**16 January 2019**

**TheWorks.co.uk plc**
**Interim results for the 26 weeks ended 28 October 2018 and trading update**

**Good revenue and LFL sales growth deliver strong first half performance, with sales momentum continuing through the Christmas trading period**

TheWorks.co.uk plc ("The Works", the "Company" or the "Group"), the multi-channel value retailer of gifts, arts, crafts, toys, books and stationery, is pleased to announce its interim results for the 26 weeks ended 28 October 2018 (the "Period" or "H1 FY19") and an update on current trading.

## Financial highlights

The Company delivered a strong half-year performance with revenue up 15% and like-for-like sales up 3.8%. As in previous years, the Group reported a loss in the first half due to the seasonal nature of the business. The Board is pleased with the Company's performance and is confident that the business continues to trade in-line with its full-year expectations.

- Revenue up 15.0% to £91.5m (H1 FY18: £79.5m)
- Like-for-like[1] ("LFL") sales +3.8% (H1 FY18: +8.2%)
- Gross Profit margin (before depreciation) increased to 14.8% (H1 FY18: 14.5%)
- Adjusted[2] EBITDA loss of £0.9m (H1 FY18: loss of £0.2m)
- Adjusted[2] loss before tax of £4.4m (H1 FY18: loss of £4.4m)
- Loss before tax of £7.9m (H1 FY18: loss of £4.5m)
- Interim dividend of 1.2p declared

## Trading Update: 11 Weeks to 13 January 2019

The Company continued its sales momentum into the Christmas trading period, delivering a record sales performance despite tough comparatives. The Group achieved LFL sales growth of 4.5%, reflecting good sales growth in both stores and online.

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

"We're really pleased to be reporting a strong maiden set of interim results today. We have continued to delight our customers with our wide and constantly refreshed range of great value products through our flexible and convenient multi-channel offering."

"We continued that momentum into the second half with like-for-like sales growth of 4.5%. This is a record performance for us, with customers recognising our great value and exciting product range that made us a go-to choice for Christmas. I want to thank colleagues across the business for their hard work and for going the extra mile to deliver this excellent result."

"In 2019 our focus will be on introducing 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 whatever the economic environment may be."

## Operational highlights

1. Rollout of profitable new stores

- 32 net new stores opened in the Period;
- A further 5 net new stores opened in time for peak Christmas trading, taking total stores to 484;
- On track to deliver 50 net new store openings for the full-year.

2. Continue to grow LFL sales

- Good growth in LFLs both in-store and online, boosted by the Squishies Mega Trend;
- Enhanced product proposition through "Gifts for Everyone" and providing customers with new, great value products driving "product discovery" in store;
- Further progress made on store rebranding programme to 'TheWorks.co.uk', helping promote our multi-channel proposition.

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

- Continued website enhancements, driving strong growth in visits and conversion, with Click & Collect continuing to be the fastest growing channel;
- Strong growth in loyalty card membership, providing opportunity to drive further, targeted, customer engagement;
- Outsourced all online fulfilment operations to a third party in August 2018 to support range extensions 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;
- Additional business efficiencies currently being assessed to help mitigate FY20 margin headwinds, in particular foreign exchange and the increased national living and minimum wages.

**Interim results presentation**

A presentation for analysts will be held today at 9.30am at Investec Bank plc, 30 Gresham St, London, EC2V 7QP and will be available on the Company's website. If you would like to attend, please contact Rachel Miller at Teneo on 0207 420 3190.

**Enquiries:**

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[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).

**TheWorks.co.uk plc**
**Interim results for the 26 weeks ended 28 October 2018**

## Chief Executive Officer's review

### Overview

The Works had a successful first half of its financial year delivering strong trading in-store and online, making further progress on its strategic initiatives and completing the IPO of the Company last summer.

As set out at the time of the IPO, the Group intends to continue with its successful growth strategy and further enhance its status as one of the UK's leading multi-channel value retailer of gifts, arts, crafts, toys, books and stationery. Good progress has been made in each of its four key strategic pillars:

### 1. Rollout of profitable new stores

The Group's established new store roll out programme remains an important driver of sales and profit growth for the business.

In the first half of this year, 35 new stores were opened and 3 were closed, bringing the total estate to 479 stores as at 28 October 2018. A further 2 stores were relocated during the Period. We have opened stores across a range of formats, including high streets, shopping centres, concessions and retail parks with these new store openings trading in line with the Board's expectations.

The Group has an additional strong pipeline of new store opportunities and remains confident of opening approximately 50 net new stores in the current financial year, with a further 5 net new stores opened since the Period end and in time for Christmas trading. The Group is already developing a pipeline of openings for FY20. This reflects the high availability of suitable sites and the attractiveness of our proposition and covenant to landlords.

The UK retail property market remains highly favourable to support our store opening programme and the Board remains confident of the potential to expand the store portfolio to up to 1,000 stores in total.

### 2. Continue to grow LFL sales

In the first half of the current financial year, LFL sales grew by +3.8% despite a strong comparable period last year (H1 FY18: +8.2%). Both stores and eCommerce delivered positive LFL sales growth during the Period.

The ongoing refresh of our product offering has continued to create product discovery in-stores and online, encouraging repeat visits and offering exceptional value to our customers. We have seen particularly strong growth in our Stationery zone driven, in part, by the launch of our new Pen Bar and the strong performance of our "Back to School" ranges. Whilst retail footfall was lower during the prolonged period of hot weather this summer, we were able to generate strong sales from our Summer "Out to Play" ranges (which includes outdoor games, toys and activities for children), demonstrating the flexibility of our model.

