Initial Public Offering

TheWorks.co.uk

Prospectus July 2018

This document comprises a prospectus (the "**Prospectus**") relating to TheWorks.co.uk plc (the "**Company**") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority ("**FCA**") made under section 73A of the Financial Services and Markets Act 2000 as amended ("**FSMA**"). This Prospectus has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

An application has been made to the FCA for all of the ordinary shares of 1 pence each in the capital of the Company ("**Shares**"), issued and to be issued, to be admitted to the premium listing segment of the Official List maintained by the FCA ("**Official List**") and to London Stock Exchange plc ("**London Stock Exchange**") for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market. In the offer ("**Offer**"), 17,812,517 Shares are being issued by the Company ("**Subscription Shares**") and 22,953,648 Shares are being sold by existing holders of Shares ("**Selling Shareholders**") ("**Sale Shares**") to certain institutional and professional investors. It is expected that Admission will become effective and that unconditional dealings in the Shares will commence at 8.00 a.m. on 19 July 2018. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings in Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application has been or is currently intended to be made for the Shares to be admitted to listing or trading on any other exchange**.

The Directors, whose names appear on page 42 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read the whole of this Prospectus. In particular, your attention is drawn to the "Risk Factors" section of this Prospectus which contains a description of certain important factors, risks and uncertainties that should be considered in connection with an investment in the Shares. Prospective investors should be aware that an investment in the Shares involves a degree of risk and that, if certain of the risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole of their investment.

TheWorks.co.uk plc

(Incorporated under the Companies Act 2006 with registered number 11325534)

Offer of 40,766,165 Shares at an Offer Price of 1 pence per Share and admission to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange

Sole Sponsor, Financial Adviser, Bookrunner and Broker

Investec Bank plc

Issued and fully paid share capital immediately following Admission of 62,500,000 Shares of 1 pence each

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This Prospectus does not constitute or form part of any offer to sell or issue, or any invitation or solicitation of any offer to invest in, any securities of the Company other than the Offer Shares. Prospective investors should only rely on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this Prospectus and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules or any other applicable law, assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this Prospectus nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information is correct as of any time subsequent to the date of this Prospectus.

Investec Bank plc ("**Investec**") has been appointed as sole sponsor, financial adviser, bookrunner and broker to the Company. Investec is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the PRA and the FCA and is acting exclusively for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, that may be imposed on Investec by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Investec accepts no responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Investec accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

In connection with the Offer, Investec and any of its affiliates, acting as an investor for its or their own account(s), may acquire Offer Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such Offer Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Offer Shares being issued, offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or acquisition, dealing or placing by, Investec and any of its affiliates acting as an investor for its or their own account(s). Investec does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, in connection with the Offer, Investec may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where Shares are used as collateral, which could result in Investec acquiring shareholdings in the Company. Investec and any of its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholders, for which they would have received customary fees. Investec and any of its affiliates may provide such services to the Company, the Selling Shareholders and any of their respective affiliates in the future.

Notice to overseas investors

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy or to subscribe for, Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States. The Shares have not been and will not be registered under the US Securities Act of 1933 (as amended) ("**Securities Act**") or any US state securities laws or under applicable securities laws in Australia, Canada, the Republic of South Africa, New Zealand or Japan. The Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act ("**Regulation S**")) unless the Offer and sale of the Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Shares are being offered and sold only in "offshore transactions" outside the US, in reliance on Regulation S or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any US federal or state securities commission or any US federal or state regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The distribution of this Prospectus and the offer and sale of Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been or will be taken by the Company, the Directors, the Selling Shareholders or Investec to permit a public offer of Shares or the possession or distribution of this Prospectus (or any other offering or publicity material or application form relating to the Shares) in any jurisdiction, other than in the UK. Persons into whose possession this Prospectus comes are required by the Company, the Directors, the Selling Shareholders and Investec to inform themselves about and to observe any such restrictions.

The date of this Prospectus is 13 July 2018.

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PART I

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of these types of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings		
A.1	**Introduction and warnings**	This summary should be read as an introduction to this prospectus ("**Prospectus**") only. Any decision to invest in the ordinary shares of 1 pence each in the capital of TheWorks.co.uk plc (the "**Company**" or "**The Works**") ("**Shares**") should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares.
A.2	**Subsequent resale of securities or final placement of securities through financial intermediaries**	Not applicable. No consent has been given by the Company or any person responsible for drawing up the Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer		
B.1	**The legal and commercial name**	TheWorks.co.uk plc.
B.2	**Domicile and legal form, applicable legislation and country of incorporation**	The Company is a public limited company with registered number 11325534. It was incorporated as a private limited company in England and Wales on 24 April 2018 and pursuant to a special resolution passed on 11 July 2018 was re-registered as a public limited company on 12 July 2018 with the name TheWorks.co.uk plc. The Company's registered office is situated in England. The Company operates under the Companies Act 2006 ("**Companies Act**") and is subject to the UK City Code on Takeovers and Mergers ("**Takeover Code**"). The Company and its consolidated subsidiaries and subsidiary undertakings from time to time are together referred to as the "**Group**" and "**Group Company**" means any one of them.

B.3	**Current operations, principal activities and markets**	The Works is one of the UK's leading multi-channel specialist retailers of value gifts, arts, crafts, toys, books and stationery. The Group has a diversified value product offering, broadly organised into four categories (or 'zones'): Kids; Arts, Crafts and Hobbies; Stationery; and Family Gifts and has a reputation for selling good quality, great value products. The categories are supplemented by both seasonal and regional offerings and each zone offers books and both branded and own-brand merchandise. The Group occupies an attractive position within the high growth discount retail sector, offering a differentiated proposition as a value alternative to full price specialist retailers. The Works maintains a core product offering of approximately 270 stock keeping units ("**SKUs**"), with an average store holding approximately 6,000 SKUs which are frequently updated across the four product zones. The focus on a refreshed product offering helps to create "newness" and is driven by an experienced buying team. The buying team has a track record of identifying and exploiting emerging consumer mega trends (defined as any individual product, or collection of products, for which sales exceed three per cent. of weekly sales for a temporary period and for which each of the Directors and Senior Managers deem to be material in terms of impacting on the underlying performance of the business) ("**Mega Trends**"). In recent years, Mega Trends have included fidget spinners, loom bands and adult colouring products. To enable analysis of the core business, Mega Trends are excluded to present underlying sales, EBITDA and like-for-like's. Further information regarding The Works' key product and category zones is provided below: **Kids** The Kids Zone at The Works is a 'one stop shop' for value kids' books alongside a wide range of toys, jigsaws and games with an emphasis on character licenses. The category also features products with a focus on "funucational" (meaning certain products that have a strong educational element alongside an emphasis on "play and learn"). It is within this category that The Works has a particular strength in identifying new Mega Trends and being amongst the first to market to capitalise on them. The Group offers customers multi-buy and other types of offers on a periodic basis in this category. This includes the Group's "hero" deals (e.g. the current 3 for £5 kids' books multi-buy and the 2 for £10 magical gifts range at Christmas 2017) which continue to re-enforce the focus on value within the category. **Arts, crafts and hobbies** This category comprises a wide selection of paints, brushes, art sets, paper, canvas and craft kits that cater for the needs of beginners to experts, alongside a complementary book offer to enhance the range. Traditional wooden puzzles, jigsaws and family games, a selection of puzzle books plus a smaller selection of gardening, sport and transport titles for the enthusiasts are also included in the category. The Works aims to be the UK's best value arts and crafts retailer and is able to drive value through the use of well-established own label brands in this category. In the art materials category, art enthusiasts shopping on a budget are served by the "Crawford and Black" brand whilst specialists are catered for by the "Boldmere"

brand. Within crafts, the “Make and Create” own-brand label caters to the value customer and is complemented by the “M&C Boutique” own-brand which caters to the more specialist craft customer.

Stationery

This category leads with The Works’ own-brand “Paper Place” social stationery range which includes value and high quality fashion notebooks, greeting cards, writing sets, storage boxes and address books. The Group’s own-brand “Scribblicious” range, which is aimed at the younger audience (being 8 to 16 year old customers), includes trendy pens, pencils, pencil cases, and storage solutions. The Works also offers an extensive own-brand calendar and diary selection. All of these ranges are complemented by the core offer of consumable everyday stationery suitable for home/office and students. Own-brand led and branded products are also available in this category.

Family gifts

This category is the home in stores for the majority of adult books including best-selling fiction paperbacks which are in a 3 for £5 deal throughout the year. This deal has been running for over 10 years and continues to reinforce The Works’ heritage for being one of the UK’s leading discount book stores.

This category also includes literature box sets, topical biographies, family reference (including popular science, health and fitness, food and drink) and many “as seen on TV” entertainment titles. This is all enhanced by a range of adult gifting that can include anything from the fun and quirky (such as extendable back scratchers and light boxes) through to the practical such as umbrellas, design-led shopping bags and hampers.

Seasonal and regional

Recurring seasonal events throughout the year represent key selling periods for the Group and an opportunity to attract customers, both in-store and online. The key seasonal periods for The Works include Mother’s Day, Father’s Day, Easter, “back-to-school” and Christmas. The Group plans the merchandising around such events well in advance to help it to seek to maximise the opportunities to attract customer spend.

Existing products in stores and concessions are complemented by new products and merchandised together to ensure relevance to the seasonal event and dedicated seasonal webpages are added to the Group’s e-commerce platform. For example, in the run up to Christmas, the Group adds product lines such as seasonal cards, wrapping paper, crackers and gifting accessories.

Christmas is the largest seasonal event in the calendar for the Group and at the end of October The Works transforms the look and feel of all of its stores into “Santa’s Giftshop” with a view to driving footfall and sales.

The Group’s regional offering is made up of a carefully selected local interest range of books and gifts including souvenirs and calendars. The Works trades in a number of key tourist locations such as Princes Street in Edinburgh, Stratford-upon-Avon and Windsor. In stores in those locations, the regional buying team buys tourist-specific ranges.

Own-brand offering

Across the four product zones, the Group has developed a strong track record of creating a number of own-brand ranges catering to either the value or specialist customer. Save for greeting cards, all of these ranges are designed in-house, and this has been a key contributing factor to continued margin growth in recent years.

B.4a **Recent trends**

The Group operates within the store-based value retail and online retail segments of the market which, according to a report prepared by Pragma Consulting Limited ("**Pragma**") for the Group in connection with Admission (the "**Pragma Report**"), were worth an estimated £28 billion and £54 billion, respectively, in 2016 and were the two fastest growing segments of the retail market between 2011 and 2016 with the value retail segment of the market growing at a compound annual growth rate ("**CAGR**") of 11.3 per cent. and the online retail segment growing at a CAGR of 14.6 per cent.

According to the Pragma Report, the non-grocery segment of the value retail market is set to continue the strong growth seen in recent years with an estimated CAGR of approximately 4 per cent. between 2016 and 2021, with growth forecast in each of the Group's four retail categories of books, arts and crafts, stationery and toys and games.

The Directors believe that the Group is well-positioned to take market share from the full price store-based retail specialists and has a demonstrable track record of trading successfully against its core competitors. This is evidenced by the strong underlying growth in the Group during its previous three financial years.

B.5 **Description of Issuer's group**

In preparation for the Offer, the Group has undertaken a reorganisation of its corporate structure that has resulted in the Company becoming the holding company of the Group and The Works Investments Limited ("**The Works Investments**") becoming the Company's direct wholly-owned subsidiary (the "**Reorganisation**"). The principal operating subsidiaries are The Works Investments and The Works Stores Limited ("**The Works Stores**") (which is an indirect subsidiary of the Company). The Company has one dormant indirect subsidiary, The Works Online Limited which is a direct subsidiary of The Works Stores.

B.6 **Shareholders**

The interests of the directors of the Company (being those persons listed below under the heading "Directors") (the "**Directors**") and the senior managers of the Group (being those persons listed below under the heading "Senior Managers") (the "**Senior Managers**") and (so far as is known to the Directors and the Senior Managers having made appropriate enquiries) of all persons connected with the Directors and the Senior Managers in the issued share capital of the Company are as follows:

	Following the Reorganisation but immediately prior to Admission		*Immediately following Admission*	
	No. of Shares	*% of issued share capital*	*No. of Shares*	*% of issued share capital*
Directors				
Dean Hoyle	9,560,620	21.4%	8,891,378	14.2%
Kevin Keaney	1,824,333	4.1%	1,094,600	1.8%
Gavin Peck	757,726	1.7%	454,636	0.7%
Harry Morley	–	–	15,625	0.0%
Catherine Glickman	–	–	15,625	0.0%

	Following the Reorganisation but immediately prior to Admission		Immediately following Admission	
	No. of Shares	*% of issued share capital*	*No. of Shares*	*% of issued share capital*
Senior Managers				
Andrea Bennett	1,115,945	2.5%	669,567	1.1%
Debbie McMinn[(1)]	–	–	15,625	0.0%
Nicholas Wood	980,694	2.2%	588,417	0.9%
Simon Joseph	449,770	1.0%	269,862	0.4%
Thomas Scott	449,770	1.0%	269,862	0.4%
Paul Hughes	1,275,397	2.9%	765,239	1.2%
Victoria Norrish	1,118,792	2.5%	671,276	1.1%

(1) Née Debbie Jamieson

As at the date of this Prospectus, the Directors were aware of the following persons who, in addition to the Directors and the Senior Managers set out above, directly or indirectly, were interested in 3 per cent., or more of the Company's issued share capital or voting rights:

	Following the Reorganisation but immediately prior to Admission		Immediately following Admission	
	No. of Shares	*% of issued share capital*	*No. of Shares*	*% of issued share capital*
Shareholders				
Endless Fund II A	20,111,507	45.0%	5,027,877	8.0%
Endless Fund II B	4,502,154	10.1%	1,125,539	1.8%
Janet Hoyle[(1)]	4,779,598	10.7%	4,445,027	7.1%
Joanne Barraclough	2,540,775	5.7%	1,905,582	3.0%

(1) Also included in Dean Hoyle's shareholding referred to above.

As at Admission, the Shares owned by the Company's major shareholders will rank *pari passu* with other Shares in all respects and all of the Shares will have the same voting rights.

B.7 **Selected historical key financial information**

The selected financial information set out below has been extracted without material adjustment from historical financial information of The Works Investments and its subsidiaries (the "**Operating Group**") for each of the financial year ended 1 May 2016 ("**FY16**"), the financial year ended 30 April 2017 ("**FY17**") and the financial year ended 28 April 2018 ("**FY18**").

