeted levels. • Perpetual Inventory counts are undertaken across stores and our distribution centres to monitor stock losses. • 'Aged stock' is monitored closely with regular markdown action on slow-moving product lines. • End-to-end stock process review recently undertaken by an external consultant. Recommendations are currently under discussion with a view to implementing key improvements in the coming year.

Store expansion	New store rollout remains the biggest pillar of our growth strategy. The ability to identify suitably profitable new store locations is therefore key to delivering our future growth plans. Failure to identify such sites could impact on our store expansion plans and significantly impact on our future sales and profitability.	• Investment in the Group's property team was made ahead of accelerating our rollout. The team has a track record of opening at least a net 50 stores per annum in each of the past three years. • Investment in a store location modelling tool to further enhance the new store assessment and sign-off process made during the year. • UK retail vacancy rates continue to run at record high levels, providing significant opportunities for our new store opening programme both in terms of the number of available units and the terms on which these can be secured. • The flexibility of our offering, across multiple formats, allows us to take advantage of a range of store sizes and locations. • The property team maintain a pipeline of opportunities and this is discussed and monitored at monthly property meetings, attended by the CEO and CFO, and summarised at monthly Board meetings. • Each new store opening is approved by the CEO and CFO.
Seasonality of sales	The Group makes all of its profit in the second half of the financial year, with the peak Christmas trading period contributing substantially all of this profit. Interruptions to supply, adverse weather or a significant downturn in consumer confidence around this peak trading period could have a significant impact on the sales and profitability of the Group, particularly given a substantial proportion of our cost base is fixed.	• We continue to explore opportunities to reduce the seasonality by growing our year-round attraction. • We successfully trialled the sale of helium balloons, for everyday and seasonal occasions, during the year and will be rolling this offer out across our estate in the coming year. • We successfully trialled a 2 for £5 gift offering in the year and, following the success of this trial, plan to roll this out as a new 'hero' deal in the coming year. • Weekly trading meetings, attended by all members of senior management, ensure action is taken to maximise sales based on forecast weather. • A crisis management team is set up in periods of extreme adverse weather to help mitigate the impact. • Following the outsourcing of our eCommerce fulfilment to a third-party provider in the year, we have invested in the layout of our retail distribution centre to ensure that it is set up to optimise the efficient supply of stock to stores during peak trading.