We also identified and benefited from the "Squishies" Mega Trend in the Period. Our nimble buying team were quick to market and capitalised on this trend with EBITDA of £0.6m being generated in the Period offsetting, in part, the £1.2m EBITDA generated from the "Spinners" Mega Trend in the previous year.

A further 17 stores were rebranded to the new “TheWorks.co.uk” fascia in the Period taking the total to 75% of the overall estate and helping to promote our multi-channel proposition. We also launched our new in-store signage and zoning in June giving our stores a fresh look and feel.

**3. Further develop the Group’s multi-channel proposition**

The Group has continued to make good progress in further developing its multi-channel offering.

Development of our website functionality – including enhancements to the online click and collect customer journey, launching a new site look and feel across key pages and significant improvements to the mobile customer experience – has continued to drive growth in eCommerce sales. Click and collect continues to be our fastest growing channel, driving increased footfall to our stores and providing the benefit of ongoing strong “add-on” conversion of these customers in store.

In August we soft-launched an eCommerce site in the Republic of Ireland with home delivery and click and collect functionality also being launched in our 10 stores trading in the Republic of Ireland. Initial sales have been encouraging and future development and marketing plans are being reviewed following Christmas trading.

We have increased sign-ups of our loyalty scheme driven, in part, by the introduction of member sign-up at the till-point in early 2018, helping increase loyalty participation in stores and providing an opportunity to drive further targeted customer engagement with our brand.

During the Period we outsourced the warehousing and fulfilment of our eCommerce operations to a third party logistics provider. 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.

**4. Continue to deliver margin enhancement**

The Group has delivered strong growth in product gross margins over the Period, driven by a range of factors including improved product mix (e.g. to higher margin stationery categories) and mark-down management, further own-brand development, continued improvements in buying (leveraging our increased scale) and further strengthening of the buying team. A favourable movement in the US$ exchange rate (given the year on year impact of our hedges) helped to drive further gross margin improvement in the Period.

Whilst further opportunities to improve our product gross margins exist, given the current uncertainty around Brexit and the associated impact on the sterling to US$ exchange rate, it is likely we will face a foreign exchange headwind in FY20.

Strong control of other costs remains central to the Group’s philosophy and culture. We continue to focus on managing overall employee costs through our lean structures and negotiating improved rental terms upon the break or expiry and subsequent renewal of existing leases in the store portfolio. We remain focussed on tightly controlling other costs and expenses and ensuring we leverage our increased scale and investments made in people and infrastructure in recent years.

Work is underway to identify further cost savings to help mitigate the fall in the value of sterling and the rise in labour costs as a result of the ongoing increases in national living and minimum wages faced by many in our sector.

**Financial performance**

Total revenues during the Period grew by 15.0% to £91.5m (H1 FY18: £79.5m), with an adjusted EBITDA loss of £0.9m (H1 FY18: loss of £0.2m). There is a significant amount of seasonality in our business with the Group currently making all of its profit in the second half of the financial year.

Cost of sales and operating costs continue to be well controlled and are broken down as follows:

| | H1 FY19 | | H1 FY18 | | |
|---|---|---|---|---|---|
| | £'000 | % of revenue | £'000 | % of revenue | % Increase |
| Cost of goods sold | 32,824 | 35.9% | 30,560 | 38.4% | 7.4% |
| Store wages | 18,165 | 19.9% | 14,757 | 18.6% | 23.1% |
| Store property costs | 20,800 | 22.7% | 18,045 | 22.7% | 15.3% |
| Other direct costs | 6,138 | 6.7% | 4,681 | 5.9% | 31.1% |
| **Cost of sales** | **77,927** | **85.2%** | **68,043** | **85.5%** | **14.5%** |
| | | | | | |
| Distribution costs | 5,244 | 5.7% | 4,222 | 5.3% | 24.2% |
| Administrative costs | 9,210 | 10.1% | 7,508 | 9.4% | 22.7% |
| **Operating costs** | **14,454** | **15.8%** | **11,730** | **14.7%** | **23.2%** |

*Note:*

- *The above figures exclude depreciation and gains/losses on disposals of property, plant and equipment of £1,950k in H1 FY19 (H1 FY18: £1,553k) within cost of sales and £827k in H1 FY19 (H1 FY18: £831k) 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 H1 FY19 and H1 FY18)*

The overall ratio of cost of sales (excluding depreciation) to revenue slightly reduced to 85.2% 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 (e.g. to higher margin stationery categories) and mark-down management, continued improvements in buying (leveraging our increased scale) and a favourable movement in the US$ exchange rate (given the year on year impact of our hedges). Despite the continued weakness in Sterling, the business has benefited from effective hedges for its US$ requirements (put in place last year) helping to drive the cost of imported goods lower in the first half of the financial year. The benefit of these hedges will unwind in the second half of the year and, as noted above, will likely become a 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, as previously noted, 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.

- **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.

- **Other direct costs:** includes payment transaction fees, eCommerce warehouse/third party fulfilment costs, store utility costs, store maintenance, online marketing costs and point of sale costs. Whilst this cost category is largely variable in respect of existing stores and increases with new store openings and growth in eCommerce sales, 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.

Overall operating costs (excluding depreciation) as a percentage of revenue increased to 15.8% 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 and the cost of fulfilling customer orders online. These costs are mostly variable in nature, linked to increased store numbers and eCommerce sales levels. 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. Total administration costs (excluding depreciation) in the first half increased by £1.7m to £9.2m and increased slightly as a ratio of revenue. This increase 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. 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 increased from £2.4m to £2.8m primarily reflecting the impact of the accelerated store rollout in recent years.