Consolidated statement of comprehensive income

	FY16 *£000*	*FY17* *£000*	*FY18* *£000*
Revenue	154,398	166,421	192,100
Cost of sales	(123,874)	(138,877)	(158,167)
Gross profit	30,524	27,544	33,933
Other operating income	7	10	7
Distribution costs	(8,483)	(7,781)	(9,358)
Administrative expenses before exceptional items	(12,081)	(12,966)	(16,737)
Exceptional items	(400)	(1,355)	(1,669)
Administrative expenses	(12,481)	(14,321)	(18,406)
Operating profit	9,567	5,452	6,176
Investment income	9	33	20
Finance costs	(3,581)	(3,603)	(3,624)
Profit before tax	5,995	1,882	2,572
Tax	(1,399)	(542)	(787)
Profit for the period	4,596	1,340	1,785

Consolidated statement of financial position

	1 May 2016	*30 April 2017*	*29 April 2018*
	£000	*£000*	*£000*
Non-current assets	27,608	35,171	37,491
Current assets	37,760	37,106	46,228
Total assets	65,368	72,277	83,719
Current liabilities	30,317	35,259	44,520
Net current assets	7,443	1,847	1,708
Non-current liabilities	30,226	30,853	31,249
Total liabilities	60,543	66,112	75,769
Net assets	4,825	6,165	7,950
Total equity	4,825	6,165	7,950

Consolidated cash flow statement

	FY16	*FY17*	*FY18*
	£000	*£000*	*£000*
Net cash from operating activities	11,871	12,029	13,998
Net cash used in investing activities	(5,822)	(11,166)	(7,423)
Net cash used in financing activities	(3,270)	(3,189)	(3,248)
Net increase/(decrease) in cash and cash equivalents	2,779	(2,326)	3,327
Cash and cash equivalents at beginning of year	3,640	6,419	4,093
Cash and cash equivalents at end of year	6,419	4,093	7,420

The following significant changes to the financial condition and the operating results of the Operating Group occurred in FY16, FY17 and FY18:

- revenues increased from £154.4 million in FY16 to £166.4 million in FY17 whilst operating profit decreased from £9.6 million in FY16 to £5.5 million in FY17. The increase in revenues was principally due to the continued expansion of the Group's store portfolio. FY16 experienced a Mega Trend in adult colouring which benefited operating profit whilst FY17 was impacted by an exceptional expense resulting from the relocation of the Group's distribution centre and head office; and
- revenues increased to £192.1 million in FY18 whilst operating profit increased to £6.2 million. This was also principally due to the continued expansion of the Group's store portfolio as well as an increase of 4.7 per cent. in underlying like-for-like sales over the previous financial year and a Mega Trend in fidget spinners in FY18.

There has been no significant change in the financial condition or results of operations of the Group since 29 April 2018, the end of the period covered by the selected historical financial information set out above.

B.8 **Key pro forma financial information**

The unaudited pro forma financial information set out below has been prepared to illustrate the impact of: (i) the offer of the Subscription Shares (as defined in Element C.1) (the "**Offer**") being offered for subscription by the Company; and (ii) the refinancing of existing debt facilities on the consolidated net assets of the Operating Group as at 29 April 2018. This unaudited pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below and in accordance with the accounting policies adopted by the Operating Group for the financial period ended 29 April 2018.

		The unaudited pro forma statement of net assets is based on the consolidated net assets of The Works Investments at 29 April 2018 and has been prepared on the basis that the Offer and the refinancing was completed on 29 April 2018. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation (No. 809/2004 of the European Commission).

	Net assets at 29 April 2018 Note 1 £000	*Net proceeds of the Offer received by the Company Note 2 £000*	*Debt refinancing Note 3 £000*	*Unaudited pro forma net assets Note 4 £000*
Non-current assets				
Intangible assets	16,180	–	–	16,180
Property, plant and equipment	21,012	–	–	21,012
Deferred tax	299	–	–	299
	37,491	–	–	37,491
Current assets				
Inventories	21,495	–	–	21,495
Trade and other receivables	17,313	–	–	17,313
Cash and bank balances	7,420	24,804	(31,200)	1,024
	46,228	24,804	(31,200)	39,832
Total assets	83,719	24,804	(31,200)	77,323
Current liabilities				
Trade and other payables	44,311	–	–	44,311
Obligations under finance leases	209	–	–	209
Net current assets	1,708	24,804	(31,200)	(4,688)
Non-current liabilities				
Borrowings	30,755	–	(30,755)	–
Obligations under finance leases	494	–	–	494
	31,249	–	(30,755)	494
Total liabilities	75,769	–	(30,755)	45,014
Net assets	7,950	24,804	(445)	32,309

(1) The financial information has been extracted, without material adjustment, from the consolidated historical financial information of the Operating Group.

(2) The net proceeds of the Offer receivable by the Company of £24.8 million are calculated on the basis that the Company issues 17,812,517 new Ordinary Shares of 1 pence each at a price of 160 pence per share, net of estimated expenses payable by the Company in connection with the Offer of approximately £3.7 million.

(3) The current debt facilities (£31.2 million at 29 April 2018) are to be repaid in full out of the net proceeds receivable by the Company pursuant to the Offer. Debt issue costs of £0.4 million on the current debt facilities will be fully amortised through the income statement in FY19 as a result.

(4) No adjustment has been made to reflect the trading results of the Operating Group since 29 April 2018.

B.9	**Profit forecast/estimate**	Not applicable. No profit forecasts or estimates are included in the Prospectus.
B.10	**Audit report – qualifications**	Not applicable. The report from KPMG on the historical financial information included in the Prospectus does not contain any qualifications by the Company's auditors.

B.11	**Explanation in respect of insufficient working capital**	Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Offer receivable by the Company (which have been underwritten by Investec) and the banking facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months from the date of the Prospectus.

Section C – Securities		
C.1	**Type and class of the securities being offered and admitted to trading, including the security identification number**	The Offer comprises an offering of 17,812,517 new Shares ("**Subscription Shares**"), which are to be allotted and issued by the Company for an aggregate gross amount of approximately £28.5 million, and the sale of 22,953,648 existing Shares ("**Sale Shares**") by existing Shareholders ("the **Selling Shareholders**") for an aggregate gross amount of approximately £36.7 million. The Subscription Shares being offered for subscription pursuant to the Offer will represent approximately 28.5 per cent. of the issued share capital of the Company immediately following Admission. The Sale Shares (together with the Subscription Shares, the "**Offer Shares**") being offered for sale pursuant to the Offer will represent approximately 36.7 per cent. of the issued share capital of the Company immediately following Admission. The nominal value of the issued share capital of the Company immediately following Admission will be £625,000 divided into 62,500,000 ordinary shares of 1 pence each. The Offer is made by way of an offer to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act of 1933 (as amended) (the "**Securities Act**"). When admitted to trading, the Shares will be registered with ISIN number GB00BF5HBF20 and SEDOL number BF5HBF2 and will trade under the ticker WRKS.
C.2	**Currency of the securities issue**	United Kingdom pounds sterling.
C.3	**Shares issued/value per share**	On Admission, the nominal value of the entire issued ordinary share capital of the Company will be £625,000 divided into 62,500,000 ordinary shares of 1 pence each, all of which will be fully paid.
C.4	**Rights attached to the securities**	The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions declared, made or paid on the Shares. The Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote and on a poll each Shareholder has one vote per Share held. Each Share ranks equally for any dividend declared. Each Share ranks equally for any distribution made on a winding up of the Company.
C.5	**Restrictions on free transferability of the securities**	The board of directors of the Company (the "**Board**") may decline to register any transfer of certificated Shares if it is not fully paid up (provided that the refusal does not prevent dealings in the Shares from taking place on an open and proper basis). The Board may also decline to register a transfer of a certificated share (provided that the refusal does not prevent dealings in the Shares from taking place on an open and proper basis) unless: (i) the

		instrument of transfer (duly stamped) is lodged with the Company and share certificate to which it relates along with any other evidence the Board might reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of share; and (iii) where the transfer is to be made to joint holders, the number of joint holders to whom the shares are to be transferred does not exceed four. The Company may refuse to register a transfer of an uncertificated Share to the extent it is permitted to do so by the Uncertificated Securities Regulations 2001 (SI 2001/3755) (provided that the refusal does not prevent dealings in the Shares from taking place on an open and proper basis).
C.6	**Admission/regulated markets where the securities are traded**	Application has been made to the Financial Conduct Authority ("**FCA**") for all of the Shares to be admitted to the Official List of the FCA and to London Stock Exchange plc ("**London Stock Exchange**") for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission to trading on the London Stock Exchange's main market for listed securities (together with admission to listing, being "**Admission**") constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that unconditional dealings in the Shares will commence, at 8.00 a.m. on 19 July 2018.
C.7	**Dividend policy**	The Board follows a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. Based on the above expectations, the Directors intend 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. The Board expects the Company's first dividend following Admission will be announced with the interim results for the six months ending 28 October 2018. In the event of a year where the Company benefits from Mega Trends the Group will follow its capital allocation policy. The Group's priorities for use of cash will be: firstly, capital investment to grow the business; secondly, to maintain a strong and prudent balance sheet; and thereafter, any excess cash would be available for additional distribution to Shareholders.

Section D – Risks		
D.1	**Key information on the key risks that are specific to the issuer or its industry**	– As a UK retailer, the Group's business is sensitive to general economic, consumer spending and business conditions and can be affected by overall conditions in its key geographic markets and the level of consumer confidence and spending in those markets. Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, commodity prices and stock market prices and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. – The sectors within which the Group operates are highly competitive. The Group competes at a national and local level with a wide range of retailers of varying sizes that offer competing products of varying quality and price. There can be no assurance that the Group will be able to compete

successfully against current competitors or future new entrants into the market, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

- A significant proportion of regulation applicable to the Group is derived from the EU. Following Brexit, there may be material changes to this regulatory framework which creates uncertainty and may adversely affect the markets in which the Group operates. The notion of Brexit may also damage customers' and investors' confidence, especially as the duration of the current instability and uncertainty cannot be accurately predicted. The Group is therefore unable to anticipate properly the ability of the UK to enter free trade agreements following Brexit and therefore quantify the extent of any future trade duties payable on goods imported into the UK. These uncertainties could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- The Group derives a significant proportion (approximately 91 per cent. in FY18) of its net revenue from sales at its physical retail stores. Accordingly, it is exposed to trends that affect high street shops, shopping centres and other retail locations. Footfall may decline due to a variety of factors outside of the Group's control, such as changes in consumer shopping preferences towards new retail formats (including internet retail), or other factors including macro-economic trends. A general decline in foot traffic around the Group's store locations would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- The Group expects to open up to 50 net new stores per year and grow its estate from 447 stores, to up to 597 stores over the next three years. This expansion will increase the operating complexity of the Group's business, which may place significant strain on the Group's management and on its operational infrastructure. Any failure to maintain the Group's operational infrastructure, financial systems or managerial controls and procedures as it continues to grow its business may have a material adverse effect on its business, financial condition, results of operations and prospects.
- The Group's sales exhibit strong seasonal trends, with monthly sales in November and December being substantially higher than average sales in other months. Periods leading up to other significant occasions, such as Easter, Mother's Day, Father's Day and "back-to-school" have also resulted in higher than average sales for the Group. As a substantial portion of the Group's cost base is fixed (ie property and wages), all of the Group's profit is generated in the second half of the financial year. Accordingly, any reduced customer footfall or consumer spending in November and December may have a material adverse impact on its business, financial condition, results of operations and prospects.
- During periods of high demand, the Group utilises third-party storage facilities to seek to ensure any periods of significant demand are sufficiently provided for. The Group relies on its warehousing and distribution facilities to supply its stores on a daily basis and maintains a significant inventory of

		merchandise at its warehouses. Any natural or man-made disaster at such facilities could prevent the Group from supplying its stores on a timely basis, which could in turn adversely affect its reputation and customer loyalty as well as its sales and profitability. – Property costs comprise a significant proportion of the Group's operating costs. The tenure of the majority of the Group's stores is short to medium-term leasehold with an average lease length of less than three years. The Group also benefits from a number of concessions across its store portfolio and obtains discounts on certain of its leases by virtue of it leasing numerous retail spaces from the same landlord and/or head tenant. The Group is therefore vulnerable to potentially significant increases in rent should either the relationship with these landlords and/or head tenants break down, or should any of these landlords and/or head tenants fall into serious financial difficulty and their assets be sold. More specifically, five of the Group's 10 most profitable stores are leased from McArthurGlen, making the relationship with this landlord particularly significant. Any corresponding increases in rent in connection with these stores could therefore have an adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, were McArthurGlen to cease trading, it could have a similar material impact on the Group. – The Group's store portfolio includes a number of stores subject to very short, flexible, leases which permit either party to terminate the tenancy on short notice (potentially on as short as one month's notice). Accordingly, there is a risk that a respective landlord/head tenant could terminate one or more of these leases and require the Group to vacate on very short notice. – The Group may suffer a financial penalty from the Environment Agency as a result of the Group's non-compliance with packaging regulations between 2010 and 2017. Whilst the Directors believe this non-compliance has now been rectified, there remains the risk that the Environment Agency may initiate criminal proceedings and/or impose a potentially unlimited fine on the Group in connection with its historical non-compliance. – The majority of the Group's employees are paid the UK national minimum wage or the UK national living wage (depending on their age). Any increases and subsequent increases in the UK national minimum wage, the UK national living wage and/or increases in other wages above inflation could materially increase the Group's operating costs. The Group already experiences difficulty recruiting and retaining workers in the southeast of England on either the UK national minimum wage or the UK national living wage which may be worsened by the continued broad-based improvement in the UK economy and its labour market. There is therefore a risk that the ability of the Group to attract suitable employees at these minimum pay rates in the future might be adversely affected which would lead to an increase in the Group's operating costs and cost of sales, and could adversely affect the Group's operating profit margin. This in turn may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

		– The Group relies on the integrity of its information and communication technologies systems to protect customer data for transactions it processes through its transactional websites, for maintaining customer data and information stored in accordance with the "Together Reward Card" scheme (which stores personal customer data for over 2.0 million customers) and to ensure compliance with applicable laws, regulations and standards. Cyber-attacks, computer viruses, misplaced or lost data, programming, acts of sabotage, vandalism, theft and human error or similar events could result in a loss of customer confidential and/or sensitive data, or that data could otherwise be lost, stolen, or processed in breach of applicable data protection regulations. A breach of data protection legislation could result in regulatory action, compensation claims and adverse publicity. If any of the foregoing were to occur, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. – On 25 June 2014, The Works Investments and, amongst others, Proventus Capital Partners III KB ("**Proventus**"), a Swedish partnership, entered into a facilities agreement that is due to be repaid following Admission (the "**2014 Facilities Agreement**"). In order for The Works Investments not to withhold tax on interest payments paid to Proventus, clearance is required from HMRC which reduces the rate of withholding tax form 20 to 0 per cent. In such circumstances, either the borrower must notify HMRC that it intends to rely on the clearance obtained by the lender, or the borrower must receive a direction from HMRC to pay gross of withholding tax before making interest payments. If no such notification is made (or direction received), the borrower is obliged to withhold tax at a rate of 20 per cent. The Works Investments received a copy of Proventus' clearance dated 10 May 2018 confirming that Proventus is entitled to receive interest payments from The Works Investments gross of withholding tax. The clearance applies to interest payments made on or after 30 April 2018 and states that a direction has been issued which authorises The Works Investments to make future payments of interest gross of withholding tax. However, the clearance letter does not specify the withholding requirements on interest payments made prior to 30 April 2018 and it is not clear if any such clearance was obtained. If withholding tax of 20 per cent. was required to be withheld in respect of such interest payments, a liability of not more than £2.75 million (plus interest and penalties) would arise. To date, The Works Investments has received no challenge from HMRC in relation to this. As clearance has been received by Proventus from HMRC, the Company understands that HMRC by concession should accept that no withholding tax is payable in respect of interest payments made prior to the receipt of that clearance and that the potential liability of The Works Investments is instead limited to interest arising on the unpaid withholding tax plus penalties. The estimated interest for the withholding tax due on interest payments made prior to 30 April 2018 is approximately £137,000. Penalties could be charged for either the underpayment of withholding tax, which would depend on the conduct of The Works Investments (i.e. if the error was deliberate), or incorrect CT61 returns for which penalties are currently a maximum of £3,000 per incorrect return.

D.3	**Key information on the key risks that are specific to the securities**	– Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares. – The Group may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Group which may dilute the holdings of Shareholders. – Prior to the Offer, there has been no public trading market for the Shares. The Group cannot guarantee that an active trading market will develop or be sustained following the completion of the Offer, or that the market price of the Shares will not decline thereafter below the Offer Price. – While the Board intends to adopt a progressive dividend policy that maintains an appropriate level of dividend cover, there can be no assurance that it will pay dividends in the future. In addition, the Group conducts substantially all of its operations through its subsidiaries, and these entities generate substantially all of the Group's operating income and cash flow. The ability of the Group's subsidiaries to make payments to the Company depends largely on their financial condition, their ability to generate profits and the terms of the contractual agreements to which they are a party and, in any event, can only be done in circumstances in which it is lawful to do so.

