21 January 2022

TheWorks.co.uk plc

("The Works", the "Company" or the "Group")

Interim results for the 26 weeks ended 31 October 2021

Strong trading performance delivered, ahead of expectations and pre-pandemic levels

The Works, the multi-channel value retailer of arts and crafts, stationery, toys, and books announces its interim results for the 26 weeks ended 31 October 2021 (the "Period" or "H1 FY22") and an update on current trading.

Financial highlights

- Revenue increased by 30.6% compared with H1 FY21, which was affected by temporary store closures due to COVID restrictions and increased by 17.9% compared to pre-pandemic performance (H1 FY20).
- Strong two-year LFL (1) sales growth of 14.5%, ahead of the Board's expectations. Store two-year LFL sales increased by 7.3% and online sales by 80.7%.
- Pre IFRS 16 Adjusted (2) EBITDA was £2.5m compared with £1.5m during H1 FY21 (3).
- Reported loss before tax of £1.0m, a significant improvement on the prior year (H1 FY21: loss of £4.3m). (4)
- Further strengthened balance sheet as net cash balance increased to £17.8m (H1 FY21 £9.3m).
- Sales in the 11 weeks since the end of the Period have remained strong, with a two-year LFL growth of 9.0%.
- Overall good trading performance is expected to more than offset significantly increased container freight costs; Pre IFRS 16 Adjusted EBITDA for FY22 is forecast to be approximately £15.0m, assuming no further COVID related impact on trading, ahead of the Board's previous expectations.
- The Board proposes to bring forward its review regarding dividends, with a view to recommending a final dividend for FY22 provided the preliminary results to be published in late July 2022 are in line with the forecast noted above.

	H1 FY22 **£m**	**H1 FY21** **Restated (5)** **£m**
Revenue	£116.1m	£88.9m
Revenue growth/(decline)	30.6%	(7.8%)
LFL sales growth(1)	14.5%	10.6%
Pre IFRS 16 adjusted(3) EBITDA	£2.5m	£1.5m
Reported loss before tax	(£1.0m)	(£4.3m)
Basic loss per share (pence)	(1.4)	(5.2)
Pre IFRS 16 net cash at bank (FY21 restated(5))	£17.8m	£9.3m
IFRS 16 impact on profit before tax	£0.1m	(£1.0m)

Operational highlights

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

- Improved our customer offer through greater focus on front-list books like Richard Osman's "The Man Who Died Twice", branded board games like Scrabble and household names like Peppa Pig and Paw Patrol in our kids' zone, all offered at great value prices. Continued our leading position on trends, capitalising on the "Fidget Frenzy" trend in the Period.
- Continued to drive a step-change in our online offer by further developing our complementary online range extensions, investing in our platform, digital marketing capabilities and fulfilment capacity, which have all contributed to the strong growth.

- Enhanced the in-store shopping experience through better space management, improved merchandising standards - particularly of our core ranges - and reduced the amount of stock and fixtures on the shop floor, making our stores easier to navigate, which supported an 18% increase in average transaction values in store.
- Actively managed our store portfolio, opening three new stores, closing five and relocating four stores - new and relocated store performance is significantly ahead of expectations - and continued to drive down existing store rents whilst maintaining maximum flexibility (6).
- Invested in our supply chain team and systems, supporting further improvement in product availability through better stock management control and processes.

Trading update for the 11 weeks ended Sunday, 16 January 2022

Overall, we are pleased with the trading performance since the half year end, which removes considerable uncertainty regarding the FY22 result and means that, subject to there being no further COVID related trading restrictions imposed on the business, the Board now expects an improved performance for the full year.

Sales since the end of the Period have remained strong, with a two-year LFL growth of 9.0% ensuring we delivered a record Christmas; store sales grew by 0.6% and online sales by 71.9%. This strong performance over our key Christmas trading period reflected a well executed trading plan, and the impact of our ongoing proposition improvements, with strong growth in adult book sales (driven by our move into front-list titles) and our kids zone (with branded products driving strong sales growth).

As we noted in our November trading update, we believe that some Christmas trade was brought forward into September and October and, therefore, the slight reduction in the rate of LFL growth compared with H1 FY22 was anticipated. Sales in the week immediately prior to Christmas were less affected than we expected by concerns relating to the rapid development of the Omicron variant. Meanwhile, our proactive management of the supply chain ensured that we had adequate stock despite some of it arriving later than planned.

Due to the strong sales during November and December, terminal stock levels were low, reducing the need for significant markdown in the January sale. This should benefit the gross margin percentage and/or the level of stock provisions required at the end of the financial year, albeit higher freight costs will continue to affect margins in the second half of the year.

Despite ongoing supply chain disruption, inflationary pressures and residual uncertainty surrounding possible COVID-19 related restrictions, we enter 2022 in a strong financial position and remain confident that we are well placed to make progress on the many attractive opportunities that lie ahead.

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

“Our performance in the first half shows that our improved customer proposition, clarified purpose and the successful execution of our strategy are delivering tangible results. We delivered a record Christmas, demonstrating the increasing appeal of our customer offer and despite uncertainty over the impact of Omicron and the ongoing supply chain challenges faced throughout our sector.

“This better-than-expected trading provides confidence that we will deliver an improved performance in FY22. We are now a much stronger business than we were two years ago and believe that delivering on our refocused strategy will have a transformational effect on our business.

“None of this would be possible without all of our incredible colleagues at The Works. I am extremely proud of their dedication, hard work and ability to inspire customers to read, learn, create and play.”

Interim results presentation

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

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Footnotes:

(1) The like for like (LFL) sales increase has been calculated with reference to the FY20 comparative sales figures, or two-year LFL, because the extended periods of enforced store closures during FY21 prevent it from forming the basis of meaningful comparisons.
(2) Adjusted profit figures exclude Adjusting items. See Note 1(c) and Note 6 of the attached condensed unaudited financial statements for further details.
(3) For reference, the pre IFRS 16 Adjusted EBITDA in respect of H1 FY20 was a loss of £3.9m.
(4) Due to the seasonality of the business the first half of the financial year is typically loss making at PBT level.
(5) In respect of H1 FY21, credit card transactions not yet cleared of £1,944k were incorrectly included within the cash and cash equivalents balance. The figures have been restated in this report, as a result of which, the prior period cash balance has been reduced, and the trade and other payables balance has been increased, by £1,944k.
(6) Average 2 years to next lease exit or break.

Notes for editors:

The Works is one of the UK's leading multi-channel value retailers of arts and crafts, stationery, toys, and books, offering customers a differentiated proposition as a value alternative to full price specialist retailers. The Group operates a network of over 500 stores in the UK & Ireland and an online store.

Cautionary statement

This announcement is based on information from condensed unaudited financial statements and may contain forward-looking statements with respect to the financial condition, results of operations, and business of the Group. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results 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, the Group has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Chief Executive's Report

The Works delivered a strong performance in the first half, reflecting the increasing appeal of our customer offer as well as the work done to clarify our purpose, improve our customer proposition, and the progress made against our refocused strategy to make the business *"better, not just bigger"*. Despite the challenges created by global supply chain disruption and uncertainty caused by COVID-19, we are now a much stronger business than we were two years ago and have put solid foundations in place to make further progress on the many attractive opportunities that lie ahead.

Overview

Our trading performance in the first half was stronger than expected and well ahead of pre-pandemic levels. When compared with H1 FY20 (i.e. two years ago) total sales increased 17.9%, and overall LFL sales increased by 14.5%. This reflected strong growth in stores (+7.3%), with significant growth in average transaction values offsetting much lower retail footfall, supported by online sales running at almost double their pre-pandemic levels (+80.7%). This performance indicates that our renewed focus on the customer and our strategy are both working.

We also capitalised on some favourable external factors which contributed to the positive performance. Customers discovered new hobbies such as arts, craft and jigsaws during lockdowns and demand for these products has been maintained in a more "normal" consumer environment. Our nationwide network of conveniently located stores meant that we were the go-to choice for families looking for activities to entertain children during the "summer of staycations" and we were able to quickly capitalise on the fast-growing "fidget frenzy" trend. Towards the end of the Period we also benefited from customers bringing forward their Christmas purchases into September and October.

Our profit performance in the first half improved with EBITDA of £2.5m (H1 FY21: £1.5m). Due to the seasonality of the business the first half of the financial year is typically loss making at PBT level, although the loss for H1 FY22 was significantly smaller than in the prior year at £1.0m (H1 FY21: £4.3 million). The business was affected by the shortages of ocean freight and UK haulage capacity, however our swift action to secure the supply chain early on meant that we were able to obtain the stock needed to achieve our sales plans, albeit at significantly higher cost than historical levels. Over the whole of FY22 this will result in increased costs but should be more than offset by the better-than-expected trading. The Group ended the Period in a strong financial position, with net cash of £17.8m (H1 FY21: £9.3m), up from £0.8m at the end of FY21.