Capital expenditure totalled £4.6m in the Period of which £2.9m related to new stores. In the equivalent period last year, capital expenditure totalled £2.7m of which £1.9m related to new stores, reflecting the delayed phasing of new store openings in the prior year. Other capex of £1.7m in the Period (£0.8m in the prior year) includes £0.2m 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 reflecting, in part, a timing difference of spend versus the prior year.

**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. The first half 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 £25m revolving credit facility ("RCF") 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 1.5% to 2.5%, subject to a leverage ratchet.

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. Had the IPO and debt refinancing completed on 29 April 2018, the net financing costs expensed in the Income Statement in the 26 weeks ended 28 October 2018 would have totalled approximately £0.2m, rather than the adjusted net financing expense of £0.7m reported.

**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 have 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 all of its foreign exchange requirement for the remainder of FY19 and a proportion of FY20, albeit at a much 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.

**Statutory results**

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

| | H1 FY19<br>£'000 | H1 FY18<br>£'000 |
|---|---|---|
| Adjusted loss before tax | (4,372) | (4,437) |
| Relocation of eCommerce fulfilment operations | (155) | - |
| Relocation of support centre | - | (37) |
| IPO-related costs | (2,984) | - |
| Write-off of capitalised costs associated with the repaid loan | (386) | - |
| **Statutory loss before tax** | **(7,897)** | **(4,474)** |

Further detail on the adjusting items is set out in Note 9 to the attached Financial Statements.

**Strong financial position**

The Group remains highly cash generative before financing activities.

As at 28 October 2018, net debt (excluding unamortised debt costs capitalised of £0.2m) was £4.4m, analysed as follows:

| | £'000 |
|---|---|
| Current liabilities – RCF and finance lease obligations | 4,244 |
| Non-current liabilities – finance lease obligations net of unamortised debt costs capitalised | 347 |
| Total borrowings | 4,591 |
| Add back: Unamortised debt costs capitalised | 167 |
| Gross debt | 4,758 |
| Less: Cash | (322) |
| **Net debt** | **4,436** |

Net debt represented less than 0.4x adjusted EBITDA for the 52 weeks ended 28 October 2018.

The Group typically delivers cash generation in the second half of its financial year. The Board therefore expects to report a further reduction in this net debt position at the year end.

**Dividend policy**

As stated at the time of IPO, the Board intends to adopt a progressive dividend policy.

The Board is pleased to be declaring its maiden interim dividend of 1.2p per share. This dividend will be paid on 14 March 2019 to shareholders on the register at close of business on 15 February 2019.

The final dividend will be announced with the full year results and the Board anticipates calculating this dividend on a proforma basis, as if the IPO and senior debt refinancing had completed on 29 April 2018.

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 returns to shareholders.

**Charitable activities**

The Group continues to develop its association with Cancer Research UK. Through the support of both our colleagues and customers we continue to make significant contributions to this important organisation. In the Period we have supported a range of fund raising initiatives raising, in aggregate, £56k, taking the total monies raised since our association began to £414k. We are very proud of this fantastic achievement and a huge thank you goes to our colleagues and customers in helping us achieve this.

**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 our actual results to materially differ from historical or expected results. The Board does not believe that these risks and uncertainties are materially different to those set out in our IPO Prospectus of July 2018, with the exception of the risks associated to Brexit, including the further weakness this is causing on sterling and uncertainty in relation to the impact of trading in the Republic of Ireland.

**Board Update**

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

Dean Hoyle continues his role as Chairman of the Board and remains a significant investor in the business. Dean has recently taken a temporary reduction in duties due to a health-related matter. He remains in regular contact with the Board and we send him our best wishes for a full and speedy recovery.

**Colleagues**

As we report our maiden set of interim results as a public company, it is a fitting time to thank all of those who worked so tirelessly on the IPO process which completed earlier this year. I would also like to add my thanks to all our employees for their support and commitment throughout this Period which saw the Group continue to grow.

**Outlook**

In the Period since 28 October 2018, following a good Christmas trading performance, the Group has continued to trade in line with the Board’s expectations and, as such, our expectations for the current full year remain unchanged. Whilst the UK retail environment and economic outlook remains challenging, we remain confident of the Group's future prospects given our differentiated proposition, offering a wide range of new products at outstanding value, through our unique multi-channel offering, which continues to be well received by our customers.

Kevin Keaney
Chief Executive Officer
16 January 2019

**Notes:**

**1. Background information**

TheWorks.co.uk plc is one of the UK's leading multi-channel value retailers of gifts, arts & crafts, stationery, toys and books - offering customers a differentiated proposition as a value alternative to full price specialist retailers. The Works sells its quality products at affordable prices across four specialist categories comprising Kids; Arts, Craft & Hobbies; Stationery; and Family Gifts, which are supplemented by both seasonal and regional offerings.

The Group operates a network of over 480 stores in the UK & Ireland. Stores can be found on high-streets, in retail parks, shopping centres, factory outlets and as concessions in various locations. The Works also has a significant and growing online presence that enables customers to shop any time of the day, with an extended range of products not available in stores. This multi-channel offering is one of the first of its kind in the value retail sector and includes a popular Click & Collect service, driving additional footfall and sales in store.