	Section E – Offer	
E.1	**Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors**	Pursuant to the Offer, the Selling Shareholders intend to sell, in aggregate, 22,953,648 Sale Shares, at the Offer Price of 160 pence per Sale Share. Through the sale of Sale Shares by the Selling Shareholders, the Company expects the Selling Shareholders to receive net proceeds from the Offer of approximately £35.4 million (after deducting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders). The Company will not receive any proceeds from the sale of the Sale Shares being sold by the Selling Shareholders. Pursuant to the Offer, the Company intends to issue, in aggregate, 17,812,517 Subscription Shares, at the Offer Price of 160 pence per Subscription Share. Through the issue of Subscription Shares by the Company, the Company expects to receive net proceeds from the Offer of approximately £24.8 million (after deducting commissions and other estimated fees, expenses and applicable taxes payable by the Company in connection with the Offer). The Selling Shareholders will not receive any proceeds from the issue of the Subscription Shares by the Company. No commissions or expenses will be charged to any investors by the Company or the Selling Shareholders in respect of the Offer.
E.2a	**Reasons for the offer, use of proceeds and estimated net amount of proceeds**	The Offer will provide the Company with net proceeds of approximately £24.8 million, all of which will be used to repay borrowings. The Offer will provide the Selling Shareholders with net proceeds of £35.4 million which will constitute a partial realisation of their investment in the Company. The Directors believe that the Offer and Admission will: ● enable the Selling Shareholders to potentially monetise their holdings, also allowing for an ongoing liquid market for their Shares;

		● diversify the Company's shareholder base; ● enhance the Group's public profile and status with customers, investors, landlords, developers and business partners; ● assist in the recruitment, incentivisation and retention of key management and employees; and ● provide the Company with access to the capital markets if necessary in the future.
E.3	**Terms and conditions of the offer**	The Offer comprises an offer of 22,953,648 Sale Shares to be sold by the Selling Shareholders and an offer of 17,812,517 Subscription Shares to be issued by the Company. The Offer comprises an offer to certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S under the Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Pursuant to the Offer, all Offer Shares will be sold at the Offer Price, which has been determined by the Company and the Selling Shareholders in consultation with Investec Bank plc ("**Investec**"). A number of factors have been considered in deciding the Offer Price and the basis of allocation under the Offer, including the level and nature of demand for Shares and the objective of encouraging the development of an orderly aftermarket in the Shares. It is expected that Admission will take place and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 19 July 2018. Settlement of dealings from that date will be on a two-day rolling basis. The Offer Shares are being allocated, subject to certain conditions, by Investec pursuant to the terms of a sponsor and placing agreement dated 13 July 2018 entered into between the Company, the Directors, the Selling Shareholders and Investec (the "**Placing Agreement**"). The offer of the Subscription Shares by the Company is underwritten in accordance with the terms of the Placing Agreement. The Offer is subject to the satisfaction of conditions contained in the Placing Agreement which are customary for transactions of this type, including Admission becoming effective by no later than 8.00 a.m. on 19 July 2018 or such later time and/or date as Investec and the Company may agree (not being later than 2 August 2018) and on the Placing Agreement not having been terminated prior to Admission. None of the Offer Shares may be offered for subscription, sale or purchase or be delivered, or be subscribed, sold or delivered and the Prospectus and any other offering material in relation to the Offer Shares may not be circulated, in any jurisdiction (including, without limitation, the United States) where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.
E.4	**Interests material to the offer, including conflicting interests**	Other than as disclosed in Element B.6 above there are no other interests, including conflicting interests, that are material to the Offer.
E.5	**Name of offerors/Lock-up agreements**	***Selling Shareholders*** The Selling Shareholders, and their interests in Shares following the Reorganisation but immediately prior to Admission, together

E.7		with their interests in Shares immediately following Admission, are set out below:

Name	Following the Reorganisation but immediately prior to Admission: No. of Shares	% of issued share capital	No. of Sale Shares	Immediately following Admission: No. of Shares	% of enlarged issued share capital
Endless Fund II A	20,111,507	45.0%	15,083,630	5,027,877	8.0%
Endless Fund II B	4,502,154	10.1%	3,376,615	1,125,539	1.8%
Andrea Bennett	1,115,945	2.5%	446,378	669,567	1.1%
Dean Hoyle	4,781,022	10.7%	334,671	4,446,351	7.1%
Gavin Peck	757,726	1.7%	303,090	454,636	0.7%
Geraldine Hughes	203,587	0.5%	81,434	122,153	0.2%
Janet Hoyle	4,779,598	10.7%	334,571	4,445,027	7.1%
Joanne Barraclough	2,540,775	5.7%	635,193	1,905,582	3.0%
Kevin Keaney	1,824,333	4.1%	729,733	1,094,600	1.8%
Nicholas Wood	980,694	2.2%	392,277	588,417	0.9%
Paul Hughes	1,071,810	2.4%	428,724	643,086	1.0%
Simon Joseph	449,770	1.0%	179,908	269,862	0.4%
Thomas Scott	449,770	1.0%	179,908	269,862	0.4%
Victoria Norrish	1,118,792	2.5%	447,516	671,276	1.1%

Lock-in and orderly marketing arrangements

Pursuant to the terms of a lock-in deed entered into on 13 July 2018, each of the Selling Shareholders, save for the Principal Selling Shareholders, has agreed that for a 12 month period from the date of the Placing Agreement, subject to certain customary exceptions, he or she will not offer, sell or contract to sell, or otherwise dispose of, any Shares (or any interest therein or in respect thereof) that he or she holds at Admission (or any Shares which may accrue as a result of such holding), or enter into any transaction with the same economic effect as any of the foregoing. For the 12 month period thereafter, each Selling Shareholder, save for the Principal Selling Shareholders, has agreed not to dispose of any such Shares (or any interest therein or in respect thereof) other than through Investec (subject to certain customary exceptions) with a view to maintaining an orderly market in the Company's securities.

Pursuant to the terms of a lock-in deed entered into on 13 July 2018, each Principal Selling Shareholder has agreed that for a six month period from the date of the Placing Agreement, subject to certain customary exceptions, each will not offer, sell or contract to sell, or otherwise dispose of, any Shares (or any interest therein or in respect thereof) that they hold at Admission (or any Shares which may accrue as a result of such holding), or enter into any transaction with the same economic effect as any of the foregoing. For the six month period thereafter, each Principal Selling Shareholder has agreed not to dispose of any such Shares (or any interest therein or in respect thereof) other than through Investec (subject to certain customary exceptions) with a view to maintaining an orderly market in the Company's securities.

E.6	**Dilution**	The Subscription Shares being issued in the Offer will represent approximately 28.5 per cent. of the expected issued share capital of the Company immediately following Admission.
E.7	**Estimated expenses charged to investors by the Company**	Not applicable. No commissions, expenses or taxes will be charged to any investors by the Company or the Selling Shareholders in respect of the Offer.

PART II

RISK FACTORS

Any investment in Shares would be subject to a number of risks. Prior to investing in the Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and prospects. If this occurs the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised in Part I of this Prospectus are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I of this Prospectus but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, financial position, results of operations or prospects.

RISKS RELATING TO THE GROUP

Risks relating to the business and industry of the Group

The Group is exposed to general UK economic conditions as well as general market trends in the areas in which it operates

Many factors affect the level of consumer spending in the UK retail markets, including interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, the availability of consumer credit, taxation, stock market performance, unemployment and other matters that influence consumer confidence. Whilst being positioned as a value retailer provides some protection the Group, performance may decline during recessionary periods or in other periods where one or more macro-economic factors, or potential macro-economic factors, negatively affects the level of consumer disposal income or the amount that consumers are willing to spend. As a UK retailer, the Group's business is sensitive to general economic, consumer spending and business conditions and can be affected by overall conditions in its key geographic markets and the level of consumer confidence and spending in those markets. High street and other retailers have in the past been sensitive to consumer confidence which may or may not be linked to economic conditions. Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, commodity prices and stock market prices and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A general decline in economic conditions or disruptions in specific industries characterised by falls in consumer spending could have an adverse effect on the Group's business, prospects, results of operations and financial condition. This could make it more difficult for the Group to forecast operating results and to make decisions about future investments.

The sectors in which the Group operates is highly competitive

The sectors within which the Group operates are highly competitive, including with respect to product selection and quality, store location and design, inventory, price and customer service. The Group competes at a national and local level with a wide range of retailers of varying sizes that offer competing products of varying quality and price. Including the online marketplace, the Group's competitors can be categorised into seven distinct groups, comprising specialist arts and crafts only retailers (such as

Hobbycraft), specialist book retailers (including Book People, Foyles and Waterstones), stationers (including Paperchase, Staples and WHSmith), toy retailers (including The Entertainer and Smyths), grocers (including Asda, Sainsburys and Tesco), other general merchandisers and discounters (such as B&M, Home Bargains and Wilko) and pure play online retailers (such as Amazon).

Some of the Group's competitors, particularly Amazon, grocers, general merchandisers and discounters and stationery retailers, may have greater market presence, name recognition, financial resources and purchasing economies of scale, any of which could give them a competitive advantage. More generally, if any of the Group's material competitors were to adopt aggressive pricing strategies by significantly reducing prices on competing products, there is a risk that the Group's merchandise would become a less attractive option for consumers which might have a negative effect on its market share in respect of such products. Any such reduction in the Group's market share may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

At present, some of the Group's key competitors in respect of children's books comprise some of the "big-four" supermarket chains (such as Asda and Tesco). Whilst none of these supermarkets have introduced specific crafts merchandise lines that materially compete with similar merchandise offered by the Group, there is a risk that the introduction of any such crafts merchandise, and a potentially wider range of such merchandise, by any of these supermarkets at comparable prices to The Works could have a detrimental effect on the Group's position in the crafts market, thereby adversely affecting its ability to remain competitive.

Additionally, general retailers, pure play online retailers and competing specialist art and crafts, book, stationery and toy retailers may offer merchandise of comparable or superior quality to that offered by the Group, but at higher prices. Conversely, some general discount retailers, pure play online retailers and some speciality art and crafts, book, stationery and toy retailers may compete with the Group's offerings on price, but at lower quality to that offered by the Group. There can be no assurance, however, that these competitive dynamics will persist in the near or longer term.

In addition, a collapse of high street retailers could lead to an increased supply of available sites. This could lead to store openings by the Group's competitors near to The Works stores.

There can be no assurance that the Group will be able to compete successfully against current competitors or future new entrants. Any of the foregoing market developments, should they materialise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Consumer and investor confidence could be adversely affected by the prospect of "Brexit"

The United Kingdom voted to leave the EU in a referendum held on 23 June 2016 and the Group faces risks associated with the political and economic instability associated with this. For example, as a significant proportion of the legal and regulatory regime applicable to the Group is derived from EU directives and regulations, a UK exit from the EU (the so-called "Brexit") may materially change the legal framework applicable to the Group's business and result in further political and economic uncertainty which may adversely affect the market in which the Group operates. In addition, it could result in restrictions on the movement of capital and people. The general speculation and concern surrounding how and when the United Kingdom will leave the EU has also caused uncertainty in the market which may damage customers' and investors' confidence, especially as the duration and ultimate effect of such uncertainty and instability cannot be forecast, nor can it be reliably stated whether the current conditions will remain stable or worsen in any of the short, medium or longer term.

There is further uncertainty surrounding whether, following its departure from the EU, the UK will retain access to the single market, enter into a bespoke trade agreement with the EU, or enter no trade agreement at all. This uncertainty could have a detrimental effect on the Group given it sources merchandise from the Far East with US Dollar purchases representing approximately 36 per cent. of total purchases. As there is no indication at this stage of the particular arrangement that will be made with the EU following Brexit, the Group is unable to anticipate properly the ability of the UK to enter free trade agreements with non-EU countries (or the EU itself) in the medium to longer term and therefore the extent of any future trade levies and/or duties that might be payable on goods imported into the UK from such countries, which could become more onerous on the Group.

If any of these risks were to materialise they could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's operations in the RoI could be adversely affected depending on the outcome of Brexit negotiations

Goods, capital and people are at present able to move freely between the RoI and the United Kingdom on the basis of both countries enjoying full EU membership status. The Group currently operates nine stores in the RoI and believes there is an opportunity to grow this to a portfolio of approximately 30 stores over the coming years. As the Group's centre of operations is located at Boldmere House, there is an unavoidable cross-border element to stocking, supplying and ensuring the RoI stores are sufficiently equipped to sell merchandise in the RoI. In the absence of a suitable trade agreement being reached between the UK and the EU following the UK's departure from the bloc, there is a risk that tariffs and/or import duties might become payable in connection with the supply of goods from the UK into the RoI and/or vice versa. The imposition of any such tariffs and import duties will likely increase the operational costs of the Group's business in the RoI and may reduce the profitability of these stores to the extent that they cease to be viable business ventures for the Group. Any such reduction in profitability and/or viability of these stores would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As an operator of physical retail stores on the high street, in shopping centres and in other similar retail locations, the Group's business may be adversely affected by a decline in footfall in such locations and general economic trends

The Group derives a significant proportion (approximately 91 per cent. in FY18) of its net revenue from sales of merchandise at its physical retail stores. Accordingly, it is exposed to trends that affect high street shops, shopping centres and other retail locations. Footfall may decline due to a variety of factors outside of the Group's control, including secular factors, such as changes in consumer shopping preferences towards new retail formats (including internet retail), or other factors including macro-economic trends. A general decline in foot traffic around the Group's store locations would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As a UK retailer, the Group's business is also sensitive to general economic and business conditions and trends in consumer spending and other factors that impact the UK retail market. Retailers have in the past been, and are expected to remain, sensitive to consumer confidence, which may or may not be linked to economic conditions. A general decline in economic conditions, disruptions of specific industries or other factors that result in reduced levels of consumer spending could have a material adverse effect on the Group's business, financial condition, results of operations or prospects. Other events outside of the Group's control which take place in the locations in which the Group operates, create a sense of unease in the areas in which the Group operates, or reduce the availability of public transport into and from the areas in which the Group operates, such as prolonged periods of adverse weather, an outbreak of a pandemic disease in the UK, civil unrest or an act of terrorism, could also reduce the number of customers visiting its stores, which could cause a decline in its revenue and profit.

Furthermore, a significant proportion of the Group's total operating costs comprises store property costs, staff costs and other costs which are, to a large extent, fixed. Accordingly, an unanticipated decline in revenue, whether due to the foregoing macro-economic factors or otherwise, would generally not be offset by a corresponding reduction in the Group's operating costs, and would result in a disproportionately large decrease of the Group's operating profit.

As a retailer with a significant high street presence, the Group is subject to general reputational risks

The maintenance of the Group's brand and reputation is vital to the success of its business. Being a business interacting with public consumers, the Group could potentially be subject to complaints and disputes arising from a wide range of sources, some of which may include customers, former employees or suppliers. Such disputes and/or litigation may concern the unauthorised disclosure of information from the Group's customer database or product liability, injury, safety, health, environment, nuisance and negligence claims. Even if such claims are successfully defended, this does not necessarily mean there would be no material adverse effect on the Group's reputation and brand.