Strategy

It is becoming increasingly apparent that consumers today don't just want to buy a product, they want to buy into a brand with a clear purpose. We have been working hard to clarify our purpose and be more than just a retailer. For The Works this means inspiring our customers by showing them what they can "do" – read, learn, create and play – and empowering them to do it.

When combined with the successful execution of our strategy we believe this will have a meaningful positive impact on future sales, significantly improve our business operations and increase our profitability. Outlined below is an overview of our priorities for each pillar of our strategy – to be a *"better, not just bigger"* version of ourselves – and our progress made in the first half.

Develop our brand and increase our customer engagement

We are focussed on fulfilling our new purpose, improving our customer proposition, creating deeper relationships with our customers and driving increased brand loyalty. We will continue to focus on offering customers great value to make reading, learning, creating and playing accessible to all and will further enhance our product offering through better range planning, complementing our range of own-brand products with great value branded products and new books available on their release date. We will also make better use of our loyalty scheme to ensure both the business and our 1 million active members are getting the most out of this, whilst also looking to bring more customers onto it.

In the first half we have:

- Clarified our purpose, which is focused on inspiring our customers.
- Improved our customer offer and increased our credibility as a brand with more focus on:
  - Front-list books (selling new books on their release date) such as Richard Osman's "The Man Who Died Twice" and biographies including Michael McIntyre, Billy Connolly, Rob

Beckett and Joan Collins - this activity has also driven increased sales of associated "backlist" titles from the same author, helping to grow our market share.
  - Branded board games such as Scrabble, Articulate and Elf Monopoly.
  - Brands in our kids' zone including Paw Patrol and Hairy Maclary in our 10 for £10 books offer and a wider range of Harry Potter, Peppa Pig and Cocomelon products.
- Strengthened our commercial team, with a new Commercial Director who joined in July 2021 and a new Head of Brand and Head of Buying (joining/joined in January 2022).

Enhance our online proposition

We believe there is an opportunity to drive further significant online growth by: bringing new customers to the brand through our website; enhancing our online user experience (e.g. through better navigation and shopability on the site); launching more targeted online range extensions (e.g. larger outdoor toys that are difficult to stock in our stores); and, improving our multi-channel credentials (e.g. through offering the ability to order online range extensions in-store and improving our click and collect channel).

In the first half we have:

- Further invested in fulfilment capacity enabling us to deliver significantly higher sales during the peak trading period whilst offering a better delivery promise than most of our competitors.
- Continued to successfully enhance our complementary online range extensions (e.g. selling paddling pools as part of our "summer essentials" range).
- Recruited a new Head of Digital Marketing to improve our effectiveness in attracting new customers to the site.

Optimise our store estate

Our store estate is the lifeblood of our business and the main way that we interact with our customers. We will continue to undertake selective new store openings, targeting the top 100 locations that we do not currently trade in (limited to no more than a net 10 per annum in the near term), and are focused on optimising our existing estate with relocations and refits of our oldest stores alongside continuing to drive down existing store rents. We will also further improve the in-store customer experience, for example through simplifying store layouts, improving product ranging and merchandising, improving the consistency of product availability and further enhancing our customer service levels through better training of colleagues, which will all drive higher sales densities and improved stock turn.

In the first half we have:

- Opened three new stores, closed five and relocated four stores, trading from 526 stores at the end of H1 FY22. New and relocated store performance has been significantly ahead of expectations and, with the capital expenditure predominantly landlord funded meaning that payback was, on average, within one month.
- Enhanced the in-store shopping experience through better space management, improved merchandising standards (particularly of our core ranges) and reduced the amount of stock and fixtures on the shop floor, making our stores easier to shop.
- Driven ongoing improvements in retail disciplines, increasing focus and simplicity in stores.

Drive operational improvements

We are focused on driving improved capability and efficiency across our operations, as well as better product choice and availability for our customers. We will continue to refine how we optimise our end-to-end stock flows, for example through improving our import supply chain, investing in our supply chain systems and increasing the number of direct deliveries we make to stores. We are also planning to launch automation in parts of our online fulfilment operations and will be investing in a new store EPOS system to improve efficiency and to enable future functionality (e.g. self-service) in 2022.

In the first half we have:

- Invested in our supply chain team and systems, supporting a continued improvement in product availability and increased stock turn through better stock management processes and control.

- Launched a store direct delivery trial to 29 stores, reducing the lead time for replenishment and improving on-shelf availability in these stores.
- Implemented a new store labour model, with more controlled levels of tasking - a key enabler for monitoring and driving future productivity improvements in our stores.
- Completed the tender for the new EPOS system, with rollout planned for FY23.

Outlook

The strong H1 FY22 result and trading during the 11 weeks since the end of the Period would lead us to expect that, in the absence of other factors, the full year result for FY22 will be significantly ahead of our previous expectations. However, as well as the additional freight costs included in the H1 FY22 results, we will incur further costs during H2 FY22, which will offset some of the trading gains. A degree of uncertainty also remains regarding the impact of COVID-19 on sales and the possibility of further disruption cannot be ruled out entirely.

Overall, assuming that there are no further lockdowns during the remainder of the financial year, we would anticipate that the pre IFRS 16 Adjusted EBITDA for FY22 will be approximately £15.0m, ahead of the Board’s previous expectations.

Despite ongoing supply chain disruption, inflationary pressures and uncertainty surrounding possible COVID-related restrictions, we begin the new calendar year in a strong financial position and remain confident that we are well placed to make progress on the many attractive opportunities that lie ahead and are excited about the future prospects for The Works.

Dividends

In the FY21 Annual Report, we stated that the payment of a dividend would be reviewed in January 2023, based on the results of the Christmas 2022 trading performance. As a result of the improved performance, the Board proposes to bring forward its review regarding dividends, with a view to recommending a final dividend in respect of FY22, provided the preliminary results to be published in late July 2022 are in line with our revised expectations.

Gavin Peck

Chief Executive Officer
21 January 2022

Financial Report

Overview

This report covers the 26 week period ended 31 October 2021 ("H1 FY22" or "H1" or "the Period") and refers to the comparative "H1 FY21" accounting period of the 26 weeks ended 25 October 2020. The 26 week periods are offset from one another by one week due to the inclusion of a 53rd week at the end of FY21.

The Group tracks a number of alternative performance measures ("APMs") including EBITDA, Adjusted EBITDA and like for like ("LFL") sales as it believes these provide stakeholders with additional helpful information. These are described more fully in Note 1(c) and 5 of the condensed unaudited financial statements.

The result for the Period improved by £3.3m to a loss before tax of £1.0m from a loss of £4.3m reported in respect of H1 FY21. There were no material Adjusting items in relation to H1 FY22 and the Adjusted loss was therefore also £1.0m (H1 FY21: Adjusted loss of £4.1m). The pre IFRS 16 Adjusted EBITDA was £2.5m (H1 FY21: £1.5m), a £1.0m improvement.

The table summarises the largest movements between the H1 FY21 and FY22 results. A significant year on year increase in sales generated additional gross margin, but at a lower rate due to additional freight costs and a more normal level of discounting in H1 FY22 (discounting was unusually low during periods of FY21 when stores were closed). Government COVID-19 reliefs were received in FY21, and costs in H1 FY22 reflect the resumption of normal trading, inflation and investments flagged previously, for example, to strengthen the senior leadership team.

	£m
H1 FY21 EBITDA	**1.5**
Gross profit due to year on year increase in sales	17.0
Effect of lower gross product margin rate including H1 impact of freight costs	(3.6)
Reduction in government COVID-19 reliefs received vs. H1 FY21	(8.6)
Other costs including reflecting resumption of normal operations, inflation	(3.7)
H1 FY22 EBITDA	**2.5**

The Group's financial position strengthened during the Period, with net cash (excluding IAS 17 leases) at the balance sheet date of £17.8m (H1 FY21 net cash of £9.3m).

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

Revenue

Total revenue during the Period increased by 30.6% to £116.1 million (H1 FY21: £88.9 million).

The disruptions to trading during FY21 prevent the use of the normal LFL sales measure to describe year on year performance. Instead, sales comparisons with FY20 are included; the 2 year LFL sales grew by 14.5% compared with H1 FY20.

The strong sales performance was driven by a number of internal and external factors, as outlined in the Chief Executive's report.

The number of stores reduced by one, from 527 to 526 at the end of the Period. Three new stores were opened, five were closed and four stores were relocated to new sites. In relation to one of the relocated stores, the corresponding closure of the old store had not taken place by the period end, hence the Group traded from 526 stores rather than the 525 that the raw figures would imply.

The table shows an analysis of sales and a reconciliation to statutory revenue.