**2. Percentage Movements**

Percentage changes have been calculated before figures were rounded to £0.1m or £0.1k (as appropriate)

**3. Cautionary statement**

This announcement is based on information from unaudited management accounts and contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of TheWorks.co.uk plc. 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 or developments 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, TheWorks.co.uk plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

***for the 26 weeks ending 28 October 2018***

| | | 26 weeks to 28 October 2018 | | | 26 weeks to 29 October 2017 | | | 52 weeks to 29 April 2018 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | **Adjusted** | **Adjusting items** | **Total** | **Adjusted** | **Adjusting items** | **Total** | **Adjusted** | **Adjusting items** | **Total** |
| | | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Revenue | 8 | 91,500 | - | 91,500 | 79,537 | - | 79,537 | 192,100 | - | 192,100 |
| Cost of sales | | (79,877) | - | (79,877) | (69,596) | - | (69,596) | (158,167) | - | (158,167) |
| Gross profit | | 11,623 | - | 11,623 | 9,941 | - | 9,941 | 33,933 | - | 33,933 |
| Other operating income | | 4 | - | 4 | 3 | - | 3 | 7 | - | 7 |
| Distribution expenses | 9 | (5,356) | (155) | (5,511) | (4,326) | - | (4,326) | (9,358) | - | (9,358) |
| Administrative expenses | 9 | (9,925) | (2,984) | (12,909) | (8,236) | (37) | (8,273) | (16,737) | (1,669) | (18,406) |
| Operating (loss) / profit | | (3,654) | (3,139) | (6,793) | (2,618) | (37) | (2,655) | 7,845 | (1,669) | 6,176 |
| Finance income | | 1 | - | 1 | - | - | - | 20 | - | 20 |
| Finance expenses | 9 | (719) | (386) | (1,105) | (1,819) | - | (1,819) | (3,624) | - | (3,624) |
| Net financing expense | | (718) | (386) | (1,104) | (1,819) | - | (1,819) | (3,604) | - | (3,604) |
| (Loss) / profit before tax | | (4,372) | (3,525) | (7,897) | (4,437) | (37) | (4,474) | 4,241 | (1,669) | 2,572 |
| Taxation | 12 | 916 | 246 | 1,162 | 1,358 | 11 | 1,369 | (1,045) | 258 | (787) |
| (Loss) / profit for the period | 3A | (3,456) | (3,279) | (6,735) | (3,079) | (26) | (3,105) | 3,196 | (1,411) | 1,785 |
| Basic earnings per share (pence) | 13 | (5.5) | | (10.7) | (4.9) | | (5.0) | 5.1 | | 2.9 |
| Diluted earnings per share (pence) | 13 | (5.5) | | (10.6) | (4.9) | | (4.9) | 5.1 | | 2.9 |

All results arise from continuing operations. During the 26 weeks ended 28 October 2018, 26 weeks ended 29 October 2017 and 52 weeks ended 29 April 2018, the Group had no other comprehensive income; accordingly, no Statement of Other Comprehensive Income has been prepared.

## Condensed Consolidated Statement of Financial Position

| | Note | 28 October 2018 £000 | 29 October 2017 £000 | 29 April 2018 £000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 14 | **23,032** | 19,175 | 21,012 |
| Goodwill | 15 | **16,180** | 16,180 | 16,180 |
| Deferred tax assets | | **307** | 320 | 299 |
| | | **39,519** | 35,675 | 37,491 |
| **Current assets** | | | | |
| Inventories | | **36,288** | 30,976 | 21,495 |
| Current tax asset | | **1,305** | 1,345 | - |
| Derivative asset | | **301** | - | 89 |
| Trade and other receivables | | **13,133** | 12,164 | 17,224 |
| Cash and cash equivalents | | **322** | - | 7,420 |
| | | **51,349** | 44,485 | 46,228 |
| **Total assets** | | **90,868** | 80,160 | 83,719 |
| **Current liabilities** | | | | |
| Current tax liabilities | | **-** | - | 287 |
| Other interest-bearing loans and borrowings | 17 | **4,244** | 1,017 | 209 |
| Derivative liability | | **-** | 66 | - |
| Trade and other payables | | **56,373** | 44,951 | 44,024 |
| | | **60,617** | 46,034 | 44,520 |
| **Non-current liabilities** | | | | |
| Other interest-bearing loans and borrowings | 17 | **347** | 31,066 | 31,249 |
| | | **347** | 31,066 | 31,249 |
| **Total liabilities** | | **60,964** | 77,100 | 75,769 |
| **Net assets** | | **29,904** | 3,060 | 7,950 |
| **Equity attributable to equity holders of the parent** | | | | |
| Share Capital | 16 | **625** | - | - |
| Share Premium | | **28,322** | - | - |
| Merger Reserve | | **(447)** | - | - |
| Share Based Payment Reserve | | **189** | - | - |
| Retained Earnings | | **1,215** | 3,060 | 7,950 |
| **Total equity** | | **29,904** | 3,060 | 7,950 |

## Condensed Consolidated Statement of Changes in Equity

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Share Based Payment Reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| **Attributable to the equity holders of TheWorks.co.uk Plc** | | | | | | |
| **For the 26 weeks ended 28 October 2018** | | | | | | |
| Balance at 29 April 2018 | - | - | - | - | 7,950 | 7,950 |
| **Total comprehensive income for the period** | | | | | | |
| Loss for the period | - | - | - | 189 | (6,735) | (6,546) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **189** | **(6,735)** | **(6,546)** |
| **Transactions with owners of the Company** | | | | | | |
| Effect of group reconstruction | 625 | 28,322 | (447) | - | - | 28,500 |
| **Transactions with owners of the Company** | **625** | **28,322** | **(447)** | **-** | **-** | **28,500** |
| **Balance at 28 October 2018** | **625** | **28,322** | **(447)** | **189** | **1,215** | **29,904** |
| **Attributable to the equity holders of The Works Investments Limited** | | | | | | |
| **For the 26 weeks ended 29 October 2017** | | | | | | |
| Balance at 30 April 2017 | - | - | - | - | 6,165 | 6,165 |
| **Total comprehensive income for the period** | | | | | | |
| Loss for the period | - | - | - | - | (3,105) | (3,105) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(3,105)** | **(3,105)** |
| **Balance at 29 October 2017** | **-** | **-** | **-** | **-** | **3,060** | **3,060** |
| **Attributable to the equity holders of The Works Investments Limited** | | | | | | |
| **For the 52 weeks ended 29 April 2018** | | | | | | |
| Balance at 30 April 2017 | - | - | - | - | 6,165 | 6,165 |
| **Total comprehensive income for the period** | | | | | | |
| Profit for the period | - | - | - | - | 1,785 | 1,785 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **1,785** | **1,785** |
| **Balance at 29 April 2018** | **-** | **-** | **-** | **-** | **7,950** | **7,950** |