There are risks associated with the Group's expansion plans

The Group has opened an average of 57 new stores per year over the Historical Period. The Group expects to continue this new store roll out following Admission, and intends to expand its store portfolio organically by opening up to 50 net new stores per annum and therefore growing its estate from 447 stores (as of the end of FY18), to up to 597 stores in total over the next three years. Continued growth of the Group's sales and profits in the future will therefore depend, to a material extent, on its ability to expand operations through the opening of new retail stores in catchment areas where the Group's stores are not currently present or which will not lead to profit dilution caused by cannibalisation of sales in existing stores located nearby. The Group's ability to achieve its expansion goals will depend on a number of factors, including its continued ability to identify and secure suitable store locations on acceptable terms, open new stores in a timely manner, hire, train and retain additional store and supervisory personnel, integrate new stores into its operations on a profitable basis and adapt its expansion plans in light of evolving commercial opportunities and risks. In recent years, the Group's new stores have typically achieved positive EBITDA within the first full year from opening. Although the Group aims to open new stores in locations that would, in Management's view, perform similarly, there can be no assurance that this will be the case.

Furthermore, there has been, and the Group anticipates that there will continue to be, significant competition among retailers for desirable store sites on acceptable lease terms. Opening stores in new locations is also inherently uncertain. Newly opened stores may not attract sufficient local demand, whether due to demographic factors or proximity of competitors. Accordingly, there can be no assurance that the Group will be able to achieve its expansion goals on a timely basis, or that such expansion will be profitable.

In the longer term, the Group's expansion strategy is also subject to saturation risk. The Directors currently believe that there are up to 1,000 retail locations in the UK (which includes up to 30 in the RoI) where the Group's stores, if opened, could operate profitably. However, in the longer term, it may find its further growth opportunities fundamentally constrained due to a lack of available retail locations with characteristics that have to date enabled the Group's retail footprint to grow in a manner that has resulted in broadly consistent underlying operating margins during the periods under review and will enable the Group to open new stores which would deliver appropriate returns and be value enhancing to Shareholders. This may result in a material slowdown in the rate of growth of the Group's sales and profits and have a material adverse effect on its business, financial condition, results of operations and prospects.

Expansion of the Group's retail footprint will also increase the operating complexity of the Group's business, which may place significant strain on the Group's management and on its operational infrastructure (including its distribution capabilities and its existing supplier base). Although the Directors believe that the Group has the operational infrastructure, financial systems and the managerial controls and procedures in place to monitor and manage its growth, it will have to maintain close coordination amongst its sourcing, property, logistical, technical, accounting, finance and retail personnel in order to ensure that they are able to continue to support the growth of the Group's business. Any failure to maintain the Group's operational infrastructure, financial systems or managerial controls and procedures as it continues to grow its business may have a material adverse effect on its business, financial condition, results of operations and prospects.

Disruption to, or loss of, the Group's Boldmere House head office could significantly impact the Group's operations

The Group operates from its head office and central distribution and warehousing centre at Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL. Boldmere House is within close proximity to the intended route of the HS2 train line that will connect London and Birmingham. As this office is the centre of the Group's administrative and logistical operations it is crucial for the Group to ensure it introduces appropriate and sufficient measures (such as effective system back-ups, comprehensive disaster recovery processes and access workarounds) to respond adequately to any service, utility or access interruptions that might be caused as a result of HS2-related (or other infrastructure) works taking place. Any such measures introduced by the Group will need be sufficiently comprehensive to ensure the continuity of the business following any unexpected loss of power, or other utilities and services, or access into and out of the Boldmere House site. Whilst the Group has in place a business continuity plan on which it would rely should there be any serious disruption to the Boldmere House site and the Group's operational capabilities, there can be no assurance that this plan would be sufficiently robust to remedy fully the effects of any such disruption. Any such disruption at Boldmere House might therefore adversely impact the Group's ability to properly and sufficiently manage its operations which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business may be impacted by the seasonality of its sales

Historically, the Group's sales have exhibited strong seasonal trends, with monthly sales in November and December being substantially higher than the average sales rate in other months. Periods leading up to other significant occasions, such as Easter, Mother's Day, Father's Day and "back-to-school" have also resulted in higher than average sales for the Group. As a substantial portion of the Group's cost base (including property costs and a significant proportion of wages) is fixed, this has also resulted in all of the Group's profit being generated in the second half of the financial year. Accordingly, reduced customer footfall or consumer spending in November and December, including due to changes in consumer behaviour, any disproportionate discounting of merchandise by the Group's competitors during significant seasonal occasions or other factors beyond the Group's control, may have a material adverse impact on its business, financial condition, results of operations and prospects.

Prolonged periods of adverse weather or severe weather during seasonal peaks could adversely affect the Group's sales

Footfall at the Group's physical stores can be adversely affected by periods of abnormal, severe or unseasonal weather conditions. Accordingly, prolonged periods of adverse weather conditions or severe weather, in particular, during the weeks of peak seasonal sales of the Group, including during November and December, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may not be able to accurately predict or fulfil customer preferences or demands

The Group derives almost all of its revenue from the sale of its principal arts and crafts, books, toys, general gifts and stationery lines. These markets historically remained broadly stable (save for arts and crafts which grew at a CAGR of 14.1 per cent. per annum between 2012 and 2016), even as new themes, features and products are introduced from time to time. A relatively narrow range of core SKUs make up these principal lines (with approximately 250 per store in FY18 collectively accounting for approximately 13 per cent. of revenue per store) in comparison to its wider average SKU portfolio (typically around 6,000 SKUs per store). The Group has a focus on a refreshed product offering which helps to create newness and is driven by an experienced buying team which updates and refreshes the Group's SKU portfolio on a continual basis: a significant proportion of the Group's SKU portfolio will be updated and refreshed over the course of any given financial year. The Works is therefore reliant on the buying team to be able to identify and purchase product lines that will appeal to the Group's customer base and to understand evolution in customer preferences and demands.

In addition, the buying team has a track record of identifying and exploiting emerging consumer Mega Trends. These Mega Trends change over time depending on customer preferences and demand. In recent years Mega Trends have included fidget spinners, loom bands and adult colouring products. Whilst the Group's response to any such Mega Trends can result in rapid cash generation (which can operate to set-off any corresponding decrease in sales of the Group's other SKU portfolio that might occur during a Mega Trend period), the nature of these Mega Trends and the Group's success in respect of them depends, in part, on the Group's ability to predict effectively and respond to changing consumer demands and to offer appropriate, saleable product offerings in response to such changes. The Group therefore places considerable reliance on its internal buying and design teams to ensure potential opportunities are quickly identified and rapidly responded to. The availability of new competing products, changes in customer preferences and ability of the buying and design teams to respond effectively to emerging customer demands and Mega Trends may impact financial performance and also make it difficult for the Group to predict sales demand accurately.

Furthermore, the Group sources its merchandise from third-party suppliers, including from some suppliers based in the Far East (which, for FY18, accounted for 36 per cent. of total purchases by the Group), which results in significantly longer order and delivery lead times. There can be no assurance that the Group's orders for such merchandise will match actual demand. If the Group is unable to successfully predict or respond to sales demand and changing customer preferences, this may lead to stock obsolescence and may materially and adversely impact margins and cash profits and accordingly have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's success is dependent on its logistics and distribution infrastructure

The Group's existing distribution and warehousing facilities (and head office) at Boldmere House comprise approximately 151,000 square feet of warehouse floor area, which the Directors believe to have sufficient capacity to support up to 1,000 UK and RoI stores. In order to improve the efficiency of the Group's distribution operations and alleviate the potential risk of online demand unexpectedly absorbing some of this storage capacity, the Group intends to transition towards a more traditional third-party logistics model in the near term to manage its e-commerce fulfilment operation. Until this has been completed, if there is any substantial increase in the online demand for the Group's merchandise, there is a risk that the operational infrastructure of the Group might not be equipped to respond to such increase as efficiently as possible.

During the year, particularly in the run up to the periods of high demand (such as Christmas), the Group utilises third-party storage facilities to ensure any periods of significant demand are sufficiently provided for. The Group relies on its warehousing and distribution facilities to supply its stores on a daily basis and maintains a significant inventory of merchandise at its warehouses. Although the Group maintains insurance covering its stored inventory as well as business interruption insurance, any natural or man-made disaster at such facilities could prevent the Group from supplying its stores on a timely basis, which could in turn adversely affect its reputation and customer loyalty as well as its sales and profitability.

Furthermore, the Group relies on third-party logistics companies to distribute its products from Boldmere House to its stores and is vulnerable to any failure by these companies to fulfil their obligations in a timely manner. If the Group is required to change its logistics providers, the Group may not be able to obtain as favourable terms as its current terms, which could increase its costs. Any prolonged unexpected delivery delays, such as due to severe weather or disruptions to the national or international transportation infrastructure, could have a material adverse effect on the Group's business and reputation.

Any significant disruption to the operations at the Group's distribution and warehousing facilities at Boldmere House would significantly impact its ability to maintain its supply chain and distribute products to its stores, which, if sustained, could have a material adverse effect on the Group's business, reputation, financial condition, results of operations and prospects.

The Group is exposed to risks related to its third-party suppliers and may be adversely affected by interruptions in supply and product recalls

The Group relies on and has developed well-established commercial relationships with approximately 500 different third party suppliers across Europe and Asia for the supply of its merchandise. Most merchandise supplied to the Group is done so on a purchase order basis, without any medium- or long-term contractual arrangements. Whilst these arrangements provide the Group with the benefit of contractual flexibility and the ability to respond rapidly to changes in consumer demand, any failure by third-parties to supply the merchandise that the Group orders, or a termination of, or a failure of a third-party to comply with the terms of, its supply agreement with the Group, may adversely affect its business and its ability to meet customer demand, or result in it having to seek alternative suppliers, which may not be able to fulfil the Group's requirements on commercially acceptable terms, in a timely manner or at all. As the Group does not have medium or long-term contracts with most of its third-party suppliers, it remains exposed to changes in supplier dynamics and vulnerable to industry-wide increases in the prices of the merchandise it procures. Interruptions in supply or an increase in the cost of merchandise sourced by the Group from third-parties due to any of the factors described above could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

As the Group is supplied with its merchandise (as opposed to manufacturing it), the Group is exposed to risks associated with manufacturing being undertaken by third parties and outside of the Group's control. If any product sourced and supplied to consumers by the Group was considered unsafe or unsuitable and recalled following its sale by the Group, the Group would likely suffer reputational damage and incur additional administrative expense in contacting customers, facilitating the product recall and organising any corresponding refunds and/or exchanges. Whilst the quantum of this risk in respect of the Group's general SKU portfolio might not be material, if a product so-recalled formed part of a Mega Trend, the operating costs, administrative burden and reputational damage associated with any such recall could significantly increase to the extent that the Group's overall profitability is negatively affected. Any such reduction in the Group's profitability could have a materially adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the Group sources a significant proportion of its merchandise from suppliers located in the Far East (with US Dollar purchases representing approximately 36 per cent. of total purchases). Consequently, it is subject to the risks associated with international trade, particularly those risks which are common in the manufacturing and import of goods from non-EU countries. These risks include the imposition of taxes or customs duties or other charges on imports, compliance with, and changes to, import restrictions and regulations and exposure to different legal standards, shipping and customs delays, political instability and unrest, availability of labour and raw materials to suppliers, and the burden of complying with a variety of foreign laws and changing foreign government policies. Any of these factors could, in certain circumstances, cause an increase in the costs of goods the Group procures from overseas suppliers or cause an interruption in supply. In addition, whilst the Group ensures its overseas third-party suppliers contract with it on the Group's standard terms of purchase (which include labour-related protections, such as the prevention of modern slavery, and commitments regarding corporate social responsibility) and commissions audits of some of its overseas suppliers by third-party providers to assess compliance with these matters, the Group does not control its overseas third-party suppliers or their labour practices and the risk remains that such safeguards may not be fully effective in practice. Unfavourable publicity concerning the Group's suppliers, or the quality of the merchandise produced by these suppliers, particularly given that a significant proportion of this merchandise is sold by the Group for use by children, could have an adverse effect on the Group's reputation and its business, financial condition, results of operations and prospects.

The Group may suffer a financial penalty from the Environment Agency in connection with its failure to register under the Packaging Regulations

The Group has a regulatory obligation to register with the Environment Agency or another approved body in connection with the Producer Responsibility Obligations (Packaging Waste) Regulations 2007. From 2010, the Group failed to register within the required timeframes and is currently being investigated by the Environment Agency for historical non-compliance. Whilst the Group believes that it rectified its non-compliance in 2017, there is a risk that the Environment Agency may prosecute or seek to prosecute and potentially fine the Company for such non-compliance. The Company was contacted by the Environment Agency in June 2017 and was asked to respond to allegations of breach by way of a written interview under caution. The Company has submitted its answers to the questions posed by the Environment Agency and is awaiting a response from the Environment Agency. Having recently taken advice from leading counsel, the Directors believe that any fine, if levied, would not exceed £200,000, although under the relevant legislation there is no limit on the quantum of the fines. Any continuation of the Environment Agency's investigation and/or any prosecution in relation to this matter may be expensive to defend and may divert the time and focus of management away from the Group's operations. The imposition of any such fine on, or the initiation of criminal proceedings against, the Group may adversely affect the Group's reputation, which could have a further adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to potential increases in property costs for its retail outlets

Property costs, including the costs of leasing retail space for the Group's stores (together with rates and, where applicable, service charges), comprise a significant proportion of the Group's operating costs. The tenure of the majority of the Group's stores is short to medium-term leasehold (with a small number held under more flexible licence arrangements), with an average lease length of less than three years which often include periodic upwards-only rent reviews. The Group also has concessions across its store portfolio and obtains discounts on certain of its leases by virtue of it leasing numerous retail spaces from the same landlord and/or head tenant, as is the case at Wyevale Garden Centre. The Group is therefore vulnerable to potentially significant increases in rent should either the relationship with these landlords and/or head tenants break down, or should any of these landlords and/or head tenants fall into serious financial difficulty and their assets (including their superior interests in the respective property titles) be sold to independent, unconnected third parties. More specifically, three of the Group's 10 most profitable stores are leased from McArthurGlen, making the relationship with this landlord particularly significant, especially if any proposed renewal or extension of these leases could not be agreed either at all, or on terms acceptable to the Group. Any corresponding increases in rent in connection with these stores could therefore have an adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, were McArthurGlen to cease trading, it could have a similar material impact on the Group.

Additionally, as the Group continues to expand its store portfolio in the near to medium term, it is possible that the average market rents and business rates for new stores could exceed the average rents and business rates of stores in the Group's existing store portfolio. Future increases in property costs would increase the Group's operating costs and could reduce its operating profit. Increased base costs could also adversely affect the economic viability of the affected stores, which, together with higher operating costs, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's store portfolio makes it susceptible to lease terminations on short notice

The Group's store portfolio includes a number of stores that are subject to very short, flexible, leases which permit either the Group or the respective landlord/head tenant to terminate the tenancy on short notice (potentially on as little as one month's notice). Although this offers greater operational flexibility and often reduced property costs for the Group, there is also a risk that a respective landlord/head tenant could terminate one or more of these leases and require the Group to vacate on very short notice. Whilst the Group attempts to alleviate this risk by entering into agreements that guarantee, where available, the Group's tenure of a particular store until January in any given year (and thereby protecting the Group's operations throughout its "Golden Quarter"), there is no guarantee that any such stores will be able to continue operating in their same location in the longer term. Any such termination by these landlords/head tenants and any corresponding relocation by the Group would require significant resource and expenditure from the Group and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Increases in the UK national minimum wage or changes to labour market laws or conditions in the UK could increase the Group's operating costs and reduce its operational flexibility

The majority of the Group's employees are paid the UK national minimum wage or the UK national living wage (depending on their age). The Group also employs seasonal workers to meet increased staffing needs at times during the Christmas trading period, with over 500 seasonal workers recruited by the Group for Christmas 2017. These seasonal workers are not employed on so-called "zero-hour" contracts (whereby employees agree to be available for work as and when required by an employer with no guaranteed hours or times of work) but many are employed on contracts which guarantee only a small number of hours work per week, some as low as four hours, which increases the chance of some employees finding work elsewhere where guaranteed hours are longer, thereby leaving the Group's employment. The UK national minimum wage and UK national living wage levels in the retail and hospitality industries have received attention from the media and political leaders of both the governing party in the UK and the opposition party.