	H1 FY22 £m	H1 FY21 £m	Variance £m	*Variance %*
Total LFL sales for Period (one year basis to agree to statutory presentation)	**116.8**	**95.5**	**21.3**	***22.3***
Sales from new/closed stores	**15.2**	**6.0**	**9.2**	***153.3***
Total Gross Sales	**131.9**	**101.5**	**30.4**	***30.0***
VAT	(15.1)	(11.9)	(3.2)	*(26.9)*
Loyalty points redeemed	(0.7)	(0.6)	(0.1)	*(16.7)*
Revenue (per statutory accounts)	**116.1**	**88.9**	**27.2**	***30.6%***

Gross profit

	H1 FY22		**H1 FY21 (Restated)** [(1)]			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m Variance**	***% Variance***
Revenue	**116.1**		**88.9**		**27.1**	*30.5*
Less: Cost of goods sold	47.0		33.1		13.9	*42.0*
Product gross margin	**69.1**	*59.5*	**55.8**	*62.7*	**13.3**	*23.8*
Other costs included in statutory cost of sales						
Store payroll	21.2	*18.3*	19.2	*21.6*	2.0	*10.4*
Store property and establishment costs	20.8	*17.9*	18.1	*20.4*	2.7	*14.8*
Store PoS and transaction fees	1.1	*0.9*	0.7	*0.8*	0.3	*45.3*
Store depreciation (excluding IFRS 16)	2.6	*2.2*	2.7	*3.0*	(0.1)	*(3.7)*
Online variable costs	8.1	*7.0*	8.7	*9.8*	(0.7)	*(7.6)*
IFRS16 impact	(2.3)	*(2.0)*	(1.1)	*(1.2)*	(1.2)	*109.1*
Adjusting items	(0.1)	-	-	-	(0.1)	*N/A*
Gross profit per financial statements	**17.8**	*15.3*	**7.4**	*8.3*	**10.4**	*140.5*

[(1)] Refer to note 1 (b) (iii) of the interim financial statements

- The product gross margin (i.e. the conventional “gross margin” figure typically referred to by retail businesses) decreased to 59.5% from the 62.7% reported last year.
    - Levels of discounting were unusually low during H1 FY21, particularly online, during periods when stores were closed, but reverted to a more normal level in H1 FY22. As noted above, there were two significant sale periods in H1 FY22, but outside these, discounting during the Period was minimal as sales were strong.
    - Additional container freight costs were incurred as a result of increases in global freight prices.
    - The product mix included a greater proportion of front-list books and branded games and toys, which sell at a lower percentage margin, although they contribute positively to the cash margin.
- Store payroll costs increased due to the National Living Wage increase and because in H1 FY21, during periods when colleagues were furloughed, only 80 % of the normal rate was paid. Operational efficiencies and reduced tasking in the stores mitigated some of the effects of the National Living Wage increase. In accordance with accounting requirements, the Government furlough relief is classified separately, as “Other operating income”.
- Store property and establishment costs increased due to a reduction of £3.3m in the value of COVID-19 rates relief received compared with H1 FY21; the reduction in the standard rates charge applicable to H1 FY22 was £3.9m compared with £7.2m for H1 FY21 (a rates reduction of £1.9m is expected in relation to H2 FY22, compared with £6.9m for H2 FY21). Maintenance costs were also higher as the stores were operating throughout the period, but rent and service charge costs were £0.9m lower than the previous year, due to ongoing work to manage rent costs and because service charges are invoiced by landlords some time after costs are incurred; lower charges in FY22 therefore reflect lower levels of activity by landlords when shopping centres were forced to close during FY21.
- Online costs decreased due to lower sales (online sales were unusually high when the stores were forced to close during FY21) but online marketing costs returned to a more normal level (albeit

significantly below pre-COVID levels), having been unusually low when the stores were closed during FY21. This made the decrease less than would have been the case otherwise.

- The IFRS 16 impact in the table above (and in the table below relating to Administration costs) represents the deduction from the sub total of rent (which is a non IFRS 16 recognised cost) and its replacement by the addition of the IFRS 16 driven depreciation charge on the notional “right of use asset”. The depreciation charge happens to be smaller than the rent add-back, resulting in a £2.3m favourable effect at the cost of sales level of the profit and loss account. In H1 FY21 the favourable effect was smaller because the IFRS 16 depreciation charge was larger in that period. Note 5 of the financial statements provides a reconciliation between pre and post IFRS 16 profit.
- The adjusting item reported in H1 FY22 relates to the reversal of impairment charges on the closure of stores.

Other operating expense/income

The other operating expense was £0.1m (H1 FY21: other operating income of £5.2m). In FY21 the income related to the Government Coronavirus Job Retention Scheme and the COVID-19 Retail, Hospitality and Leisure Grant Fund. The COVID-19 rates relief received is netted off rates costs within statutory cost of sales, as described in the previous section.

	H1 FY22		**H1 FY21 (Restated) [1]**			
Other operating income	**£m**	***% of revenue***	**£m**	***% of revenue***	**£m Variance**	***% Variance***
Furlough benefit	(0.1)	*(0.1)*	4.5	*5.0*	4.6	*102.2*
COVID 19 retail grant	-	-	0.7	*0.8*	0.7	*100.0*
	(0.1)	*(0.1)*	**5.2**	*5.8*	**5.3**	*102.0*

[1] Refer to note 1 (b) (iii) of the interim financial statements

Distribution costs

Retail distribution costs were higher during the Period as the stores were trading throughout, in contrast to the prior year and volume driven costs therefore increased. In addition, the increase in the National Living Wage rate increased staff costs but this was partly mitigated by operating/efficiency improvements.

	H1 FY22		**H1 FY21 (Restated) [1]**			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m variance**	***% variance***
Adjusted distribution costs	4.1	*3.5*	3.4	*3.9*	0.7	*17.8*
Depreciation	-	-	0.1	*0.1*	(0.1)	*(15.9)*
Distribution costs per statutory accounts	**4.1**	***3.5***	**3.5**	***3.9***	**0.6**	***17.4***

[1] Refer to note 1 (b) (iii) of the interim financial statements

Administration costs

The increase in administrative costs reflects investments made to strengthen the senior leadership team and key functions including supply chain and IT, the cost of resuming activities such as travel which were suppressed for periods during H1 FY21 and a provision for potential FY22 bonus. There was no bonus cost in respect of FY21.

	H1 FY22		H1 FY21 (Restated) [1]			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m variance**	***% variance***
Pre-IFRS 16, Adjusted administration costs	11.4	*9.8*	9.2	*10.4*	2.2	*23.4*
Depreciation	0.6	*0.5*	1.4	*1.6*	(0.8)	*57.1*
Adjusting items	-	-	0.2	*0.2*	(0.2)	*(100)*
IFRS 16 impact	(0.2)	*(0.2)*	(0.2)	*(0.2)*	-	-
Administration costs per statutory accounts	**11.8**	***10.2***	**10.6**	***12.0***	**1.2**	***11.0***

[1] Refer to note 1 (b) (iii) of the interim financial statements

Adjusting items

Adjusting items comprised the reversal of impairment charges due to the closure of stores. Whilst the sum is immaterial, impairments have previously been treated as Adjusting items and a consistent treatment has been applied. Refer also to Note 6 of the condensed unaudited financial statements.

	H1 FY22 £m	H1 FY21 £m
Within cost of sales		
Impairment reversal (credit)	(0.1)	-
	(0.1)	-
Within administration expenses		
Salary costs relating to former director (charge)	-	0.3
Packaging and waste provision release (credit)	-	(0.1)
	-	0.2
Total adjusting items (pre tax)	**(0.1)**	**0.2**

Net financing expense

Net financing costs in the Period were £2.8m (FY21: £2.7m), mostly relating to notional interest on the calculated lease liability arising under IFRS 16 “lease liabilities”. Actual interest payable was £0.3m, in relation to the Group’s bank facilities (H1 FY21: £0.2m) and predominantly comprised facility availability charges.

Loss and Adjusted before tax

The statutory loss before tax was £1.0 million (H1 FY21: £4.3 million). Due to the seasonality of the business, the first half of the financial year is typically loss making at PBT level, although the loss for H1 FY22 was a significant improvement on the prior year.

The Adjusted loss before tax was £1.0 million (H1 FY21: £4.1 million).

Tax

The Group’s tax credit in respect of the Period was £0.1m (H1 FY21: £1.0m). The effective tax rate was 14.1 % (H1 FY21: 23.2 %), whilst the adjusted tax rate was 13.3 % (H1 FY21: 23.8 %).

The reduction in the effective tax rate is due to an expected increase in the value of the deferred tax asset which will be recognised during FY22, as a result of the forthcoming increase in the U.K.

corporation tax rate from 19% to 25% (effective from 1 April 2023). Deferred tax assets are calculated based on the corporation tax rate applicable when they are anticipated to unwind, therefore, the asset is expected to be recognised at the higher rate of 25% at the end of FY22.

Earnings per share

The basic and the diluted losses per share for the Period were 1.4 pence (H1 FY21: 5.2 pence).

Before Adjusting items, the basic and the diluted losses per share for the Period were 1.4 pence (H1 FY21: 5.0 pence).

Capital expenditure

Capital expenditure in the Period was £1.6 million (H1 FY21: £1.1m).