## Condensed Consolidated Statement of Cash Flows

***for the 26 weeks ended 28 October 2018***

| | **28 October 2018** | 29 October 2017 | 29 April 2018 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| **Cash flows from operating activities** | | | |
| (Loss) / profit for the period | **(6,735)** | (3,105) | 1,785 |
| *Adjustments for:* | | | |
| Depreciation | **2,780** | 2,378 | 5,016 |
| Impairment of property, plant and equipment | **-** | - | 135 |
| Derivative exchange (gain)/loss | **(212)** | (296) | (451) |
| Net finance costs | **1,104** | 1,819 | 3,604 |
| Gain / Loss on sale of property, plant and equipment | **(2)** | 6 | 237 |
| Taxation | **(1,162)** | (1,369) | 787 |
| | **(4,227)** | (567) | 11,113 |
| Increase in trade and other receivables | **4,091** | 2,611 | (3,257) |
| Increase in inventories | **(14,793)** | (12,738) | (2,449) |
| Increase in trade and other payables | **12,947** | 10,329 | 9,296 |
| | **(1,982)** | (365) | 14,703 |
| Tax paid | **(438)** | (202) | (705) |
| **Net cash from operating activities** | **(2,420)** | (567) | 13,998 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | **-** | - | 9 |
| Interest received | **1** | - | 20 |
| Acquisition of property, plant and equipment | **(4,622)** | (2,701) | (7,452) |
| **Net cash from investing activities** | **(4,621)** | (2,701) | (7,423) |
| **Cash flows from financing activities** | | | |
| Interest paid | **(1,247)** | (1,543) | (3,075) |
| Payment of finance lease liabilities | **(110)** | (121) | (173) |
| Proceeds from share issue | **28,500** | - | - |
| Proceeds from bank borrowings | **4,000** | - | - |
| Repayment of bank borrowings | **(31,200)** | - | - |
| **Net cash from financing activities** | **(57)** | (1,664) | (3,248) |
| Net increase/(decrease) in cash and cash equivalents | **(7,098)** | (4,932) | 3,327 |
| Cash and cash equivalents at beginning of period | **7,420** | 4,093 | 4,093 |
| **Cash and cash equivalents at end of period** | **322** | (839) | 7,420 |

**Notes to the condensed consolidated interim financial statements**

## 1 Reporting entity

TheWorks.co.uk Plc (the Company) is a public limited company domiciled in the United Kingdom. These condensed consolidated interim financial statements ('Interim financial statements') as at and for the 26 weeks ended 28 October 2018 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the provision of gifts, arts & crafts, stationery, toys and books as a value-oriented, multi-channel retailer.

## 2 Basis of accounting

These unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with The Works Investments Limited (company number 09073458) financial statements for the 52 weeks ended 29 April 2018 which have been filed at Companies House. They 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.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 5.

*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.

The comparative financial information for the 52 weeks ended 29 April 2018 has been extracted from the audited annual financial statements of The Works Investments Limited (company number 09073458), on which an unqualified audit opinion was issued. These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU ('EU IFRS').

## 3 Alternative Performance Measures ("APM")

### A Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

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.

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 before tax.

| | **26 weeks ended 28 October 2018** | 26 weeks ended 29 October 2017 | 52 weeks ended 29 April 2018 |
|---|---|---|---|
| | **£000** | £000 | £000 |
| Adjusted EBITDA | **(876)** | (233) | 13,233 |
| Adjusting items | **(3,525)** | (37) | (1,669) |
| Gain / (Loss) on disposals of property, plant and equipment | **2** | (6) | (237) |
| Depreciation | **(2,780)** | (2,378) | (5,016) |
| Finance costs | **(719)** | (1,819) | (3,624) |
| Investment income | **1** | - | 20 |
| Impairment of property, plant and equipment | **-** | - | (135) |
| Tax charge | **1,162** | 1,369 | (787) |
| | **(6,735)** | (3,104) | 1,785 |

### B 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).

### C Adjusted profit metrics

To allow the Board of Directors to see the profit based on underlying trade only key profit measures (including operating (loss) / profit, (loss) / profit before tax, (loss) / profit for the period and earnings per share) 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. These adjusted metrics are included within the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income, with further details of adjusting items included in Note 9.

These adjusted profit measure are not defined performance measure in IFRS. The Group's definition of adjusted profit measures may not be comparable with similarly titled performance measures and disclosures by other entities.

### D Leverage

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

**E 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.

## 4 Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for The Works Investments Limited, except for new significant judgements and key sources of estimation uncertainty related to the accounting policies described in Note 5.

## 5 Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in The Works Investments Limited consolidated financial statements as at and for the 52 weeks ended 29 April 2018 (the policy for recognising and measuring income taxes in the interim period is described in Note 12).