Any increases and subsequent increases in the UK national minimum wage, the UK national living wage, and/or increases in other wages above inflation (in particular, the proposed increase by former Chancellor George Osborne to increase the UK national living wage to £9.00 per hour by 2020, and/or any replacement of the existing age-dependent UK national minimum wage increment with the UK national living wage for all employees) could materially increase the Group's operating costs. The Group already experiences difficulty recruiting and retaining workers in the southeast of England on either the UK national minimum wage or the UK national living wage which may be worsened by the continued broad-based improvement in the UK economy and its labour market. There is therefore a potential risk that the ability of the Group to attract suitable employees at these minimum pay rates in the future might be adversely affected which would lead to an increase in the Group's operating costs and cost of sales, and could adversely affect the Group's operating profit margin. This in turn may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Following the vote by the UK to leave the EU on 23 June 2016, the Group has experienced some difficulty attracting and retaining distribution and warehousing staff which, prior to the referendum, were predominantly comprised of Eastern-European staff. Whilst the Group currently maintains a more diverse European workforce to perform these roles, the fall in the value of pounds sterling against the Euro has created a noticeable reduction in availability of non-UK European workers residing in the UK. If the value of pounds sterling remains low and the uncertainty surrounding "Brexit" continues in the short to medium term, the Group may continue to struggle to find readily available staff based in the UK to operate its distribution and warehousing facilities at Boldmere House. Any inability of the Group to sufficiently staff its distribution and warehousing functions may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There can be no assurance that the Group would be able to mitigate increases in the Group's cost of sales that could occur due to any of the foregoing factors through compensating increases in sales, a reduction in staff employed by the Group, a reduction in staff hours allocated to stores and/or other business efficiencies.

General inflation and increases in energy costs could increase the Group's operating costs

Inflation affects the Group by increasing the overall cost of the Group's operations, including employee costs and energy costs. Although the general rate of inflation in the UK has been low in recent years, an increase in costs that is not offset by higher sales may have a negative impact on the Group's profits.

The Group relies on the reputation of its brand names and may not be able to protect its intellectual property adequately

"The Works" and "TheWorks.co.uk" brands are important assets to the Group. The Group has also developed 24 in-house brands, including Scribbilicious, Artworkz, Paper-Place and Craftworkz. The success of the Group's business depends, in part, on its continued ability to protect and use its existing trademarks in order to increase brand awareness. Although the Group has registered (where able) a number of its key brands for trademark protection in the United Kingdom, that may be inadequate to prevent imitation of the Group's brands and concepts by others (whether in the United Kingdom or elsewhere) or to prevent others from claiming violations of their trademarks and proprietary rights by the Group. If the Group's efforts to protect its intellectual property prove to be inadequate, the value of the Group's brands could be harmed, which could have a material adverse effect the Group's business, financial condition, results of operations and prospects.

The Group utilises and has exclusive rights to utilise the domain "theworks.co.uk" but does not yet have similar rights in the "theworks.ie" domain. Whilst the Group is taking steps to acquire rights in this latter domain, there is no guarantee at this stage that such rights will be so granted. If the Group is unable to acquire exclusive rights in this domain it may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to adverse fluctuations in currency exchange rates

The Group's customers pay for products they purchase either in pounds sterling in the UK or in Euros in the RoI, and approximately 36 per cent. of the Group's costs of goods sold are typically attributable to products purchased in U.S. Dollars. Consequently, the Group is exposed to fluctuations and changes in foreign exchange rates between the Euro and pounds sterling, or between U.S. Dollars and pounds sterling. Although the Group seeks to hedge a portion of this exposure, these transactions have not always been sufficient to, and may not in the future, adequately protect the Group's operating results from the effects of exchange rate fluctuations. In addition, the Group's hedging transactions may reduce any benefit that it might otherwise receive as a result of favourable movements in pounds sterling/U.S. Dollars, or in pounds sterling/Euro.

The Group is dependent on key members of its Management and other highly qualified employees to manage its business, the loss of whom could adversely affect its business

The Group is dependent upon key senior management personnel who have extensive experience and knowledge of the Group's market sector of the retail industry. The successful implementation of the Group's strategy depends on the continuing availability of its Management team and its ability to continue to attract, motivate and retain other highly qualified employees. Retention of the Group's Management team is especially important in its business due to the limited availability of experienced and talented executives. If the Group were to lose the services of any of these employees and was unable to employ suitable replacements in a timely manner, the Group's business, financial condition, results of operations and prospects could be adversely affected.

The Group is also dependent upon its ability to attract and retain skilled employees, including to provide technical support for its ICT systems. In particular, the Group uses bespoke transactional processing software designed and written by staff within the Group to manage certain key areas of its business, including its stock control, warehouse replenishment, store replenishment, pricing, reporting and other systems. The Group is reliant upon the skills of a small group of employees to operate, maintain and repair such bespoke software. Although the Group intends to train further personnel in the operation, maintenance and repair of this software, the departure or unavailability of any of the highly skilled employees who currently operate, maintain and repair such bespoke software could have a disruptive effect upon the Group's operations and, accordingly, the Group's business, financial condition, results of operations and prospects.

Any failure by the Group to offer strong customer service could impact on the Group's financial condition, operations and/or business prospects

The wellbeing and satisfaction of its customers is crucial to the success of the Group. A strong customer service offering is required to ensure customer complaints are dealt with swiftly and to the customer's satisfaction, and this is particularly important given a significant proportion of the Group's business involves face to face contact with the customer (by virtue of the Group's significant store base). The Directors believe the Group's talented and dedicated employee base is one of its key strengths and consequently any failure to maintain customer services levels at an appropriate standard could have a material adverse effect upon the Group's financial condition, operations and/or business prospects.

The Group's risk management procedures may fail to identify or anticipate future risks

Although the Directors believe that the Group's risk management procedures are adequate, the methods used to manage risk may not identify or anticipate current or future risks or the extent of future exposures, which could be significantly greater than historical measures indicate. Risk management methods depend on the evaluation of information regarding markets or other matters that is publicly available or otherwise accessible to the Group. Failure (or the perception that the Group has failed) to develop, implement and monitor the Group's risk management policies and procedures and, when necessary, pre-emptively upgrade them could give rise to reputational and trading issues which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be unable to successfully grow its presence and sales online

The Group launched its e-commerce platform, www.theworks.co.uk, in 2012 and the number of sales via the transactional website has been strong in recent years. The Directors believe that the volume of online sales is likely to continue to grow, albeit it is expected to remain a smaller proportion of Group sales in the future when compared against physical stores. That said, there can be no assurance that the Group's website will deliver this anticipated growth in sales and the Group may fail to develop its website in line with changing customer tastes and evolving technology, which could adversely impact the Group's reputation and customers' perception of its brand.

Any of the foregoing risks could result in increased costs, decreased revenues or a loss of opportunities for the Group and have an adverse effect on its business, financial condition, results of operations and prospects.

The Group relies on important information and communication technology ("ICT") systems

As with most retail businesses, the Group relies on a number of important ICT systems. These include electronic point-of-sale terminals in the Group's stores, software applications and supporting systems for demand planning, financial reporting and payroll systems, enterprise resource planning systems for inventory management, store replenishment, order processing, purchase order management and logistics management, website operations as well as other operational ICT systems. A failure to adequately maintain the Group's ICT systems or any system performance problems could seriously affect the Group's ability to carry on its business.

Although most of the Group's ICT systems are "off-the-shelf" products, the Group also uses bespoke transactional processing software designed and written by staff within the Group to manage certain key areas of its business, including its stock control, warehouse replenishment, store replenishment, pricing, reporting and other systems. As such, the Group is reliant upon its own resources and its own staff for the maintenance and repair of such bespoke software and also its development and upgrading in a way which keeps pace with the market generally. Consequently, the Group may not benefit from economies of scale that may be available to retail businesses who operate such systems on more generic software and systems licensed to them by third party providers. Furthermore, any failure to adequately maintain the Group's bespoke transactional processing software in particular or any performance problems relating to this bespoke software could have a material adverse effect on the Group's ability to carry on its business.

Furthermore, the Group may face unforeseen technical difficulties in the deployment of new technologies on a large scale (e.g. the re-platforming of its e-commerce operations which is likely to be undertaken before 2021) as these new technologies could result in disruption of back-office support systems or in-store transactions. Any serious disruption to the Group's ICT systems, particularly during times of peak trading, would likely have an adverse effect on the Group's reputation and may adversely affect its business, financial performance and results of operations.

Failure to comply with data protection legislation or a security breach or system failure in the Group's technical or information technology infrastructure

The Group relies on the integrity of its ICT systems to protect customer data for transactions it processes through its e-commerce platform, for maintaining customer data and information stored in accordance with the "Together Reward Card" scheme (which stores personal customer data for approximately 1.9 million customers) and to ensure compliance with applicable laws, regulations and standards. Cyber-attacks, computer viruses, misplaced or lost data, programming, acts of sabotage, vandalism, theft and human error or similar events could result in a loss of customer confidential data, or that data could otherwise be lost, stolen, or processed in breach of applicable data protection regulations. A breach of data protection legislation involving the misappropriation, loss or other unauthorised disclosure of sensitive or confidential employee, staff and/or consumer information, including the use of such information for direct marketing purposes, could result in regulatory action, compensation claims and adverse publicity. In addition, compliance with evolving privacy and security laws, requirements and regulations (particularly in light of the coming into force of the General Data Protection Regulation) may result in cost increases due to necessary systems changes, new limitations or constraints on the Group's business models and the development of new administrative processes. If any of the foregoing were to occur, it could have a material adverse effect on the Group's business, reputation, financial condition, results of operations and prospects.

The Group may be unable to obtain additional financing on acceptable terms

The capital requirements of the Group depend on many factors, including its ability to maintain and expand its customer base, securing and developing new revenues, and potential acquisitions. In the future (being a date not earlier than a date which is 12 months from the date of this Prospectus), the Group may require additional funds and may attempt to raise additional funds through equity or debt financing or from other sources to fund its growth strategy. Any additional equity financing may be dilutive to holders of Shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities. The Group may be unable to obtain additional financing on acceptable terms if market and economic conditions, the financial condition or operating performance of the Group or investor sentiment are unfavourable. In turn, the inability of the Group to raise further funds may hinder its ability to operate, refinance or grow in the future although, taking into account the bank facilities available to the Group and the net proceeds of the Offer receivable by the Company (which have been underwritten by Investec), the Company is of the opinion that the working capital available to the Group is sufficient for at least 12 months from the date of this Prospectus. This paragraph is not intended to qualify the Working Capital Statement set out in Part XV of this Prospectus.

The Group's electronic payment facilities are dependent on the continuing operation of third party systems

The Group uses Barclays Bank plc as card acquirer when customers pay for merchandise either in-store or online, and uses FIS Payments as the payment gateway (processor) for in-store transactions, or Worldpay for online transactions. As almost half of the Group's in-store and online transactions (by value), are made using credit or debit cards, the Group is heavily reliant on the continued maintenance and functionality of the ICT infrastructure of these third parties in order to collect cash from customers at point of sale (note: the majority of the balance of online transactions are made through Paypal or marketplaces). Any significant and/or sustained disruption to, or malfunction of, any of this third party ICT infrastructure would likely have an adverse effect on the Group's reputation and its ability to generate revenue. Any inability of the Group to collect cash from its customers, particularly during peak trading periods, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may fail to identify strategic developments in the future or fail to identify and/or capitalise upon strategic opportunities and developments in the future

A failure to reshape or expand its business in line with customer requirements, or an expansion into new business areas which expose the Group to additional business risks that are different from those experienced to date, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Goodwill reported in the Group's consolidated balance sheet may be written down as a result of impairment testing, which may result in a loss in the Group's income statement

As of 29 April 2018, the goodwill recognised in the Operating Group's consolidated statement of financial position amounted to £16.2 million, all of which was generated during the year ended 27 April 2015 when The Works Investments acquired The Works Stores. Goodwill is recorded at the date of acquisition and, in accordance with IFRS, is tested for impairment annually and whenever there is any indication of possible permanent loss. Impairment may result from, among other things, a deterioration in the Group's performance, a decline in expected future cash flows, adverse market conditions, adverse changes in applicable laws and regulations and a variety of other factors. For the preparation of its consolidated financial statements, the Group estimates the recoverable amount of cash-generating units to which goodwill has been allocated. The recoverable value is calculated by determining the value in use, based on the current value of future estimated cash flows, using a discount rate that reflects the Management's current market assessments of the time value of money and the risk specifically associated with the assessed asset. If future cash flows are determined to be lower than the carrying amount, an impairment loss is recognised in the Group's income statement. For the Historical Period the Group did not recognise any impairments of goodwill. However, if the Group has to recognise any impairment in future periods, it would have an adverse (non-cash) impact on its consolidated statement of comprehensive income and consolidated balance sheet.

Future results of operations may fluctuate significantly and the Group's recent results of operations may not be a good indication of its future performance

The Group's revenue and results of operations could vary significantly from period to period as a result of various factors, many of which are outside of its control. Comparing the Group's revenue and results of operations on a period-to-period basis may not be meaningful and past results should not be relied on as an indication of its future performance. In particular, the presence of Mega Trends from time-to-time will impact the Group's financial performance, as a result, unless investors look at underlying performance which focuses on the performance of the core underlying business (and excludes the impact of Mega Trends) the overall financial performance of the Group may appear distorted from year to year. The Group may not be able to predict accurately its future revenue or results of operations on an annual or longer-term basis. It bases its current and future expense levels on its operating plans and sales forecasts and its operating costs are expected to be relatively fixed in the short-term. As a result, the Group may not be able to reduce its costs sufficiently to compensate for an unexpected shortfall in revenue which could harm its financial results causing it to fall short of market expectations.

Insurance

Whilst the Group maintains insurance that it considers adequate in terms of scope, there are limitations (including as a result of customary deductibles and exclusions) on the total coverage for all aspects of the insurance policies. As such, the Group's insurance may not be adequate to cover all losses. The Group will be responsible for any claims over and above the coverage limits and for any claims which are not covered by the Group's insurance policies. Although the Group has historically been able to obtain insurance coverage that it believes is appropriate, it is possible that insurance costs may increase substantially in the future or that the availability of insurance coverage for certain risks may be withdrawn completely or increase significantly in cost. In these circumstances, the Group may be unwilling or unable to obtain commercial insurance either at acceptable prices or at all and, as such, may have to forego or limit its purchase of relevant commercial insurance.

Litigation and other adversarial actions in the ordinary course of business could materially adversely affect the Group

Although the Group is not currently subject to any material litigation, it may be subject to such litigation in the future. In addition, the Group may be subject to other disputes, claims and complaints, including adversarial actions, by customers, employees, suppliers, insurers and others in the ordinary course of business. Furthermore, the Group has given a number of uncapped indemnities to certain suppliers and service providers, including in respect of the actions of third parties. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Group's operations and may result in the Group having to pay monetary damages or indemnification payments, any of which could have a material adverse effect on the Group's results of operations and financial condition. In addition, adverse legal publicity or substantial litigation against the Group could negatively impact its reputation, even if the Group is not found liable, which could also adversely impact the Group's business, financial condition, results of operations and prospects.

The Group may be affected by its transition to a public company

The Group has been successful as a private business owned by the Principal Shareholders, who have been closely involved in the business. The Group's transition to a public company involves changes in its ownership and Board structure. There can be no assurance that, under a changed Board structure and ownership, and in the more public environment of a listed public company, the Group will be able to manage its operations and strategic direction as successfully as it has as a private business.