	H1 FY22	**H1 FY21**	**Variance**
	£'m	**£'m**	**£m**
New stores and relocations	0.4	-	0.4
Store refits and maintenance	0.6	0.1	0.5
IT hardware and software	0.3	0.3	-
Online development expenditure	0.1	0.6	(0.5)
Other	0.2	0.1	0.1
Total capital expenditure	**1.6**	**1.1**	**0.5**

Capex included the cost of opening three new stores and relocating four others to new sites. Most of the new store capex was funded by landlord lease incentive contributions which, due to timing differences, will be reflected in the H2 FY22 capex.

The level of expenditure on store maintenance was at a more normal level than in H1 FY21 which was low due to the COVID-19 related store closures. For the full FY22 financial year, capex is expected to be approximately £3.5m.

Stock

Stock was valued at £40.0m at the end of the Period (H1 FY21: £38.5m), an increase of 3.9%. The stock level is normally higher at the end of the first half of the financial year than at the year end, due to the trading cycles of the business and, accordingly, the value of stock was £10.9m higher than at the end of FY21.

At the end of the Period, a higher than normal proportion of stock was in transit due to disruption to container freight movements which delayed the receipt of stock from Asia.

	H1 FY22	H1 FY21	FY21 year end
	£m	£m	£m
Gross stock	35.2	35.3	31.0
Less: provisions	(4.4)	(2.3)	(4.4)
Stock net of provisions	**30.9**	**33.0**	**26.7**
Stock in transit	9.2	5.5	2.5
Stock per balance sheet	**40.0**	**38.5**	**29.1**

As noted in the trading update and Chief Executive's review, sales have continued to be strong since the Period end and there are low levels of terminal stock. This is helpful to the operation of the business, as well as increasing the likelihood that stock obsolescence provisions may be reduced at the FY22 Period end.

Cashflow

The net cash inflow for the Period was £17.0m (H1 FY21: inflow of £16.3m). Delays in the receipt of stock due to disruption to container freight movements resulted in corresponding payments being made later than would normally be the case. In addition and, as noted in the 12 November 2021 trading update, approximately £10m of the favourable movement in working capital during the Period is expected to unwind by the end of FY22. It is estimated that the net cash balance at the end of FY22 (excluding IAS 17 leases) will be approximately £10m, assuming that the creditor timing differences unwind as expected.

The table shows an abbreviated summarised cashflow analysis.

	H1 FY22	H1 FY21 Restated [1]	Variance
	£m	£m	£m
Cashflow pre-working capital	6.7	3.2	3.5
Net movement in working capital	19.7	17.3	2.4
Capex	(1.6)	(1.1)	(0.5)
Tax paid	-	(0.1)	0.1
Interest and financing costs	(0.2)	(0.8)	0.6
Dividends	-	-	-
Cashflow before loan movements	24.6	18.5	6.1
Drawdown/(repayment) of CLBILS loan	(7.5)	7.5	(15.0)
Drawdown/(repayment) of RCF	-	(10.0)	10.0
Exchange rate movements	(0.1)	0.3	(0.4)
Net increase in cash and cash equivalents	**17.0**	**16.3**	**0.7**
Opening net cash balance excluding IAS 17 leases	**0.8**	**(7.1)**	
Closing net cash balance excluding IAS 17 leases	**17.8**	**9.3**	

[1] As at 25 October 2020, credit card transactions not yet cleared of £1,944k were incorrectly classified as cash and cash equivalents. To correct this, the prior period cash balance has been reduced and trade and other payables have been increased by £1,944k.

Bank facilities and financial position

The Group's financial position is strong; even allowing for the timing difference noted above, the underlying cash position is positive at a time of year when, historically, cash headroom has been at a premium. At the end of the Period the Group held net cash of £17.8m (H1 FY21: net cash of £9.3m).

The Group's bank facilities comprise a £22.5m revolving credit facility ("RCF") which expires in September 2022, with a step down of £2.5m in January 2022. The relationship with the Group's bank, HSBC, is positive, and it is expected that agreement will be reached in due course to make suitable arrangements for facilities beyond September 2022.

Dividends

As noted in the FY21 Annual Report and Accounts, the Board remains committed to paying dividends, but only once satisfied that the balance sheet is sufficiently robust. The balance sheet has gained strength more quickly than expected at the time of drafting the FY21 ARA and, accordingly, the Board will bring forward consideration of dividend payments with a view to recommending a final dividend in respect of FY22, provided the preliminary results to be published in late July 2022 are in line with our revised expectations.

Stephen Alldridge

Chief Financial Officer
21 January 2022

Unaudited Condensed Consolidated Income Statement

For the 26 weeks ended 31 October 2021

		26 weeks to 31 October 2021			26 weeks to 25 October 2020 (Restated – Note 1b)			53 weeks to 2 May 2021 (Restated – Note 1b)		
		Adjusted	**Adjusting items**	**Total**	Adjusted	Adjusting items	Total	Adjusted	Adjusting items	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue	3	**116,073**	**-**	**116,073**	88,930	-	88,930	180,680	-	180,680
Cost of sales	6	**(98,344)**	**58**	**(98,286)**	(81,523)	17	(81,506)	(170,342)	975	(169,367)
Gross profit		**17,729**	**58**	**17,787**	7,407	17	7,424	10,338	975	11,313
Other operating (expense) / income	4	**(116)**	**-**	**(116)**	5,151	-	5,151	17,081	-	17,081
Distribution expenses		**(4,101)**	**-**	**(4,101)**	(3,494)	-	(3,494)	(6,440)	-	(6,440)
Administrative expenses	6	**(11,810)**	**-**	**(11,810)**	(10,441)	(199)	(10,640)	(19,088)	(199)	(19,287)
Operating profit/(loss)		**1,702**	**58**	**1,760**	(1,377)	(182)	(1,559)	1,891	776	2,667
Finance income	7	**5**	**-**	**5**	31	-	31	18	-	18
Finance expense	7	**(2,757)**	**-**	**(2,757)**	(2,722)	-	(2,722)	(5,486)	-	(5,486)
Net financing expense		**(2,752)**	**-**	**(2,752)**	(2,691)	-	(2,691)	(5,468)	-	(5,468)
Loss before tax		**(1,050)**	**58**	**(992)**	(4,068)	(182)	(4,250)	(3,577)	776	(2,801)
Tax	10	**140**	**-**	**140**	969	17	986	502	-	502
Loss for the period	5	**(910)**	**58**	**(852)**	(3,099)	(165)	(3,264)	(3,075)	776	(2,299)
Loss before tax and IFRS 16	5	**(1,189)**	**53**	**(1,136)**	(3,032)	(182)	(3,214)	(3,395)	1,646	(1,749)
Basic earnings per share (pence)	11	**(1.5)**	**-**	**(1.4)**	(5.0)		(5.2)	(4.9)		(3.7)
Diluted earnings per share (pence)	11	**(1.5)**	**-**	**(1.4)**	(5.0)		(5.2)	(4.9)		(3.7)

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

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the period ended 31 October 2021

	26 weeks to 31 October 2021 £000	26 weeks to 25 October 2020 £000	53 weeks to 2 May 2021 £000
Loss for the period	**(852)**	(3,264)	(2,299)
Items that may or may not be recycled subsequently into profit and loss			
Cash flow hedges – changes in fair value	**1,807**	(1,347)	(2,865)
Cash flow hedges – reclassified to profit and loss	**201**	131	252
Cost of hedging reserve – changes in fair value	**(484)**	(85)	(90)
Cost of hedging reserve – reclassified to profit and loss	**55**	(155)	(160)
Tax relating to components of other comprehensive income	**-**	-	536
Other comprehensive income / (expense) for the period, net of income tax	**1,579**	(1,456)	(2,327)
Total comprehensive income / (expense) for the period attributable to equity shareholders of the Parent	**727**	(4,720)	(4,626)

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 October 2021

	Note	**31 October 2021** £000	25 October 2020 (Restated – Note 1b) £000	2 May 2021 (Restated – Note 1b) £000
Non-current assets				
Intangible assets	13	**2,320**	2,573	2,463
Property, plant and equipment	14	**16,211**	18,763	17,524
Right of use assets	14	**102,844**	113,701	112,542
Deferred tax assets		**2,992**	1,802	2,852
		124,367	136,839	135,381
Current assets				
Inventories	15	**40,043**	38,516	29,132
Trade and other receivables		**14,871**	7,817	6,913
Derivative financial asset	19	**425**	134	-
Current tax asset		**694**	1,787	704
Cash and cash equivalents		**17,783**	16,827	8,315
		73,816	65,081	45,064
Total assets		**198,183**	201,920	180,445
Current liabilities				
Interest bearing loans and borrowings	16	**(262)**	7,214	7,095
Lease liabilities	16	**27,915**	22,423	31,552
Trade and other payables		**64,264**	54,430	26,188
Provisions	17	**836**	914	718
Derivative financial liability	19	**702**	294	1,649
Current tax liability		**-**	-	-
		93,455	85,275	67,202
Non-current liabilities				
Interest bearing loans and borrowings	16	-	(262)	-
Lease liabilities	16	**94,508**	107,497	104,362
Derivative financial liability	19	**-**	-	53
		94,508	107,235	104,415
Total liabilities		**187,963**	192,510	171,617
Net assets		**10,220**	9,410	8,828
Equity attributable to equity holders of the Parent				
Share capital	18	**625**	625	625
Share premium	18	**28,322**	28,322	28,322
Merger reserve		**(54)**	(54)	(54)
Share based payment reserve		**1,807**	1,552	1,601
Hedging reserve		**835**	393	(1,203)
Retained earnings		**(21,315)**	(21,428)	(20,463)
Total equity		**10,220**	9,410	8,828