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the 52 weeks ending 28 April 2019.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A below) and IFRS 9 Financial Instruments (see B below) from 30 April 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

**A IFRS 15 Revenue from Contracts with Customers**

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers:

- Identify the contract with the customer
- Identify the performance obligations in the contract, introducing the new concept of 'distinct'
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis
- Recognise revenue when (or as) the entity satisfies its performance obligation

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. The impact of IFRS 15 to the company is immaterial.

| Type of Product / Service | Nature, timing of satisfaction of performance obligations, significant payment terms | Nature of change in accounting policy |
|---|---|---|
| Store sales | Customers obtain control of the products at the till point. Revenue is recognised when the goods have been processed through the till. | IFRS 15 did not have a significant impact on the Group's accounting policies. |
| E-commerce Sales | Customers obtain control of the products when the goods are delivered and have been accepted at their premises. Revenue is recognised when the goods are ordered. | Under IAS 18 revenue for these contracts was recognised when the order was placed on the website. Under IFRS 15 revenue will continue to be recognised in this way given the impact of adjusting the recognition from when the order is placed to being delivered is immaterial. |
| Customer loyalty programme | Sale of goods that result in award credits for customers, under the Group's Loyalty Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. The consideration allocated to the award credits is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. | IFRS 15 did not have a significant impact on the Group's accounting policies. |

**B IFRS 9 Financial Instruments**

IFRS 9 sets outs the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**(i) Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial instruments for the following reasons:

- Providing for loss allowances on our existing financial assets is not expected to have an impact as the Group considers that the financial assets are not material and the Group also does not provide credit to customers.
- There is no embedded derivative within the financial instruments held by the Group.

- During the period under review, and the comparative periods, the Group has not designated any instrument for hedging and, as such, no impact under IFRS 9 is expected.
- IFRS 9 is based on the concept that financial assets should be classified and measured at fair value, with changes in fair value recognised in the Condensed Consolidated Statement of Profit and Loss as they arise ("FVPL"), unless restrictive criteria are met for classifying and measuring the asset at either amortised cost or Fair value through other comprehensive income ("FVOCI"). As such, no impact from the change to IFRS 9 from IAS39 on the financial statements is expected.

**C Dividend Policy**

Following the IPO of the business, the Board intends to adopt a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of the interim and preliminary results in approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.

**D Adjusting items**

Adjusting items are gains or losses made in a period which are non-recurring. These are items which do not affect past periods or are not expected to affect future periods.

**E Impairment of Store Assets**

Property, plant and equipment is reviewed for impairment by reviewing loss making stores over the last 12 months. A provision is included where the store is not expected to return a profit in the future and where the assets cannot be used in a future store.

**F Hedging Policy**

The Group utilises foreign currency derivative contracts and US Dollar denominated cash balances to manage the foreign exchange risk on US Dollar denominated inventory purchases. The Group recognises the fair value adjustment on its foreign currency derivative contracts (to reflect the prevailing spot rate) in the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income.

From January 2019 the Group has elected to hedge account its foreign currency contracts under IFRS9, with the forward points (including both time value and currency basis spread) on the foreign currency contracts being considered as a cost of hedging under IFRS9 and therefore deemed “ineffective” and excluded from the designation of a hedge. Under this treatment, the change in fair value on the effective element will be recognised in Other Comprehensive Income and the ineffective element recognised in the Condensed Consolidated Statement of Profit and Loss as a cost of hedging.

## 6 Going Concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 7 Operating Segments

IFRS 8 requires segment information to be presented on the same basis as that 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.

## 8 Revenue

The Group's operations and main revenue streams are as those described in The Works Investments Limited annual financial statements. The Group's revenue is derived from the sale of goods to customers.

### A Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market.

| | **26 weeks ended 28 October 2018 £000** | 26 weeks ended 29 October 2017 £000 | 52 weeks ended 29 April 2018 £000 |
|---|---|---|---|
| Sale of goods; | | | |
| - UK | **89,711** | 78,212 | 188,595 |
| - EU | **1,789** | 1,325 | 3,505 |
| Total revenues | **91,500** | 79,537 | 192,100 |

### B 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 January therefore the first half of the year from April to October is expected to have lower revenue and results than the second half. The Group attempts to minimise the seasonal impact by managing its inventories to meet demand during this peak period.

## 9 Adjusting expenses

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

| | **26 weeks ended 28 October 2018 £000** | 26 weeks ended 29 October 2017 £000 | 52 weeks ended 29 April 2018 £000 |
|---|---|---|---|
| **Distribution expenses** | | | |
| Relocation of E-Commerce warehouse | **155** | - | - |
| Total distribution adjusting items | **155** | - | - |
| **Administrative expenses** | | | |
| Relocation of support centre costs | **-** | 37 | 8 |
| Professional fees relating to the IPO and debt refinancing | **2,984** | - | 1,475 |
| Packaging waste costs penalty | **-** | - | 186 |
| Total administrative adjusting items | **2,984** | 37 | 1,669 |
| **Finance expenses** | | | |
| Write off of capitalised costs associated with the loan repaid on IPO | **386** | - | - |
| Total finance adjusting items | **386** | - | - |
| **Total adjusting items** | **3,525** | 37 | 1,669 |

## 10 Share based payment arrangements

During the period under review 783,108 share options were awarded under The Works.co.uk 2018 Long Term Incentive Plan and 157,887 share options under The Works.co.uk 2018 Long Term Incentive (CSOP Options) Plan to key management and senior employees both with a three year vesting period. The total fair value of the entire share awards, taking into consideration management's estimate of the share awards meeting the vesting conditions and achieving the performance targets is £923,996.

## 11 Employee Benefits

The group operates a defined contribution scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £263,000 (26 weeks ended 29 October 2017: £147,000; 52 weeks ended 29 April 2018: £323,000).

## 12 Income tax expense

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 credit in respect of the 28 weeks ended 28 October 2018 was £1.162 million (26 weeks ended 29 October 2017: £1.369 million). The effective tax rate on total loss before tax was 14.71% (26 weeks ended 29 October 2017: 30.60%) whilst the adjusted tax rate was 20.96% (26 weeks ended 29 October 2017: 30.60%). 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.