The Group will incur additional costs as a listed company

As a listed company, the Group will incur significant legal, accounting and other expenses, including the costs of recruiting and retaining non-executive directors, costs resulting from public company reporting obligations and the rules and regulations regarding corporate governance practices, including the admission and listing requirements of the London Stock Exchange and the FCA. The Group's management and other employees will need to devote a substantial amount of time to ensure that the Group complies with all of these requirements. The reporting requirements, rules and regulations will increase the Group's legal and financial compliance costs and make some activities more time-consuming and costly. These rules and regulations will make it more difficult and more expensive for the Group to obtain director and officer liability insurance and the Group may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These factors could also make it more difficult for the Group to attract and retain qualified persons to serve on the Board, particularly to serve on any board committees, or as executive officers.

The Group is subject to a broad range of regularly changing legal and regulatory requirements applicable to the retail industry

To carry out its business in the UK, the Group is required to hold and maintain certain licenses, permissions and authorisations and to comply on an ongoing basis with a range of legal and regulatory requirements, particularly those in connection with data protection, the environment, health and safety and tax. These legal and regulatory obligations are often subject to change as a result of regulatory investigation, analysis or increased focus on particular areas of concern by either governmental, supervisory and/or enforcement authorities. Whilst the Group allocates internal resource to ensuring the continued compliance with its legal and regulatory obligations, there can be no assurance that the Group will be able to accurately and/or punctually adapt to any such changes in the legal and/or regulatory regime applicable to the Group. Any such failure by the Group to respond sufficiently to any such changes in the legal and/or regulatory regime to which it is subject could have an adverse effect on the Group's reputation which may adversely affect the Group's business, financial condition, results of operations and prospects.

A failure by the Group to meet workplace health and safety standards could adversely affect the Group's business

The Group is subject to, and must comply on an ongoing basis with, a range of workplace-related legal and regulatory standards, including those in connection with health and safety and product liability. Whilst the Group seeks to ensure continued compliance with these obligations, there can be no assurance that the Group can or does comply in all respects and at all times across its entire business and store portfolio. Any failure to comply with these standards may result in potential injury and/or more serious damage being caused to the Group's contractors, customers, employees and/or third parties at the Group's premises. Any such injury or other serious damage caused to either of these contractors, customers, employees and/or third parties would likely have a significant impact on the Group's reputation which would likely have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may suffer from financial loss and/or penalties, increased costs, and reputational damage if tax rates, tax laws or HMRC's published practice change, or if HMRC investigated the current or historical practices of the Group

The Group accounts for tax in the UK and is required to adhere to UK tax laws and regulations as well as the practices and guidelines published by HMRC. Any changes to tax rates, UK tax laws and/or regulations or HMRC's published practice or guidelines, or any failure by the Group to manage its tax risks adequately could result in the Group being subject to increased tax charges, penalties and potentially reputational damage. Additionally, any investigations by HMRC into the Group's current or historical operations and practices would likely require a significant time investment from the Group's management team which may divert attention from the day-to-day running of the Group's business. Any of these may have an adverse effect on the Group's reputation which could adversely affect the Group's business, financial condition, results of operations and prospects.

Withholding tax (and associated interest and penalties) on the 2014 Facilities Agreement

On 25 June 2014, The Works Investments and, amongst others, Proventus Capital Partners III KB ("**Proventus**"), a Swedish partnership, entered into the 2014 Facilities Agreement. The 2014 Facilities Agreement is due to be repaid out of the net proceeds receivable by the Company under the Offer and the New Debt Facility.

In order for The Works Investments not to withhold tax on interest payments (at a rate of 20 per cent.) paid to Proventus, clearance is required from HMRC, which, if granted, reduces the rate of withholding tax to 0 per cent. (under the Sweden-UK double tax treaty). In such circumstances, either the borrower (i.e. The Works Investments) must notify HMRC that the borrower intends to rely on the clearance obtained by the lender (i.e., Proventus) or the borrower must receive a direction from HMRC to pay gross of withholding tax before making interest payments. If the borrower does not make such a notification to HMRC (or receive such a direction), the borrower is obliged to withhold tax at a rate of 20 per cent.

The Works Investments received a copy of Proventus' clearance dated 10 May 2018 from HMRC which provides confirmation that Proventus is entitled to receive interest payments from The Works Investments gross of withholding tax. The clearance letter expressly applies to any payments of interest made on or after 30 April 2018. The letter also states that a direction has been issued by HMRC to The Works Investments, providing The Works Investments with authorisation to make future payments of interest (i.e. payments made on or after 30 April 2018) gross of withholding tax. However, the clearance letter does not make reference to the withholding requirements on interest payments made prior to 30 April 2018 and it is not clear whether Proventus obtained such a clearance from HMRC.

As The Works Investments had not previously notified HMRC or received a direction from HMRC to allow it to pay interest to Proventus gross, withholding tax of 20 per cent. may have been required to be withheld in respect of such interest payments (amounting to not more than £2.75 million (plus interest and penalties)). To date, The Works Investments has received no challenge from HMRC in relation to this.

However, given that clearance has been received by Proventus from HMRC, the Company understands that HMRC by concession, which is effectively the means by which HMRC allows taxpayers to mitigate their tax liabilities even though the relevant allowances would not strictly be allowed under the terms of the tax legislation, should accept that no withholding tax is payable in respect of interest payments made prior to the receipt of that clearance. This means that the amount referred to above of not more than £2.75 million would not be payable. In these circumstances, the potential liability of The Works Investments is limited to interest arising on the unpaid withholding tax plus penalties. The estimated interest that could arise in respect on the withholding tax potentially due on interest payments made prior to 30 April 2018 is approximately £137,000. Penalties could be chargeable in respect of two areas: the underpayment of withholding tax and incorrect CT61 returns. Any penalties charged in respect of the underpayment of tax would be dependent on the conduct of The Works Investments (for example whether HMRC found the error to be deliberate); and any penalties that could arise in respect of incorrect CT61 returns are a maximum of £3,000 per return (CT61 returns are required on a quarterly basis, therefore a maximum penalty of £48,000 could arise).

Risks relating to the Offer and to the Shares

Substantial sales of Shares by significant Shareholders could depress the price of the Shares

Subsequent sales by the Principal Selling Shareholders (or any other substantial Shareholders) may significantly reduce the Company's share price. Each of the Principal Selling Shareholders has agreed with the Company and Investec to certain restrictions on their ability to sell, transfer and otherwise deal in their Shares for a period of six months from the date of the Placing Agreement, unless otherwise consented to by Investec, further details of which can be found at paragraph 12 of Part XIII of this Prospectus. Nevertheless, the Group is unable to predict whether substantial amounts of Shares (in addition to those which will be available in the Offer) will be sold in the open market following the termination of the lock-up arrangements or their waiver by Investec. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

Exchange rate fluctuations may affect the value of Shares

The Shares will be quoted and any dividends to be paid in respect of them will be in pounds sterling. An investment in Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms.

Dilution and future issuances of Shares

The Group may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Group which may dilute the holdings of Shareholders. Under the Placing Agreement, the Company has agreed to refrain from issuing Shares or securities convertible or exchangeable into Shares for a period of 12 months commencing on the date of Admission without the consent of Investec, subject to certain exceptions. At the end of this 12 month period, there will be no restrictions on the Company issuing Shares, other than pursuant to applicable securities laws and stock exchange policies.

Stamp duty in connection with the Exchange Agreement

On 10 July 2018, and as described in paragraph 3 of Part XV of this Prospectus, the Company and the then shareholders of The Works Investments entered into the Exchange Agreement pursuant to which, amongst other things, the then shareholders of The Works Investments sold their entire shareholding in the capital of The Works Investments (collectively, the "**Works Investments Shares**") in consideration for the issue and allotment to them of shares in the Company. An application has been made to HMRC for relief from stamp duty on the stock transfer forms relating to the transfer of the Works Investments Shares to the Company as part of the Reorganisation. Pursuant to the terms of the Exchange Agreement, the then shareholders of The Works Investments transferred the beneficial ownership in the Works Investments Shares to the Company and severally appointed it as their attorney to exercise all of their voting rights in relation to The Works Investments. The Company is the beneficial owner only (and not legal) of the Works Investments Shares until its name is entered in the register of members of The Works Investments, at which time it will also become the holder of the legal title to the Works Investments Shares. Until such time, the then shareholders of The Works Investments hold the Works Investments Shares on trust for the Company.

Pending adjudication by HMRC of the application for relief, the transfer of the Works Investments Shares cannot be registered in its register of members. Whilst the Directors consider that such stamp duty relief will be available, in the event that it is not for any reason, the Company will pay the relevant amount of the stamp duty so as to enable legal title to the Works Investments Shares to be registered in the name of the Company. It is estimated that the cost of the stamp duty that would be payable in the event the stamp duty relief is not available would be in the region of £260,000.

The Offer may not result in an active or liquid market for the Shares

Prior to the Offer, there has been no public trading market for the Shares. The Offer Price has been agreed by the Company in consultation with Investec, and may not be indicative of the market price for the Shares following Admission. The Group cannot guarantee that an active trading market will develop or be sustained following the completion of the Offer, or that the market price of the Shares will not decline thereafter below the Offer Price.

The Company may not be in a position to pay cash dividends or provide returns to its Shareholders

While the Board intends to adopt a progressive dividend policy that maintains an appropriate level of dividend cover, there can be no assurance that it will pay dividends in the future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, applicable law, regulations, restrictions, its results of operations, financial condition, cash requirements, contractual restrictions, its future projects and plans and other factors that the Board may deem relevant. In addition, the Group currently conducts substantially all of its operations through its subsidiaries, and these entities generate substantially all of the Group's operating income and cash flow. Because the Company has no direct operations or significant assets other than the share capital of its subsidiaries, it relies on its subsidiaries for cash dividends, investment income, financing proceeds and other cash flows to pay dividends, if any, on the Shares and, in the long term, to pay other obligations at the holding company level that may arise from time to time. The ability of the Group's subsidiaries to make payments to the Company depends largely on their financial condition, their ability to generate profits and the terms of the contractual agreements to which they are a party and, in any event, can only be done in circumstances in which it is lawful to do so. There can, therefore, be no assurance that the Company will be able to pay any dividends in the future.

Additionally, any change in the tax status of any member of the Group or in tax legislation could affect the Company's ability to provide returns to Shareholders. Statements in this Prospectus in relation to tax and concerning the taxation of investors in the Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the specific circumstances of the relevant investor. The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available.

Holders of the Shares in certain jurisdictions, including the United States, may not be able to exercise their pre-emptive rights if the Group increase its share capital

Under the Articles to be adopted with effect from, and conditional upon, Admission, holders of the Shares generally have the right to subscribe and pay for a sufficient number of Shares to maintain their relative ownership percentages prior to the issuance of any new Shares in exchange for cash consideration. U.S. holders of the Shares may not be able to exercise their pre-emptive rights unless a registration statement under the Securities Act is effective with respect to such rights and the related Shares or an exemption from the registration requirements of the Securities Act is available. Similar restrictions exist in certain other jurisdictions. The Company currently does not intend to register the Shares under the Securities Act or the laws of any other jurisdiction, and no assurance can be given that an exemption from such registration requirements will be available to U.S. or other holders of the Shares. To the extent that the U.S. or other holders of the Shares are not able to exercise their pre-emptive rights, the pre-emptive rights would lapse and the proportional interests of such U.S. or other holders would be reduced.

PART III

IMPORTANT INFORMATION

General

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

Prospective investors should only rely on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this Prospectus and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to 87G of FSMA and Rule 3.4 of the Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules or any other applicable law, the Company assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this Prospectus nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date of this Prospectus.

Prior to making any decision as to whether to invest in the Shares, prospective investors should read this Prospectus in its entirety. In making an investment decision, each prospective investor must rely on his, her, or its own examination, analysis and enquiry of the Company, the Shares and the terms of the Offer, including the merits and risks associated with such an investment. Investors who purchase Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of Investec or any person affiliated to Investec in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained within this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Investec.

None of the Company, the Directors, the Selling Shareholders, Investec or any of their respective affiliates, officers, employees, or representatives makes or will make any representation to any prospective investor in the Shares under the laws applicable to any such prospective investor. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice in relation to an investment in the Shares.

Forward looking statements

This Prospectus contains statements that are or may be deemed to be, "forward looking statements". All statements other than statements of historical facts included in this Prospectus may be forward looking statements, including statements that relate to the Group's future prospects, developments and strategies.

Forward looking statements are identified by their use of terms and phrases such as "believe", "targets", "expects", "aim", "anticipate", "projects", "would", "could", "envisage", "estimate", "intend", "may", "plan", "will", "shall" or the negative of any of those or variations or comparable expressions, including references to assumptions. The forward looking statements in this Prospectus are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward looking statements. Factors that may cause actual results to differ materially from those expressed or implied by such forward looking statements include, but are not limited to, those described in the risk factors as set out in Part II of this Prospectus. These forward looking statements are based on numerous assumptions regarding the present and future business strategies of the Group and the environment in which each Group Company will operate in the future. All subsequent oral or written forward looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward looking statement speaks only as at the date of this Prospectus. Except as required by law, regulatory requirement, the Prospectus Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules, neither the Company nor any other party intends to update or revise these forward looking statements, whether as a result of new information, future events or otherwise.

You are advised to read this Prospectus and, in particular, Part I, Part II, Part VII and Part IX of this Prospectus for a further discussion of the factors that could affect the Group's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this Prospectus may or may not occur. Investors should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

Presentation of financial information

The Company and the Operating Group publish their financial statements in pounds sterling. The abbreviation "£'000" represents thousands of pounds sterling and references to "pence" and "p" represent pence in the UK.

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part XII of this Prospectus. The unaudited pro forma statement of consolidated net assets is based on the audited consolidated net assets of the Operating Group as of 29 April 2018 as set out in Section B of Part XI of this Prospectus. The unaudited pro forma statement of consolidated net assets includes certain adjustments in respect of the allotment of the Subscription Shares and the refinancing of existing debt facilities which might have affected the financial information presented had they occurred on 29 April 2018. However, the unaudited pro forma statement of consolidated net assets is not necessarily indicative of what the financial position of the Operating Group would have been had the allotment of the Subscription Shares and the refinancing occurred on 29 April 2018.

The unaudited pro forma financial information is for illustrative purposes only and in accordance with Annex II of the Prospectus Rules and should be read in conjunction with the notes set out in Part XII of this Prospectus. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Operating Group's actual financial position as of 29 April 2018. Future results of operations may differ materially from those presented in the unaudited pro forma information due to various factors.

Non-IFRS measures

In this Prospectus, certain financial measures are presented that are not recognised or defined by IFRS, including, but not limited to, "EBITDA", "EBITDA margin", "Adjusted EBITDA", "Underlying EBITDA" and "Underlying Revenue", (the "**Non-IFRS Measures**"). Investors are encouraged to evaluate these adjustments and reasons the Company considers them appropriate for supplemental analysis. In evaluating the Non-IFRS Measures, investors should be aware that in the future the Group may incur expenses that are the same as or similar to some of the adjustments in this presentation. The Company's presentation of such metrics should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

The Non-IFRS Measures are included in this Prospectus because the Directors consider them to be important supplemental measures of the Group's performance and a basis upon which to assess performance. The Company uses the Non-IFRS Measures for business planning purposes and in measuring its performance relative to that of its competitors. The Directors believe that the presentation of the Non-IFRS Measures should enhance an investor's understanding of the Group's financial performance. The Directors further believe that the Non-IFRS Measures should provide investors with useful tools for assessing the comparability between periods of the Group's ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures. The Directors also believe that the Non-IFRS Measures are useful to investors because they and similar measures are frequently used by securities analysts, investors and other interested parties to evaluate other companies in the Group's industry.