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders						
For the 26 Weeks Ended 31 October 2021	Share capital £000	Share premium £000	Merger reserve £000	Hedging reserve[1] £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
As at 2 May 2021	**625**	**28,322**	**(54)**	**(1,203)**	**1,601**	**(20,463)**	**8,828**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(852)	(852)
Other comprehensive income	-	-	-	1,579	-	-	1,579
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**1,579**	**-**	**(852)**	**727**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	459	-	-	459
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	206	-	206
Total transactions with owners	**-**	**-**	**-**	**-**	**206**	**-**	**206**
Balance at 31 October 2021	**625**	**28,322**	**(54)**	**835**	**1,807**	**(21,315)**	**10,220**
For the 26 Weeks Ended 25 October 2020	£000	£000	£000	£000	£000	£000	£000
As at 26 April 2020	**625**	**28,322**	**(54)**	**1,171**	**1,506**	**(18,164)**	**13,406**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(3,264)	(3,264)
Other comprehensive expense	-	-	-	(1,456)	-	-	(1,456)
Total comprehensive expense for the period	**-**	**-**	**-**	**(1,456)**	**-**	**(3,264)**	**(4,720)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	678	-	-	678
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	46	-	46
Total transactions with owners	**-**	**-**	**-**	**-**	**46**	**-**	**46**
Balance at 25 October 2020	**625**	**28,322**	**(54)**	**393**	**1,552**	**(21,428)**	**9,410**
For the 53 Weeks Ended 2 May 2021	£000	£000	£000	£000	£000	£000	£000
Balance at 26 April 2020	625	28,322	(54)	1,171	1,506	(18,164)	13,406
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(2,299)	(2,299)
Other comprehensive expense	-	-	-	(2,341)	14	-	(2,327)
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**(2,341)**	**14**	**(2,299)**	**(4,626)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	(33)	-	-	(33)
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	81	-	81
Total transactions with owners	**-**	**-**	**-**	**-**	**81**	**-**	**81**
Balance at 02 May 2021	**625**	**28,322**	**(54)**	**(1,203)**	**1,601**	**(20,463)**	**8,828**

[1] Hedging reserve includes £108k 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 (26 weeks ended 25 October 2020: £13k; 53 weeks ended 2 May 2021: £155k).

Unaudited Condensed Consolidated Cash Flow Statement

For the 26 weeks ended 31 October 2021

	31 October 2021	25 October 2020 (Restated - Note 1b)	2 May 2021 (Restated - Note 1b)
	£000	£000	£000
Cash Flows From Operating Activities			
Loss for the period	**(852)**	(3,264)	(2,299)
Adjustments for:			
Depreciation of property, plant and equipment	**2,554**	2,594	5,187
Impairment of property, plant and equipment	**-**	-	957
Reversal of impairment of property, plant and equipment	**(53)**	-	(1,000)
Depreciation of right-of-use assets	**10,172**	11,635	23,311
Impairment of right-of-use assets	**-**	-	4
Reversal of impairment of right-of-use assets	**(5)**	-	(874)
Amortisation of intangible assets	**376**	563	947
Derivative exchange (gain) / loss	**281**	(68)	(444)
Financial expense	**412**	318	617
Financial income	**(5)**	(31)	(18)
Interest on lease liabilities	**2,345**	2,404	4,869
Loss on sale of property, plant and equipment	**185**	218	262
Loss on disposal of right-to-use asset	**269**	373	373
Loss on disposal of intangible assets	**-**	620	311
Profit on disposal of lease liability	**(337)**	(463)	(464)
Share based payment charges	**206**	46	81
Taxation	**(140)**	(986)	(502)
Operating cash flows before changes in working capital	**15,408**	13,959	31,318
(Increase) / decrease in trade and other receivables	**(7,958)**	313	1,217
Increase in inventories	**(10,720)**	(11,228)	(2,284)
Increase in trade and other payables	**38,256**	28,314	167
Increase / (decrease) in provisions	**118**	(65)	(261)
Cash inflows from operating activities	**35,104**	31,293	30,157
Corporation tax paid	**-**	(114)	(30)
Net cash from operating activities	**35,104**	31,179	30,127
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(1,373)**	(514)	(1,869)
Acquisition of intangible assets	**(233)**	(562)	(526)
Interest received	**5**	31	18
Net cash outflow from investing activities	**(1,601)**	(1,045)	(2,377)
Cash flows from financing activities			
Interest paid	**(188)**	(219)	(279)
Payment of lease liabilities (capital)	**(13,901)**	(10,848)	(14,327)
Payment of lease liabilities (interest)	**(2,345)**	(2,404)	(4,869)
Issue of bank loan	**-**	7,500	7,500
Repayment of bank borrowings	**(7,500)**	(10,000)	(10,000)
Payment of RCF costs	**-**	(619)	(619)
Net cash outflow from financing activities	**(23,934)**	(16,590)	(22,594)
Net increase in cash and cash equivalents	9,569	13,544	5,156
Exchange rate movements	(101)	342	218
Cash and cash equivalents at beginning of Period	8,315	2,941	2,941
Cash and cash equivalents at end of Period	**17,783**	16,827	8,315

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the 26 weeks ended 31 October 2021

1 Accounting Policies

(a) General Information

TheWorks.co.uk plc ('the Company') is a public limited company domiciled in the United Kingdom and its registered office is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, B46 1AL. These unaudited condensed consolidated interim financial statements ('interim financial statements') as at and for the 26 weeks ended 31 October 2021 comprise the results of the Company and its subsidiaries (together referred to as 'the Group').

(b) Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with TheWorks.co.uk plc financial statements for the 53 weeks ended 2 May 2021. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

(i) Going concern

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

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

In preparing its FY21 Annual Report and financial statements, the Group prepared cashflow forecasts, reflecting the approved budget for FY22, and a financial plan in respect of FY23, referred to collectively as the "Base Case" scenario. These forecasts have since been updated to reflect the actual results for the FY22 year to date. In addition, a "severe but plausible" downside case sensitivity has been used to support the Board's conclusion regarding going concern, by stress testing the Base Case to indicate the level of financial headroom resulting from applying more pessimistic assumptions. The Base Case forecast and sensitivity are described in more detail below.

In assessing the appropriateness of the basis of preparation of the financial statements, the Directors have considered:

- The external environment.
- The Company's and the Group's financial position including the quantum and expectations regarding availability of bank facilities.
- Measures taken or, which could be taken if necessary, to maintain or increase liquidity.
- The potential impact on financial performance of the principal risks.
- The output of the Base Case model, which represents the Company's (and the Group's) estimate of the most likely financial performance over the forecast period.
- The resilience of the Company to the manifestation of a more severe impact from these risks, evaluated via the severe but plausible downside case model.

These factors are described below.

External environment

There continues to be uncertainty as to the future impact of the COVID-19 pandemic. The level of uncertainty has increased since the Period end due to the emergence of the "Omicron" variant. Reflecting this, the severe but plausible downside scenario assumes that there may be further disruption. Nevertheless, the Board's view is that the level of risk due to COVID-19 is lower than at this time last year, principally due to the implementation of the vaccination programme. In addition, there appeared to be no significant disruption to trading patterns during the peak Christmas 2021 trading period and, more generally, the business has demonstrated a high degree of resilience to the disruption caused by the pandemic.

Financial position and bank facilities

At the Period end the Group held net cash (excluding IAS 17 lease liabilities) of £17.8m (FY21: £9.3m) (Note 16).

The Group's bank facilities comprise a revolving credit facility ('RCF') of £22.5m, which is undrawn at the date of approval of these financial statements and which expires on 30 September 2022. The RCF limit reduces to £20.0m at the end of January 2022 and remains at this level until its expiry.

Based on the ongoing supportive stance taken by the Group's bank, and the Group's careful management of the banking relationship, the Board expects the facilities to be extended or replaced, as required, in due course.

The facilities include financial covenants in relation to the level of LTM (last twelve months' rolling) EBITDA, net bank debt and capital expenditure.

Measures to maintain liquidity

Due to a strong trading performance and careful management of cash, the Group had significant headroom compared with its bank facility limits at the Period end.

In the event of further disruptions to trading being experienced, if deemed necessary, mitigating actions would be taken in response, which would increase liquidity. These may include, for example, delaying and reducing stock purchases, stock liquidation, reductions in capital expenditure and the review of payment terms. In order to retain clear visibility as to the unmitigated effects of applying the sensitivity assumptions, these potential mitigations have not been built into the models described.