## 13 Earnings per share

Basic earnings per share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The Group has chosen to present an alternative earnings per share measure, with profit adjusted for adjusting items to reflect the adjusted profit for the year. Adjusted profit is not a recognised profit measure under EU IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.

As the Group undertook a Group reconstruction in July 2018, the number of shares in the prior periods have been adjusted to match the post-restructuring position such that the figures remain comparable.

| | **28 October 2018 Number** | **29 October 2017 Number** | **29 April 2018 Number** |
|---|---|---|---|
| Number of shares in issue | 62,500,000 | 62,500,000 | 62,500,000 |
| Number of dilutive share options | 783,108 | 783,108 | 783,108 |
| Number of shares for diluted earnings per share | 63,283,108 | 63,283,108 | 63,283,108 |
| | **£000** | **£000** | **£000** |
| Profit for the financial period | (6,735) | (3,105) | 1,785 |
| Adjusting items | 3,279 | 26 | 1,411 |
| Total adjusted (loss) / profit for adjusted earnings per share | (3,456) | (3,079) | 3,196 |
| | **pence** | **pence** | **Pence** |
| Basic earnings per share | (10.7) | (5.0) | 2.9 |
| Diluted earnings per share | (10.6) | (4.9) | 2.9 |
| Adjusted basic earnings per share | (5.5) | (4.9) | 5.1 |
| Adjusted diluted earnings per share | (5.5) | (4.9) | 5.1 |

## 14 Property, Plant and Equipment

### A Acquisitions and disposals

| | Land and buildings £000 | Plant and equipment £000 | Fixtures & fittings £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 29 April 2018 | 7,214 | 9,834 | 14,717 | 31,765 |
| Additions | 1,353 | 2,649 | 856 | 4,858 |
| Disposals | (115) | (139) | (28) | (282) |
| Balance at 28 October 2018 | 8,452 | 12,344 | 15,545 | 36,341 |
| **Depreciation and impairment** | | | | |
| Balance at 29 April 2018 | 2,358 | 4,048 | 4,347 | 10,753 |
| Depreciation charge for the year | 548 | 1,296 | 936 | 2,780 |
| Impairment losses | - | - | - | - |
| Disposals | (88) | (107) | (29) | (224) |
| Balance at 28 October 2018 | 2,818 | 5,237 | 5,254 | 13,309 |
| **Net book value** | | | | |
| At 29 April 2018 | 4,856 | 5,786 | 10,370 | 21,012 |
| **At 28 October 2018** | **5,634** | **7,107** | **10,291** | **23,032** |

### B Capital Commitments

There were no capital commitments as at 28 October 2018 or 29 October 2017.

## 15 Goodwill

| | Goodwill £000 |
|---|---|
| **Cost** | |
| Balance at 29 October 2017, 29 April 2018 and 28 October 2018 | 16,180 |
| **Amortisation and impairment** | |
| Balance at 29 October 2017, 29 April 2018 and 28 October 2018 | - |
| **Net book value** | |
| At 29 October 2017 | 16,180 |
| At 29 April 2018 | 16,180 |
| **At 28 October 2018** | **16,180** |

Goodwill was not tested for impairment because there were no impairment indicators at 28 October 2018.

## 16 Capital and reserves

### A Issue of ordinary shares

On 24 April 2018 the company was incorporated with 1 share of £0.01. On the 10 July 2018 a share for share acquisition of the share capital of The Works Investments Limited was undertaken for £51,500,000 which resulted in a share premium of £51,499,891 and a share capital of £108.91. A bonus share issue of 499 shares for each existing share was issued out of the share premium. A capital reduction was undertaken on the 10 July to convert £51,445,545 of share premium into retained earnings.

On the 19 July the Company offered 17,812,517 of new shares for £28,500,027 and the selling shareholders sold 22,953,648 of their existing shares.

As at the 28 October 2018 the company had the following capital:

| | £000 |
|---|---|
| Share capital | **625** |
| Share premium | **28,322** |

### B Dividends

No dividend was declared by the Company during the period to 29 October 2017.

Consistent with our dividend policy, we announce today an interim dividend of 1.2 pence per share. This will utilise an estimated £750,000 of shareholder funds. The interim dividend will be paid on 14 March 2019 to shareholders on the register at the close of business on 15 February 2019.

## 17 Loans and borrowings

| | 28 October 2018 £000 | 29 October 2017 £000 | 29 April 2018 £000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Secured bank loans | - | 31,200 | 31,200 |
| Finance lease liabilities | 514 | 489 | 494 |
| Unamortised debt issue costs | (167) | (623) | (445) |
| | 347 | 31,066 | 31,249 |
| **Current liabilities** | | | |
| Secured bank loans | 4,000 | - | - |
| Bank overdraft | - | 839 | - |
| Finance lease liabilities | 244 | 178 | 209 |
| | 4,244 | 1,017 | 209 |

At the period end, Group borrowing facilities consisted of a £25 million revolving credit facility terminating 14 June 2021. Borrowings under the facility attracts interest at LIBOR plus a margin in the range 1.5% to 2.5%, subject to a leverage ratchet (LIBOR plus 1.75% at 28 October 2018). The facilities are subject to financial covenants typical to an arrangement of this nature.

As part of the re-financing in July 2018 the £31.2 million loan was fully re-paid, in part, out of the proceeds of the primary issue of shares on IPO.

## 18 Contingent liabilities

The group followed a particular treatment on withholding tax with a previous lender. While this treatment is considered correct, there is a possibility it may be challenged. No provision has been made for interest/penalties should this approach be challenged. If it were to be successfully challenged, the expected interest/penalties due would be in the range of £100k - £200k.