The use of Non-IFRS Measures has limitations as an analytical tool, and investors should not consider any of the Non-IFRS Measures in isolation, or as a substitute for analysis of the Group's results as reported under IFRS.

A reconciliation of profit before tax for the three years ended 29 April 2018 to Adjusted EBITDA is set out in note 6 of section B of Part XI of this Prospectus. A reconciliation of net cash inflow from operating activities to operating profit is set out in paragraph 5 of Part IX of this Prospectus.

Rounding

The financial (and other) information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

No profit forecast

No profit forecast or estimate has been made in this Prospectus.

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon for any purpose. Neither the delivery of this Prospectus nor any subscription and/or purchase made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date of this Prospectus.

Distribution of this Prospectus

This Prospectus does not constitute and may not be used for the purposes of, an offer to sell or issue or the solicitation of an offer to subscribe for and/or purchase any Shares to or from any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law and regulation. Other than in the United Kingdom, no action has been taken or will be taken by the Company or Investec that would permit a public offering of the Shares, or possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors must inform themselves as to:

(a) the legal requirements of their own countries for the subscription, purchase, holding, transfer or other disposal of the Shares;

(b) any foreign exchange restrictions applicable to the subscription, purchase, holding, transfer or other disposal of the Shares which they might encounter; and

(c) the income and other tax consequences which may apply in their own countries as a result of the subscription, purchase, holding, transfer or other disposal of the Shares.

Advice

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Prospective investors must rely upon their own professional advisers, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Notice to investors in the EEA

In relation to each Member State, an offer to the public of any Shares may not be made in that Member State, except that an offer to the public in that Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

(a) to any legal entity which is a "qualified investor" as defined under the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of Investec; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any Shares shall result in a requirement for the Company, Investec or any Selling Shareholder to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company, Investec and the Selling Shareholders that it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Shares to be offered so as to enable an investor to decide to subscribe for and/or purchase any Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Shares being offered to a "financial intermediary" as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it pursuant to the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and Investec has been obtained to each such proposed offer or resale.

Notwithstanding the above, a person who is not a qualified investor and who has notified Investec of such fact in writing may, with the consent of Investec, be permitted to subscribe for and/or purchase Offer Shares.

Certain non-United Kingdom recipients

This document is not for distribution into Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States. The issue of the Shares has not been, and will not be, registered under the applicable securities laws of Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States and, subject to certain exceptions, the Shares may not be offered or sold directly or indirectly within Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States or to, or for the account or benefit of, any persons within Australia, Canada, the Republic of South Africa, New Zealand, Japan or the United States.

No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence.

No document in relation to the issue of the Shares has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission.

No registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the issue of the Shares.

The Shares have not been and will not be registered under the Securities Act or any US state securities laws. The Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the Securities Act) unless the Offer and sale of the Shares has been registered under the Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The Shares are being offered and sold only in "offshore transactions" outside the US in reliance on Regulation S or another exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

The Shares have not been approved or disapproved by the SEC, any US state securities commission or any other US regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US.

No incorporation of website information

The contents of the Group's websites or any websites directly or indirectly linked to any such website have not been verified and do not form any part of this Prospectus and prospective investors should not rely on such information.

Market, economic and industry data

Certain statements in this Prospectus relating to the Company's business and markets have been extracted, without material adjustment, from the Pragma Report. The Company confirms that this information and any other information extracted from third-party sources has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by Pragma and these third-parties, no facts have been omitted which would render reproduced information inaccurate or misleading as at the date of this Prospectus. Such information is approximate and has not been audited or independently verified, nor has the Company ascertained the underlying economic assumptions relied upon therein. Such information may also be updated by Pragma or any such third parties.

References to defined terms

Capitalised terms used in this Prospectus are defined in either Part XVI of Part XVII of this Prospectus.

London, UK time

All references to time in this Prospectus are to London, UK time, unless otherwise stated.

Reorganisation

Except where the context otherwise requires, all of the information in this Prospectus is presented as if the Reorganisation had already taken place as at the date of this Prospectus such that, among other things, the Company is the parent company of the Operating Group. All steps associated with the Reorganisation will be completed prior to, or with effect from, Admission. See paragraph 3 of Part XV of this Prospectus for further information on the Reorganisation.

Governing law

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and are subject to changes therein.

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Prospectus	13 July 2018
Admission and commencement of unconditional dealings in Shares on the London Stock Exchange	8.00 a.m. on 19 July 2018
CREST accounts credited with uncertificated Shares	8.00 a.m. on 19 July 2018
Despatch of definitive share certificates (where applicable)	by 2 August 2018

Notes:

(1) The times and dates in the table above, except the date of publication of this Prospectus, are indicative only and are subject to change without further notice.

(2) No temporary documents of title will be issued.

PART V

OFFER STATISTICS

Offer Price (per Share)	160 pence
Number of Shares in the Offer	40,766,165
Number of Subscription Shares in the Offer to be issued by the Company	17,812,517
Number of Sale Shares in the Offer to be sold by the Selling Shareholders	22,953,648
Percentage of the Enlarged Share Capital in the Offer	65.2 per cent.
Number of Shares in issue immediately following Admission	62,500,000
Estimated net proceeds of the Offer receivable by the Company(1)	£24.8 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders(2)	£35.4 million
Market capitalisation of the Company at the Offer Price immediately following Admission(3)	£100.0 million
Ticker symbol	WRKS
ISIN	GB00BF5HBF20
LEI	894500W7PWBCCWBN9R03
SEDOL Code	BF5HBF2

Notes:

(1) Estimated net proceeds receivable by the Company are stated after deduction of commissions and other estimated Offer expenses payable and applicable taxes of, in aggregate, approximately £3.7 million (assuming Investec's discretionary commission will be paid). The Company will not receive any portion of the proceeds resulting from the sale of the Sale Shares by the Selling Shareholders in the Offer, all of which will be paid to the Selling Shareholders or to such persons as the Selling Shareholders may direct.

(2) Estimated net proceeds receivable by the Selling Shareholders are stated after deduction of commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders in connection with the Offer of, in aggregate, approximately £1.3 million (assuming Investec's discretionary commission will be paid). The Selling Shareholders will not receive any portion of the proceeds resulting from the sale of the Subscription Shares by the Company in the Offer, all of which will be paid to the Company or to such persons as the Company may direct.

(3) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Offer Price.

PART VI

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Dean Hoyle (*Chairman and Non-Executive Director*) Kevin Keaney (*Chief Executive Officer*) Gavin Peck (*Chief Financial Officer*) Harry Morley (*Non-Executive Director and Senior Independent Director*) Catherine Glickman (*Non-Executive Director*)
Company secretary	Prism Communications and Management Limited 42-50 Hersham Road Walton-on-Thames KT12 1RZ
Registered office and business address	Boldmere House Faraday Avenue Hams Hall Distribution Park Coleshill Birmingham B46 1AL
Sponsor, financial adviser, bookrunner and broker	Investec Bank plc 30 Gresham Street London EC2V 7QP
Legal advisers to the Company as to English law	Walker Morris LLP Kings Court 12 King Street Leeds LS1 2HL
Legal advisers to Investec as to English law	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Auditors and reporting accountants	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Registrar	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Bankers	HSBC Bank plc 8 Canada Square London E14 5HQ
Public relations advisers to the Company	Teneo Blue Rubicon Limited 5th Floor 6 More London Place London SE1 2DA

PART VII

INFORMATION ON THE GROUP AND BUSINESS OVERVIEW

Investors should read this Part VII in conjunction with the more detailed information contained in this Prospectus, including the financial and other information appearing in Part IX. Where stated, financial information in this Part VII has been extracted from Part XI.

1. Introduction

The Works is one of the UK's leading multi-channel specialist retailers of value gifts, arts, crafts, toys, books and stationery. The Group occupies an attractive position within the high growth discount retail sector, offering a differentiated proposition as a value alternative to full price specialist retailers.

The Group offers its product range through its nationwide network of over 447 branded stores and concessions, as well as through its fast growing and profitable e-commerce platform, www.theworks.co.uk.

The Group operates 399 retail stores which are typically located in convenient locations with high footfall, across a mixture of high street, shopping centre, factory outlet and retail park formats, which are all held on a leasehold basis. In addition, the Group operates 48 concessions which are located in garden centres and large convenience stores. The Group's variety of store formats helps it to seek to maximise the reach of its diversified, multichannel retail proposition into a broad customer base across the UK and RoI.

Over the last three financial years, the Group has opened a net 134 new retail stores and concessions and the continued roll out of the Group's store network represents a key driver of growth in the business. The Directors believe that there are up to 1,000 potential locations across the UK and RoI for the Group's existing store formats alone. Historical payback on new stores has been approximately 13.3 months. Additionally, through its e-commerce platform, the Group has developed a multichannel sales offering which the Directors also believe will drive future growth.

Within each store, the Group's products are categorised into four product 'zones' under the umbrella "Gifts for Everyone". These product zones are classified as (1) Kids, (2) Arts, Crafts and Hobbies, (3) Stationery and (4) Family Gifts with each supplemented by both regional and seasonal offerings. The Group maintains a core product offering of approximately 270 SKUs, with an average store holding approximately 6,000 SKUs, which are frequently updated across the four product zones. This frequently refreshed product offering helps to create "newness", variety and product discovery within its stores, encouraging repeat customer visits and supporting the Group's marketing theme "what will you discover?". The Group also holds regular sales events, enabling it to keep its stock file clean and within its targeted aged stock level of under 10 per cent.

To support this dynamic and diversified product offering, the Group operates a highly experienced buying team which, over time, has built relationships with over 500 suppliers across Europe and Asia. The experience and supplier relationships developed and maintained by the buying team helps management to capitalise quickly on market trends across the product zone formats. The Group has a proven ability in identifying and exploiting emerging consumer Mega Trends, including fidget spinners, loom bands and adult colouring products. The Directors believe the Group's buying team and nimble approach to trading to be key strengths of the Group.

In 2016, the Group set up its in-house design department to further develop and accelerate the design and sourcing of own-branded products. This has allowed for a more differentiated product proposition and the ability to deliver higher gross margins. The Group has been able to grow the proportion of its own-brand sales as a percentage of overall net sales from 25.7 per cent. in FY16 to 27.5 per cent. in FY18.

In 2017, The Works successfully relocated to a new 183,000 square foot support and distribution centre which is strategically located in Coleshill, Birmingham. This centre gives the Group good access to major arterial routes of the UK, the M6 and the M1 motorways, whilst, the Directors believe, also providing the capacity and capability to support up to 1,000 stores and concessions, in aggregate, across the UK and RoI. E-commerce sales are currently fulfilled from the same distribution centre, although the Group intends to transition towards a more traditional third-party logistics model in the near term specifically to handle e-commerce sales. In addition to the new distribution centre, the Group has made significant investments into its operational management team and its scalable IT and support systems which the Directors consider to be key to the Group's long-term growth. On average, the Group employed 3,211 people in FY18, of which approximately 72 per cent. were employed on a part-time basis.

The Group has a consistent track record of delivering significant organic growth in Underlying Revenue and Underlying EBITDA. For the three years ended 29 April 2018, Underlying Revenue increased at a CAGR of 14.0 per cent. to £189.3 million and Underlying EBITDA at a CAGR of 14.1 per cent. to £12.0 million. Additionally, management has a strong track record of growing cash margins and oversaw the Group's store cash margin as a percentage of sales increase from 61.0 per cent. in FY16 to 62.3 per cent. in FY18. The Group's strong Cash Conversion has enabled the store roll out programme to be self-funded to date.

The Directors and Senior Managers have over 200 years of combined retail experience with a significant number of the senior team in place since 2011. Management have a solid understanding of the competitive landscape and a proven track record of identifying higher margin product areas with the potential for future growth. Together they have been responsible for the successful implementation of significant strategic and operational initiatives. This has included the continued development of the Group's retail proposition, the establishment of a clear roll out strategy, and the development of an "own-brand" offering and the Group's e-commerce platform.

The Directors believe there are significant opportunities for future sales growth through the Group's focused store opening programme, the continued penetration and development of the Group's e-commerce platform and further development of the existing store proposition. Accordingly, on Admission, the Directors and Senior Managers (including their connected persons) will, in aggregate, continue to own a significant interest in the Company (approximately 22.0 per cent. of the Enlarged Share Capital).

2. History of the Group

Set out below is a summary of the key milestones in the history of the Group:

Year	*Milestone*
1981	Founded as Remainders Limited
2008	Acquired by Endless LLP Paul Hughes appointed as Property Director and Victoria Norrish appointed as Finance Director
2010	Andrea Bennett appointed as Trading Director
2011	Kevin Keaney appointed as CEO and Nicholas Wood appointed as Retail Operations Director
2012	New e-commerce platform launched
2013	"Together" loyalty card scheme launched
2014	Rollout of new format commenced Refinanced with HSBC and Proventus Capital Partners Simon Joseph appointed as Multi-Channel Director and Thomas Scott appointed as IT Director
2015	Dean Hoyle became a shareholder in the Group and appointed Chairman "Click and Collect" launched
2016	Launched in-house design department Loyalty membership passed 1 million
2017	Moved to a purpose built head office and distribution centre Opened 400th store Debbie McMinn[1] appointed as HR Director CraftWorks trial store format launched
2018	Gavin Peck appointed as CFO

(1) Née Debbie Jamieson

3. Description of the Group's business

The Works is one of the UK's leading multi-channel specialist retailers of value gifts, arts, crafts, toys, books and stationery. The Group has a diversified value product offering, broadly organised into four categories (or 'zones'): Kids; Arts, Crafts and Hobbies; Stationery; and Family Gifts, and has a reputation for selling good quality, great value products. The categories are supplemented by both seasonal and regional offerings and each zone offers books and both branded and own-brand merchandise.

The Works maintains a core product offering of approximately 270 SKUs, with an average store holding approximately 6,000 SKUs which are frequently updated across the four product zones. The focus on a refreshed product offering helps to create "newness" and is driven by an experienced buying team. The buying team has a track record of identifying and exploiting emerging consumer Mega Trends. In recent years, Mega Trends have included fidget spinners, loom bands and adult colouring products. To enable analysis of the core underlying business, Mega Trends are excluded from underlying performance analysis.

3.1. *Products and category zones*

Kids

The Kids Zone at The Works is a 'one stop shop' for value kids' books alongside a wide range of toys, jigsaws and games with an emphasis on character licenses. The category also features products with a focus on "funucational" (meaning certain products that have a strong educational element alongside an emphasis on "play and learn"). It is within this category that The Works has a particular strength in identifying emerging Mega Trends and responding with a view to being amongst the first to market to capitalise on them.

The Group offers customers multi-buy and other types of offers on a periodic basis in this category. This includes the Group's "hero" deals (e.g. the current 3 for £5 kids' books multi-buy and the 2 for £10 magical gifts range at Christmas) which continue to re-enforce the focus on value within the category.

Arts, crafts and hobbies

This category comprises a wide selection of paints, brushes, art sets, paper, canvas and craft kits that cater for the needs of beginners to experts, alongside a complementary book offer to enhance the range. Traditional wooden puzzles, jigsaws and family games, a selection of puzzle books plus a smaller selection of gardening, sport and transport titles for the enthusiasts are also included in the category.

The Works aims to be the UK's best value arts and crafts retailer and is able to drive value through the use of well-established own label brands in this category. In the art materials category, art enthusiasts shopping on a budget are served by the "Crawford and Black" brand whilst specialists are catered for by the "Boldmere" brand. Within crafts, the "Make and Create" own-brand label caters to the value customer and is complemented by the "M&C Boutique" own-brand which caters to the more specialist craft customer.