Financial scenario to evaluate potential impacts of risks, and the implications for liquidity

The "Principal risks and uncertainties" section of the Group's FY21 Annual Report and Accounts sets out the principal risks that have been identified in relation to the Group. Please refer to pages 22 to 27 of the report which is available at https://www.theworksplc.co.uk/system/files/presentation-document/annual-report-2021.pdf

It is considered unlikely that all the risks would simultaneously manifest themselves adversely. The Directors have estimated what the *most likely* combination of risks might be that could materialise within the going concern assessment period and the combined effect; this combination of risks is reflected in the Base Case assumptions. The most prominent risks in the near term would appear to be connected with COVID-19, which could affect sales, costs and liquidity. Other risks, such as in relation to the market and economic environment could have similar manifestations to COVID-19.

The severe but plausible downside model takes into consideration the same risks, but assumes that their effects are more severe.

Base Case scenario

The Base Case scenario assumptions are aligned with the Company's and the Group's internal budget and three year plan.

- The retail stores are assumed not to be affected by further lockdowns or significant disruptions during the going concern period. Nevertheless, reflecting some degree of continuing uncertainty as to the outlook for consumer spending and the assumption that the proportion of online sales continues to increase, LFL store sales are assumed to be below pre-COVID-19 levels during FY22 and into FY23.
- Online sales levels during FY22 are assumed to be lower than in FY21, when the retail stores were closed for significant periods, but higher than in FY20, reflecting improvements in the Group's online proposition, and the continuing growth of online sales relative to store sales.
- The gross margin assumptions include provision for higher than normal ocean container freight costs during FY22 due to the continued impact of imbalances within the global freight system but this is assumed to have normalised by FY23. FY22 FX requirements were hedged during 2020 at approximately $1.29 and the plan reflects this.
- The plan reflects the continuation of cost savings made during FY21, for example permanent rent reductions. It also includes provision for investment in certain areas to support delivery of the strategic plan, provision for known or expected inflationary increases such as further increases in the National Living Wage, but reduced direct COVID-19 related costs, such as, in relation to PPE.
- Capital expenditure levels are in line with bank covenants for FY22 and FY23, and show modest increases thereafter.

Under this Base Case scenario there is adequate facility and covenant headroom throughout the going concern period, indicating that the Group would have sufficient financial resources to continue to meet its liabilities as they fall due over the going concern period.

Severe but plausible downside case sensitivity

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

- Store LFL sales are assumed to be approximately 10 % below FY20 levels during the whole of H2 FY22; in light of actual trading prior to Christmas 2021, this is a very cautious assumption.
- Online growth is also modelled at a lower level than in the Base case.
- Sales levels remain below the Base Case into FY23.

- The gross margin has been assumed to be adversely affected more than is already reflected in the Base Case, due to higher ocean container freight costs.
- Costs in the model are only adjusted to the extent that they move directly with sales levels, for example online fulfilment and marketing costs are assumed to reduce to correspond with the lower online sales, but the model does not reflect other mitigating actions that may be taken (as described above), depending on management's assessment of the situation at the time.
- This downside scenario assumes that there would not be any further government support available.

Under this scenario, the Group continues to have adequate headroom within its facility limit and covenants. Accordingly, under this downside scenario, the Board's expectation is that the business would continue to have adequate resources to continue in operation.

Conclusion regarding basis of preparation

Due to the ongoing COVID-19 pandemic, there continues to be a level of uncertainty which is greater than what would previously have been regarded as normal. However, the Group's assessment is that the level is lower than at this time last year, and that the resilience demonstrated by the business provides additional assurance about its ability to withstand any further COVID-19 related disruption.

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

(ii) Accounting policies

The interim financial statements have been prepared on a basis consistent with the accounting policies published in the Group's financial statements for FY21.

(iii) Restatement of figures previously reported in the interim financial statements for H1 FY21

Business Rates Relief
In the FY21 interim accounts, business rates relief was disclosed within other operating income, with cost of sales including the gross rates payable figure. This treatment did not accord with required practice and therefore these items have been restated in the comparative figures. The business rates relief is now reflected via a £7,215k reduction in cost of sales (from £85,219k to £78,004k) with a corresponding reduction in other operating income (from £12,276k to £5,151k). There is no impact on the overall H1 FY21 result.

Classification of online related costs

Certain online costs relating to distribution/fulfilment and website maintenance previously treated as Distribution or Administration costs have been classified within Cost of Sales in the H1 FY22 accounts as this more accurately reflects their nature. The comparatives for H1 FY21 have been restated to maintain consistency; the effect on Gross Profit, Distribution costs and Administration costs are summarised in the table.

	H1 FY21 £m
Reduction in Gross Profit	(3.5)
Reduction in Distribution costs	3.3
Reduction in Administration costs	0.2
Net effect on Loss before tax	**(0.0)**

Bank overdraft
As at 25 October 2020, credit card transactions not yet cleared of £1,944k were included within the cash and cash equivalents balance. The comparative figures included within this report have been restated so that the cash balance has been reduced and the trade and other receivables balance has been increased by £1,944k.

(iv) Restatement of figures previously reported in the annual report and accounts for FY21

Property, plant and equipment and right of use assets balances
As at 2 May 2021 the impairment charges for the period were incorrectly split between the right of use asset and property, plant and equipment categories. These have been restated for the interim financial statements, resulting in an increase in the right of use asset balance of £801k, and a decrease in the property, plant and equipment balance of £801k.

(c) Alternative Performance Measures and Adjusting items

The Group includes alternative performance measures (APMs) as part of its reporting of financial information. These are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that the use of APMs, which are not considered to be a substitute for or superior to IFRS measures, can provide stakeholders with additional helpful information on the performance of the business. The business uses APMs internally in its operational planning and reporting and for setting remuneration targets. APMs should be viewed as supplemental to IFRS measures presented in the Group's consolidated financial statements which are prepared in accordance with IFRS.

The key APMs that the Group uses include: like-for-like sales growth; Earnings before interest, tax, depreciation and amortisation (EBITDA), Profit before tax and IFRS 16, Adjusted EBITDA, Adjusted Profit; and Adjusted earnings per share. The APMs used by the Group and explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant, are set out in Note 5.

"Adjusted" measures are calculated by adding back or deducting Adjusting Items. Adjusting Items are those items which the Group analyses separately in order to present a further measure of the Group′s performance. Each of these items, costs or incomes, is considered to be significant in nature and/or quantum or are consistent with items treated as adjusting in prior periods. Separately identifying these items from profit metrics provides additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board.

Refer to Note 6 for information regarding items that were treated as Adjusting in the current or comparative periods.

(d) Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements represent key decisions made by management in the application of accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

Critical accounting judgements

Adjusting items

Adjusted profit measures are not recognised under IFRS and may not be directly comparable with Adjusted profit measures used by other companies. The classification of Adjusting items may require significant management judgement. The Group's definitions of Adjusting items are outlined within both the Group accounting policies and Note 6. These definitions have been applied consistently year on year. Each of the Adjusting items included in these interim financial statements has had a related or similar transaction in prior periods that has also been treated as Adjusting.

Note 6 provides further details of items classified as Adjusting.

Hedge accounting

The Group is exposed to foreign currency risk, most significantly to the US dollar as a result of sourcing products from Asia which are paid for predominantly in US dollars. The Group hedges these exposures using forward foreign exchange contracts and hedge accounting is applied when the requirements of IFRS 9 are met, which include that a forecast transaction must be "highly probable".

The Group has applied judgement in assessing whether the forecast purchases remain "highly probable". The Group's policy is that approximately 50 % of the forecast purchase requirements are initially hedged, approximately 12 months prior, with incremental hedges taken out over time, as the buying period approaches and therefore as certainty increases over the forecast purchases. As a result of this progressive strategy, reducing the supply pipeline of inventory, should this occur, should not immediately lead to over-hedging and the disqualification of the "highly probable" test. If the forecast transactions were no longer expected to occur, any accumulated gain or loss on the hedging instruments would immediately be reclassified to profit or loss.

Key sources of estimation uncertainty

Impairment of property, plant and equipment, right of use assets and intangibles

Property, plant and equipment, right-of-use assets and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors consider an individual retail store to be a cash-generating unit ('CGU'). The Board has concluded that no further impairment charges were required as at the Period end date.

The carrying value of the Group's Goodwill was fully impaired in FY20 and therefore no further provision is required.

2 Segmental reporting

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

The Group has two revenue streams, retail stores and an online store, the results of which are aggregated into one reportable segment. This 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. Aggregation is deemed appropriate due to store and online channels having significant economic interdependencies, similar products on offer and a similar customer base.