## 19 Financial instruments

The following table details the Group's expected maturity for its financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be payable on those liabilities. The inclusion of information on non-derivative financial liabilities is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

| | Within 1 year £000 | 2-5 years £000 | 5+ years £000 | Total £000 |
|---|---|---|---|---|
| **28 October 2018** | | | | |
| Non-interest bearing | 56,562 | - | - | 56,562 |
| Finance lease liability | 266 | 569 | - | 835 |
| Fixed interest rate instruments | 4,026 | - | - | 4,026 |
| Forward currency contracts | - | - | - | |
| | 60,854 | 569 | - | 61,423 |
| **29 October 2017** | | | | |
| Non-interest bearing | 45,790 | - | - | 45,790 |
| Finance lease liability | 188 | 516 | - | 704 |
| Fixed interest rate instruments | 3,042 | 33,184 | - | 36,226 |
| Forward currency contracts | 66 | - | - | 66 |
| | 49,086 | 33,700 | - | 82,786 |
| **29 April 2018** | | | | |
| Non-interest bearing | 44,311 | - | - | 44,311 |
| Finance lease liability | 226 | 540 | - | 766 |
| Fixed interest rate instruments | 3,042 | 31,667 | - | 34,709 |
| Forward currency contracts | - | - | - | - |
| | 47,579 | 32,207 | - | 79,786 |

The following table details the Group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

| | **Within 1 year £000** | **2-5 years £000** | **5+ years £000** | **Total £000** |
|---|---|---|---|---|
| **28 October 2018** | | | | |
| Non-interest bearing | 3,020 | 307 | - | 3,327 |
| Fixed interest rate instruments | - | - | - | - |
| Forward currency contracts | 301 | - | - | 301 |
| | 3,321 | 307 | - | 3,628 |
| **29 October 2017** | | | | |
| Non-interest bearing | 2,857 | 320 | - | 3,177 |
| Fixed interest rate instruments | - | - | - | - |
| Forward currency contracts | - | - | - | - |
| | 2,857 | 320 | - | 3,177 |
| **29 April 2018** | | | | |
| Non-interest bearing | 8,225 | 299 | - | 8,524 |
| Fixed interest rate instruments | - | - | - | - |
| Forward currency contracts | 89 | - | - | 89 |
| | 8,314 | 299 | - | 8,613 |

## Categories of financial instruments

| | **28 October 2018 £000** | **29 October 2017 £000** | **29 April 2018 £000** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | **322** | - | 7,420 |
| Fair value through profit and loss (FVTPL) | **301** | - | 89 |
| Trade and other receivables | **14,438** | 13,509 | 17,224 |
| **Financial liabilities** | | | |
| Fair value through profit and loss (FVTPL) | **-** | 66 | - |
| Amortised cost: | | | |
| Trade and other payables | **56,562** | 45,790 | 44,311 |
| Finance lease liabilities | **758** | 667 | 703 |
| Loans | **3,833** | 30,577 | 30,755 |

*Fair value measurements*

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those 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).

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

*Fair value measurements recognised in the statement of financial position*

| **Financial assets/ financial liabilities** | **Fair value as at** | | **Fair value hierarchy** | **Valuation technique(s) and key input(s)** | **Significant unobservable input(s)** | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|---|---|
| | 28 October 2018 | 29 October 2017 | | | | |
| Foreign currency forward contracts | Assets £301,000<br>Liabilities £nil | Assets £nil<br>Liabilities £66,000 | Level 2 | Period end bank valuations | N/A | N/A |

The Group has fair valued the foreign currency forward contracts using year end bank valuations.

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

## 20 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. Transactions between the group and its associates are disclosed below.

**Trading transactions**

During the year, the subsidiary companies entered into the following transactions with related parties who are not members of the group:

| | Provision of services | | | Purchase of services | | |
|---|---|---|---|---|---|---|
| | **28 October 2018** | **29 October 2017** | **29 April 2018** | **28 October 2018** | **29 October 2017** | **29 April 2018** |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Endless LLP | - | - | - | 25 | 51 | 101 |

There were no amounts outstanding at the balance sheet date.

Endless LLP is a related party of the group, being the ultimate controlling party during 2017 and up to IPO in July 2018.

## 21 Standards issued but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

| | |
|---|---|
| IFRS 16 | *Leases* |
| IFRS 17 | *Insurance Contracts* |
| IAS 28 (amendments) | *Long term interests in Associates and Joint Ventures* |
| Annual Improvements to IFRSs 2015-2017 Cycle | Amendments to IFRS 3,IFRS 11, IAS 12 and IAS 23 |
| IFRS 9 (amendments) | Prepayment Features with Negative Compensation |
| IAS 19 (amendments) | Plan Amendments, Curtailment or Settlement |
| IFRIC 23 | *Uncertainty over Income Tax Treatments** |

**IFRS 16**

IFRS 16 'leases' will replace IAS 17 'leases' 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. Adoption of the standard will have a material impact on the reported assets and liabilities in the financial statements.

The operating lease commitments of the annual financial statements principally relate to property leases and some vehicle leases, all of which will meet the definition of a lease under IFRS 16. The vast majority of the Group's leases included in the operating lease note that would qualify as a lease under IFRS 16, with the exception of low-value or short-term leases which will continue to be expensed to the income statement as operating lease costs.

The Group continues to assess the impact of adopting the standard under the different transitional options available.

**Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed 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.

On behalf of the Board of Directors

| | |
|---|---|
| Kevin Keaney | Gavin Peck |
| Chief Executive Officer | Chief Financial Officer |
| 16 January 2019 | |