3 Revenue

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

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 £000	53 weeks ended 2 May 2021 £000
Sale of goods			
– UK	**114,060**	87,057	177,730
– EU (Republic of Ireland)	**2,013**	1,873	2,950
Total revenues	**116,073**	88,930	180,680

Seasonality of operations

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

4 Other operating income / expense

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 (Restated - Note 1b) £000	53 weeks ended 2 May 2021 £000
COVID-19 Job Retention Scheme Grants receivable	**(119)**	4,472	15,309
COVID-19 Retail, Hospitality and Leisure Grant Fund	**-**	675	1,765
Rent receivable	**3**	4	7
	(116)	5,151	17,081

In the prior period, The Group used the financial support packages made available by the UK Government to businesses adversely affected by trading restrictions imposed as a consequence of COVID-19, including the Coronavirus Jobs Retention Scheme, Business Rates Relief Scheme and the Retail, Hospitality and Leisure Grant Fund. The £119k charge in H1 FY22 was to correct an immaterial overstatement of the income reported in respect of FY21.

5 Alternative performance measures ("APMs")

Like-for-like ("LFL") sales

These are usually 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 online store, calculated on a calendar week basis. The measure is used widely in the retail industry as an indicator of sales performance.

Due to the effect on sales of stores being required to close for periods during FY21, the normal LFL measure does not provide meaningful information and is not included within this report. In common with many similarly affected businesses, a 2-year LFL comparison is used instead for FY22, whereby FY20 rather than FY21 sales are used as a basis for comparing the current period's performance.

EBITDA, Adjusted EBIDTA and Adjusted profit after tax

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

In addition, the Group has shown another measure of Adjusted EBITDA, which removes the impact of IFRS 16. The table below provides a reconciliation of Adjusted EBITDA to loss after tax, and shows the impact of IFRS 16 on adjusted EBITDA.

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 £000	53 weeks ended 2 May 2021 £000
Non IFRS 16 Adjusted EBITDA	**2,500**	1,483	4,285
IAS17 income statement charges not recognised under IFRS 16	**12,410**	12,762	27,572
Foreign exchange differences on euro leases	**11**	(82)	(59)
Post IFRS 16 Adjusted EBITDA	**14,921**	14,163	31,798
Loss on disposal of right-of-use assets	**(269)**	(373)	(353)
Profit on disposal of lease liability	**337**	463	464
Loss on disposal of property, plant and equipment	**(185)**	(218)	(262)
Loss on disposal of intangible assets	**-**	(620)	(311)
Depreciation of PPE	**(2,554)**	(2,594)	(5,187)
Depreciation of RoUA	**(10,172)**	(11,635)	(23,311)
Amortisation	**(376)**	(563)	(947)
Finance expenses	**(2,757)**	(2,722)	(5,486)
Finance income	**5**	31	18
Adjusted profit / (loss) before tax	**(1,050)**	(4,068)	(3,577)
Adjusted tax (charge) / credit	**140**	969	502
Adjusted profit / (loss) after tax	**(910)**	(3,099)	(3,075)
Adjusting items (Note 6)	**58**	(182)	776
Tax (charge) / credit in relation to Adjusting items	**-**	17	-
Loss after tax	**(852)**	(3,264)	(2,299)

Profit before tax and IFRS 16

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

	26 weeks to 31 October 2021			**26 weeks to 25 October 2020**			**53 weeks to 2 May 2021 (Restated – Note 1b)**		
	Adjusted £000	**Adjusting items £000**	**Total £000**	**Adjusted £000**	**Adjusting items £000**	**Total £000**	**Adjusted £000**	**Adjusting items £000**	**Total £000**
Profit / (loss) before tax before IFRS 16 adjustments	**(1,189)**	**53**	**(1,136)**	**(3,032)**	**(182)**	**(3,214)**	**(3,395)**	**1,646**	**(1,749)**
Remove IAS 17 rental charge	12,349	-	12,349	12,717	-	12,717	27,449	-	27,449
Remove hire costs from hire of equipment	63	-	63	45	-	45	124	-	124
Remove depreciation charged on the existing assets	151	-	151	214	-	214	329	-	329
Remove interest charged on the existing liability	16	-	16	19	-	19	44	-	44
Depreciation charge on right of use asset	(10,172)	-	(10,172)	(11,635)	-	(11,635)	(23,311)	-	(23,311)
Interest cost on lease liability	(2,347)	-	(2,347)	(2,404)	-	(2,404)	(4,869)	-	(4,869)
Loss on disposal of right of use asset	(269)	-	(269)	(373)	-	(373)	(353)	-	(353)
Profit on disposal of lease liability	337	-	337	463	-	463	464	-	464
Foreign exchange difference on euro leases	11	-	11	(82)	-	(82)	(59)	-	(59)
Additional impairment charge under IAS 36	-	5	5	-	-	-	-	(870)	(870)
Net Impact of IFRS 16 on profit / (loss) before tax	**139**	**5**	**144**	(1,036)	-	(1,036)	**(182)**	**(870)**	**(1,052)**
Profit / (loss) before tax	**(1,050)**	**58**	**(992)**	**(4,068)**	**(182)**	**(4,250)**	**(3,577)**	**776**	**(2,801)**

Other adjusted profit metrics

Other key profit measures including operating profit, profit before tax, profit for the period, and earnings per share are also calculated on an Adjusted basis by adding back or deducting Adjusting items. See Note 1 (c) and (d) for further information regarding Adjusting items. These adjusted metrics are included within the consolidated income statement and statement of other comprehensive income, with further details of Adjusting items included below in Note 6.

6 Adjusting items

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

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 £000	53 weeks ended 2 May 2021 £000
Within cost of sales			
Impairment charges[1]	**-**	-	961
Impairment reversals[1]	**(58)**	-	(1,873)
Duty Provision[2]	**-**	(17)	(63)
Total cost of sales	**(58)**	(17)	(975)
Within administrative expenses			
Salary costs[3]	**-**	322	322
Packaging and waste costs penalty[4]	**-**	(123)	(123)
Total administrative expenses	**-**	199	199
Total Adjusting items	**(58)**	182	(776)

[1] These relate to fixed asset impairment charges and reversals of prior year impairment charges.
[2] Due to reduction in a provision previously recognised regarding a review of the Group's duty rates, which has subsequently been concluded.
[3] Salary costs relate to payments to a former Director.
[4] This relates to the release of an excess provision held regarding a historical packaging and waste cost penalty.

7 Finance income and expense

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 £000	53 weeks ended 2 May 2021 £000
Finance income			
Bank interest receivable	**5**	31	18
Total finance income	**5**	**31**	**18**
Finance expense			
Bank interest payable	**269**	173	322
Other interest payable	**143**	145	295
Interest payable on lease liabilities	**2,345**	2,404	4,869
Total finance expense	**2,757**	**2,722**	**5,486**

8 Share based payments

During the Period, 1,085,105 shares were awarded under "TheWorks.co.uk 2018 Long Term Incentive Plan" and 1,209,189 share options were awarded under the Save As You Earn Scheme. (26 weeks ended 25 October 2020: nil and nil, 52 weeks ended 2 May 2021: 847,458 and nil respectively).

During the Period, 601,693 restricted stock awards were granted to key management and senior employees, with a three year vesting period (26 weeks ended 25 October 2020: 714,286, 52 weeks ended 2 May 2021: 857,143).

Expense recognised in the income statement

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

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 £000	53 weeks ended 2 May 2021 £000
LTIP - Share based payment expense	**146**	28	25
SAYE - Share based payment expense	**60**	18	56
Total IFRS 2 charges	**206**	**46**	**81**

9 Employee benefits

The Group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £384k (26 weeks ended 25 October 2020: £313k; 53 weeks ended 2 May 2021: £643k).

10 Tax

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

The Group's total income tax credit in respect of the Period was £0.14 million (H1 FY21: £0.97 million). The effective tax rate on the total loss before tax was 14.1 % (H1 FY21: 23.2 %), the Adjusted tax rate was 13.3 % (H1 FY21: 23.8 %).

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

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

11 Earnings per share

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

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

The Group has chosen to present an Adjusted earnings per share measure, with profit adjusted for Adjusting items (see Note 6 for further details) to reflect the Group's underlying profit for the Period.

	31 October 2021 Number	25 October 2020 Number	2 May 2021 Number
Number of shares in issue	**62,500,000**	62,500,000	62,500,000
Number of dilutive share options (nil in the event of a loss)	**-**	-	-
Number of shares for diluted earnings per share	**62,500,000**	62,500,000	62,500,000
	£000	£000	£000
Loss for the financial period	**(852)**	(3,264)	(2,299)
Adjusting items	**(58)**	165	(776)
Total adjusted profit / (loss) for adjusted earnings per share	**(910)**	(3,099)	(3,075)
	Pence	Pence	Pence
Basic earnings per share	**(1.4)**	(5.2)	(3.7)
Diluted earnings per share	**(1.4)**	(5.2)	(3.7)
Adjusted basic earnings per share	**(1.5)**	(5.0)	(4.9)
Adjusted diluted earnings per share	**(1.5)**	(5.0)	(4.9)

12 Dividends

No dividend has been declared by the Company in respect of the period ended 31 October 2021.

13 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 2 May 2021	16,180	8,043	**24,223**
Additions	-	233	**233**
Disposals	-	-	**-**
Balance at 31 October 2021	16,180	8,276	**24,456**
Amortisation / Impairment			
Balance at 2 May 2021	16,180	5,580	**21,760**
Amortisation charge for the Period	-	376	**376**
Disposals	-	-	**-**
Balance at 31 October 2021	16,180	5,956	**22,136**
Net book value			
At 2 May 2021	-	2,463	**2,463**
At 31 October 2021	-	2,320	**2,320**

14 Property, plant and equipment

	RoUA - Property £000	RoUA - Plant & Equipment £000	Land and buildings £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost						
Balance at 2 May 2021	158,772	1,913	10,682	3,376	26,167	**200,910**
Additions	731	7	150	150	1,073	**2,111**
Disposals	(609)	-	(187)	(23)	(270)	**(1,089)**
Balance at 31 October 2021	**158,894**	**1,920**	**10,645**	**3,503**	**26,970**	**201,932**
Depreciation and impairment						
Balance at 2 May 2021 (Restated – Note 1b)	47,167	976	5,555	2,762	14,384	**70,844**
Depreciation charge for the Period	9,944	228	418	320	1,816	**12,726**
Impairment reversals	(5)	-	(13)	(2)	(38)	**(58)**
Disposals	(340)	-	(115)	(15)	(165)	**(635)**
Balance at 31 October 2021	**56,766**	**1,204**	**5,845**	**3,065**	**15,997**	**82,877**
Net book value						
At 2 May 2021	111,605	937	5,127	614	11,783	**130,066**
At 31 October 2021	**102,128**	**716**	**4,800**	**438**	**10,973**	**119,055**

Impairment losses

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

An impairment review was conducted at 2 May 2021 whereby the Group determined that each store is a separate CGU. Each CGU was tested for impairment at that date because the UK Government trade restrictions implemented as a result of the COVID-19 pandemic were considered an impairment trigger for such a test.

At 31 October 2021 no additional indicators of impairment have been identified and no further impairment charges have been recognised during the Period (53 weeks to 2 May 2021: reversal of £913k; 26 weeks to 25 October 2020: £Nil). £58k of impairment reversals have been recognised relating to stores that have permanently closed during the Period.

15 Inventory

	31 October 2021	25 October 2020	2 May 2021
	£000	£000	£000
Goods for resale	35,210	35,255	31,045
Less: stock provisions for shrinkage and obsolescence	(4,354)	(2,287)	(4,391)
Goods for resale net of provisions	**30,856**	**32,968**	**26,654**
Stock in transit	9,187	5,548	2,478
Inventory	**40,043**	**38,516**	**29,132**

A provision of £4.4m for stock obsolescence and shrinkage is included in the balance sheet at the Period end (25 October 2020: £2.3m, 2 May 2021: £4.4m). The provision is an estimate, which is based on stock ageing and historical trends and is reviewed by management during the year.

16 Borrowings

	26 weeks ended 31 October 2021 £000	26 weeks ended 25 October 2020 £000	53 weeks ended 2 May 2021 £000
Non-current liabilities			
Lease liabilities	**94,508**	107,497	104,362
Unamortised debt issue costs	**-**	(262)	-
Non-current liabilities	**94,508**	107,235	104,362
Current liabilities			
Secured bank loans	**-**	7,500	7,500
Unamortised debt issue costs	**(262)**	(286)	(405)
Current interest bearing loans and borrowings	**(262)**	7,214	7,095
Lease liabilities	**27,915**	22,423	31,552
Current liabilities	**27,653**	29,637	38,647

The Group’s bank facilities comprise a £22.5m revolving credit facility (“RCF”) which expires in September 2022, with a step down of £2.5m in January 2022. The board expects these facilities to be extended, or replaced, as required, in due course.

The facility includes financial covenants in relation to the level of EBITDA, net debt and capital expenditure.

Net debt reconciliation

	31 October 2021	25 October 2020 (Restated - Note 1b)	2 May 2021
	£000	£000	£000
Net debt (excluding unamortised debt costs)			
CLBILS term loan	**-**	7,500	7,500
Bank overdraft	**-**	-	-
Cash and cash equivalents	**(17,783)**	(16,827)	(8,315)
Net cash at bank	**(17,783)**	(9,327)	(815)
Non IFRS 16 lease liabilities	**622**	957	766
Non IFRS 16 net cash	**(17,161)**	(8,370)	(49)
IFRS 16 lease liabilities	**121,801**	128,963	135,148
Net debt including IFRS 16 lease liabilities	**104,640**	120,593	135,099

17 Provisions

	Dilapidations £000	Total £000
Balance at 2 May 2021	**718**	**718**
Provisions made during the period	118	118
Provisions used during the period	-	-
Provisions released during the period	-	-
Balance as at 31 October 2021	**836**	**836**

Dilapidation provision
In accordance with IAS 37 Provisions, an estimate has been made in respect of estimated property dilapidation costs associated with anticipated lease terminations. These costs are expected to be paid during the course of the year and therefore are not discounted.

18 Share Capital

As at 31 October 2021 the company had the following share capital:

	£000
Share capital	625
Share premium	28,322

19 Financial Instruments

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

Contractual maturity of financial liabilities	Within 1 year £000	2-5 years £000	5+ years £000	Total £000
31 October 2021				
Non Derivative				
Interest bearing	-	-	-	-
Non-interest bearing	59,870	-	-	59,870
Lease liabilities	31,702	72,545	25,673	129,920
Derivative				
Forward currency contracts	702	-	-	702
	92,274	**72,545**	**25,673**	**190,492**
25 October 2020				
Non Derivative				
Interest bearing	7,500	-	-	7,500
Non-interest bearing	54,430	-	-	54,430
Finance lease liabilities	22,423	78,293	29,204	129,920
Derivative				
Forward currency contracts	294	-	-	294
	84,647	**78,293**	**29,204**	**192,144**
2 May 2021				
Non Derivative				
Interest bearing	7,500	-	-	7,500
Non-interest bearing	26,035	-	-	26,035
Finance lease liability	35,978	86,601	30,158	152,737
Derivative				
Forward currency contracts	1,649	53	-	1,702
	71,162	**86,654**	**30,158**	**187,974**

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

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

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

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

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

	As at 31 October 2021	As at 25 October 2020	As at 2 May 2021
Net Derivative Financial Instruments			
Foreign exchange contracts	**(277)**	(160)	(1,702)

Classification of financial instruments
The tables below show the classification of financial assets and liabilities as at 31 October 2021. The fair values of financial instruments have been assessed to be approximately equivalent to their carrying values.

	Cash flow hedging instruments £000	**Financial assets at amortised cost £000**	**Other financial liabilities £000**
Financial assets measured at fair value			
Derivative financial instruments	425	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	14,871	-
Cash and cash equivalents	-	17,783	-
Financial liabilities measured at fair value			
Derivative financial instruments	(702)	-	-
Financial liabilities not measured at fair value			
Finance lease liability	-	-	(122,423)
Trade and other payables	-	-	(64,264)
As at 31 October 2021	(277)	32,654	(186,687)

	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
Financial assets measured at fair value			
Derivative financial instruments	134	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	7,817	-
Cash and cash equivalents	-	16,827	-
Financial liabilities measured at fair value			
Derivative financial instruments	(294)	-	-
Financial liabilities not measured at fair value			
Unsecured bank loans	-	-	(7,500)
Finance lease liability	-	-	(129,920)
Trade and other payables	-	-	(54,430)
As at 25 October 2020	(160)	24,644	(191,850)

	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
Financial assets measured at fair value	-	-	-
Derivative financial instruments	-	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	6,913	-
Cash and cash equivalents	-	8,315	-
Financial liabilities measured at fair value			
Derivative financial instruments	(1,702)	-	-
Financial liabilities not measured at fair value			
Unsecured bank overdraft	-	-	(7,500)
Finance lease liabilities	-	-	(135,914)
Trade and other payables	-	-	(26,188)
As at 2 May 2021	(1,702)	15,228	(169,602)

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. There were no transactions with related parties who are not members of the Group during this financial period.

21 Contingent liabilities

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

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

We confirm that to the best of our knowledge:

- the condensed unaudited set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining half of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first half of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By Order of the Board

Stephen Alldridge

Chief Financial Officer
21 January 2022

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material negative impact on the Group's performance over the remainder of the current financial year. These could cause actual results to materially differ from historical or expected results. The Board does not believe that these risks and uncertainties are materially different to those published in the Annual Report for the period ended 2 May 2021.

These risks comprise all those associated with the COVID-19 pandemic, the risk of insufficient liquidity, adverse market, demand or competition changes, deterioration in the U.K. economic environment, damage to brand & reputation, disruptions or failures in the supply chain which could be detrimental to the proposition, loss of key personnel, business continuity, IT systems and cyber security, failure to comply with regulations, cost inflation, failure of stock management controls and the seasonality of sales.

Detailed explanations of these risks are set out on pages 22 to 27 of the FY21 Annual Report which is available at https://www.theworksplc.co.uk/system/files/presentation-document/annual-report-2021.pdf