Stationery

This category leads with The Works' own-brand "Paper Place" social stationery range which includes value and high quality fashion notebooks, greeting cards, writing sets, storage boxes and address books. The Group's own-brand "Scribblicious" range which is aimed at the younger audience (being 8 to 16 year old customers), includes trendy pens, pencils, pencil cases, and storage solutions. The Works also offers an extensive own-brand calendar and diary selection. All of these ranges are complemented by the core offer of consumable everyday stationery suitable for home/office and students. Own-brand led and branded products are also available in this category.

Family gifts

This category is the home in stores for the majority of adult books including best-selling fiction paperbacks which are in a 3 for £5 deal throughout the year. This deal has been running for over 10 years and continues to re-enforce The Works' heritage for being one of the UK's leading discount book store.

This category also includes literature box sets, topical biographies, family reference including popular science, health and fitness, food and drink and many “as seen on TV” entertainment titles. This is all enhanced by a range of adult gifting that can include anything from the fun and quirky such as extendable back scratchers and light boxes through to the practical such as umbrellas, design-led shopping bags and hampers.

Seasonal and regional

Recurring seasonal events throughout the year represent key selling periods for the Group and an opportunity to attract customers, both in-store and online. The key seasonal periods for The Works include Mother’s Day, Father’s Day, Easter, “back-to-school” and Christmas. The Group plans the merchandising around such events well in advance to help it to seek to maximise the opportunities to attract customer spend. Existing products in stores and concessions are complemented by new products and merchandised together to ensure relevance to the seasonal event and dedicated seasonal webpages are added to the Group’s e-commerce platform. For example, in the run up to Christmas, the Group adds product lines such as seasonal cards, wrapping paper, crackers and gifting accessories.

Christmas is the largest seasonal event in the calendar for the Group and at the end of October The Works transforms the look and feel of all of its stores into “Santa’s Giftshop” with a view to driving footfall and sales.

The Group’s regional offering is made up of a carefully selected local interest range of books and gifts including souvenirs and calendars. The Works trades in a number of key tourist locations such as Princes Street in Edinburgh, Stratford-upon-Avon and Windsor. In stores in those locations, the regional buying team buys tourist-specific ranges.

3.2. ***Own-brand offering***

Across the four product zones, the Group has developed a strong track record of creating a number of own-brand ranges catering to either the value or specialist customer. Save for greeting cards, all of these ranges are designed in-house, and this has been a key contributing factor to continued margin growth in recent years. Set out below are further details on the Group’s own brands:

Brand	*Product category/zone*	*Year of creation*
Boldmere	Premium art supplies for professional artists	2002
Out to Play	Outdoor games, toys and activities for kids	2007
Paper Place	Premium stationery items for home and office	2007
Crawford & Black	Great value art supplies for student artists	2009
Easter Wishes	Great value craft and gift supplies for Easter	2009
Craftworkz	Quality craft items for pre-school/primary to secondary school	2010
Traditional Wooden Games	Wooden games and toys for the whole family	2012
Winter Works	Premium Christmas accessories	2013
Works Premium	Great value essentials/stationery supplies for home and office	2013
Traditional Wooden Toys for Kids	Wooden games and toys for the whole family	2014
Scribbilicious	High quality novelty stationery accessories	2014
Fun Workz	Kids party bag games and accessories	2015
Fun Factory	Indoor and outdoor games, toys and activities for kids	2015
Artworkz	Quality art supplies for pre-school/primary school	2016
CMYK Design Works	Premium art and graphic design supplies for students	2016
Make & Create	Value art and craft supplies	2016

Brand	*Product category/zone*	*Year of creation*
Make & Create Boutique	Premium art and craft supplies	2016
The Craft Place	Great value art and craft supplies for students	2016
Traditional Instruments for Kids	High quality, great value musical instruments	2016
Winter Works Novelty	Novelty Christmas accessories	2016
Brain Maze	Hand-held 3D puzzles and novelty games	2017
Cubed Puzzles	Hand-held 3D novelty puzzles and toys	2017
Explore, Learn, Discover	Educational construction kits	2017
Scrib It!	High quality novelty stationery accessories	2018

3.3. ***Customers***

The Works appeals to customers of all ages with the average age of shoppers being approximately 44 years old according to the Pragma Report. The Pragma Report also supports the fact that the proposition offered by The Works is equally relevant across social grades with its customer mix evenly spread across AB, C1, C2 and DE consumer demographics. The Pragma Report further specifies that approximately two thirds of consumers in each of these categories had previously purchased items from the Group and that whilst The Works' appeal is gender neutral, 62 per cent. of its customers are female. Gifting is an important part of the mind-set of the family type buyers which The Works attracts with the intended recipients being family members, particularly children and grandchildren.

3.4. ***Loyalty programme***

Underpinning the Group's multichannel offering is its "Together" loyalty scheme, which was established in October 2013 and, the Directors believe, was the first loyalty scheme within the value retail sector in the UK.

This loyalty scheme now has over 2.0 million members, of whom 1.1 million are categorised as "active" (customers who have shopped with The Works and used their loyalty card, in store or online, within the last 12 months). The number of loyalty scheme registrations has grown month-on-month since the scheme was established, with a notable increase in new registrations following an EPOS system upgrade in January 2018 which allowed for the ability to activate loyalty cards at the point of sale rather than relying on customers to activate their card online after leaving a store (over 600,000 new registrations since January 2018). For FY18, 21 per cent. of all transactions were made with a loyalty card and these loyalty card transactions had an average AOV approximately 37 per cent. higher than transactions without a loyalty card.

The loyalty scheme database gives the Group insight into its customers' spending patterns which, amongst other things, allows the Group to develop a more accurate understanding of its customers. Furthermore, the Group is able to categorise its members based on their purchase history, allowing the Company to target selectively both "active" and "inactive" members with tailored email marketing campaigns including exclusive offers and bonus point promotions as well as alerting members to new product lines. Relative to other marketing channels used by the Group, tailored marketing programmes through the Group's membership base are seen as both highly effective and affordable by the Group.

The Group's membership database also provides the Group with a cost-effective way of obtaining feedback from its customers on the success of new merchandising strategies and products. This feedback enables the Group to refine its merchandising strategies and product ranges over time.

As well as receiving exclusive offers, members of the Group's loyalty scheme receive bonus points for each pound they spend in the Group's stores or through its e-commerce platform. Members' collected points are then issued in the form of reward vouchers which are sent out (subject to a member having a minimum number of registered points) every three months. These reward vouchers are then able to be redeemed in the Group's stores or through its e-commerce platform. Unused vouchers expire after three months, encouraging members to visit the Group's stores and e-commerce platform frequently. Additionally, to help drive both loyalty scheme membership and store and online visit frequency, the Group conducts a number of double and triple bonus point marketing programmes, typically after peak seasonal trading events.

3.5. ***People***

The Group recognises that its staff are vital to the future success of the business. It places significant emphasis on both people and the culture within the organisation. Management ensure the correct organisational structures and environment are in place to create a culture of high performance and allow employees to develop whilst at the same time instilling The Works' ethics and values. The Group has a focus on growing and retaining talent from within. As a testament to this, as at 29 April 2018, out of the Group's 3,271 employees, 689 had five years' or more service.

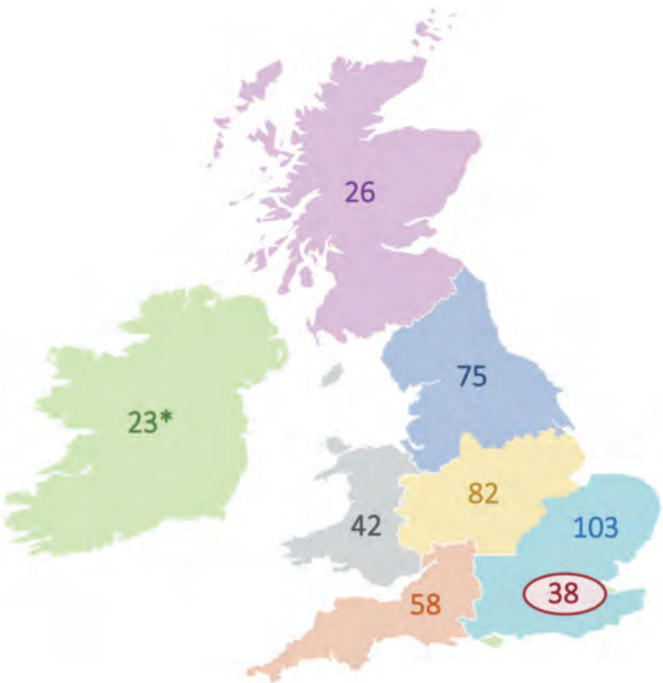
4. Routes to market

The Group offers its product range through its nationwide network of over 447 branded stores and concessions, as well as through its fast growing and profitable e-commerce platform, www.theworks.co.uk.

4.1 ***Retail sites***

Store/concession locations

The Group has a geographically diversified store estate and operates a flexible and diverse retail model across the UK and RoI with formats of varying sizes at different rental levels. The distribution of the Group's stores and concessions across the UK and RoI as at 29 April 2018 is set out below:



Source: Company.
* Includes 8 in RoI.

As at 29 April 2018, no region or format accounted for more than 50 per cent. of the estate.

The Group operates via multiple retail store formats and via concession arrangements, as set out in the table below.

Unit type	Description	Square foot (average) square foot)[1]	Average Gross sales[2] (£'000)	Average EBITDA[2] (£'000)	Average capital expenditure[3] (£'000)	No. as at 29 April 2018
High Street	Located in prime and prime-secondary retail locations on high streets	930-4,060 (1,760)	480	84	95	174
Shopping Centre	Located in primary and prime-secondary shopping centre locations with well-known retail brands	800-3,810 (1,704)	508	81	82	181
Factory Outlet	Destination locations with higher footfall. The Works has historically experienced limited competition due to exclusivity deals with landlords	1,170-2,480 (1,754)	587	121	59	32
Retail Parks	Located in retail parks with proximity to key anchor tenants (e.g. supermarkets)	1,600-4,950 (2,500)	600	44	104	7
Concession	Typically located in garden centres and, more recently, in Co-op convenience stores. These are generally the smallest stores with lower footfall but, however, tend to have lower costs due to the nature of their locations	710-3,000 (1,500)	262	55	35	48
Total						442*

Notes:

(1) As at 29 April 2018.

(2) Average gross sales and average EBITDA are averages for the last 12 months for stores open for more than 15 months.

(3) Average capital expenditure relates to new stores opened from the start of the financial period ended 26 April 2015 and that have been trading for 12 full months, excluding four exceptional/trial stores.

* The Group also operates five trial stores under the Craftworks brand.

Leases

The store portfolio is actively managed through the Group's experienced in-house property team. The Group targets leases with break clauses of five years or less to help with flexibility within the estate. The Works adopts an active approach to managing its lease arrangements, seeking to retain as much flexibility as possible in terms of average lease length and time to next break. As at 29 April 2018, the average lease length of the existing estate was less than three years (defined as to the end of the lease or the next break).

Store rebranding and refits

In 2014, the Group commenced a programme of re-branding the façades of its stores. This programme involved, amongst other things, changing the name of its retail store fronts from "The Works" (and other legacy fascias) to "TheWorks.co.uk". As at 29 April 2018, 69 per cent. of stores have been rebranded with the remaining stores to be rebranded over the next 3 to 4 years (on the basis of 40 rebrands taking place each year). Rebrands are typically done overnight when stores are closed so as to minimise operational disruption. In addition, the Directors believe that the inclusion of the The Works website in the store branding has helped to drive further awareness of, and traffic to, the Group's website.

Stores are typically only refitted if a store has dilapidations and the Company chooses to refit, if it is a requirement on the signing of a lease or, more predominantly, the landlord agrees to fund the refit as part of the negotiation on renewal of a lease. Over the Historical Period, the Company has refitted nine stores with an average closure period of 11 days.

Identification of new sites

The pace of the store roll out programme has accelerated in recent years with 51 net new stores opened in FY17 and 60 net new stores opened in FY18. Through a tried and tested model, Management takes a rigorous approach to identifying potential new store locations. The steps taken by the Group are as follows:

- target location identification and estimating potential new store sales by:
  - benchmarking with similar locations already known in the portfolio;
  - reviewing independent third-party data of over 4,500 retail locations in the UK and analysis of population densities; and
  - considering the proximity of existing The Works stores;
- identifying sites within desirable target locations driven primarily by introductions from property agents;
- senior manager site visits;
- project manager site visits;
- financial assessment and lease term negotiations; and
- approval by the Executive Directors, Retail Operations director or the Property director.

This process will be undertaken for each location on the Group's new store rollout list and will be supplemented by a new forecasting tool being developed in conjunction with CACI. This tool is being designed to help more accurately assess the financial potential of a site which can help support lease negotiations with landlords. The tool will also help the Group to better understand the impact of factors such as demographics, shopper population, spend by category and competitors on the sales potential of a location at a more granular level. In turn, this is expected to provide the Group with a better understanding of the performance drivers within the existing portfolio. This store sales forecasting tool will be used in addition to the current process to enhance the diligence conducted before opening new sites.

4.2 ***Online***

The Group sells through three online channels:

- *Deliver to home* – orders through TheWorks.co.uk are sent from the warehouse to the customer by courier;
- *Click & Collect* – orders through TheWorks.co.uk, are either delivered from the warehouse to stores as part of the normal store deliveries or fulfilled from stores where stock levels allow; and

- *Marketplace* – orders through Amazon or eBay, are sent from the warehouse to customers by courier.

Click & Collect reinforces the multi-channel proposition by creating a link between online customers and stores which not only provides the customers with a convenient and affordable delivery service, but also introduces online customers to The Works' store environment. The Works has successfully developed this multi-channel proposition with Click & Collect accounting for 34 per cent. of online orders of which approximately 33 per cent. of customers collecting their order go on to make another purchase in store at the time of collection.

In addition to stocking the products sold in-store, the website also offers web-exclusive products, including those with larger dimensions more suited to the convenience of home delivery. As a result, the Group is able to sell a further 500 SKUs not listed in stores and expand its product offering into larger SKUs including outdoor, office and sports. Through TheWorks.co.uk, the Group also offers a further 22,000 book SKUs through a drop-ship relationship with a third party vendor. The Directors believe the ability to offer extended ranges online provides a significant opportunity for further growth and an improved customer proposition. A further opportunity exists to extend the current geographic reach to international delivery, beginning with a test in RoI in the second half of 2018.

The Group also operates a versatile online platform, www.theworks.co.uk, which is available via desktop, mobile and tablet devices. In FY18, orders placed on desktop, mobile and tablet devices accounted for 46 per cent., 37 per cent. and 17 per cent., respectively, of the Group's online sales.

5. Market overview

The Group operates within the UK retail market, which was worth an estimated £360 billion in 2016, and specifically within the store-based and online value retail segments.

Out of a total UK store-based retail market estimated to be worth £301 billion, the store-based value retail segment was worth an estimated £28 billion in 2016, representing a 9 per cent. share of the store-based retail market and an 8 per cent. share of the total UK retail market. The online retail sector was worth an estimated £54 billion in 2016 as consumers continued to seek to benefit from its convenience and value.

According to the Pragma Report, the UK retail market grew at a CAGR of 2.4 per cent. between 2011 and 2016 with the value retail segment of the market growing at a CAGR of 11.3 per cent. over the same period to become the fastest growing segment after online retailing (CAGR of 14.6 per cent.).

Additionally, the non-grocery segment of the value retail market grew at a CAGR of approximately 6 per cent. between 2011 and 2016 and is expected to continue this strong growth with an estimated CAGR of approximately 4 per cent. between 2016 and 2021. This compares favourably to the wider UK retail market which is forecast to grow at a CAGR of 1.4 per cent. over the same period.

The 2008 financial crisis acted as a catalyst to the value sector as consumers re-assessed their spending habits in order to maximise value for money. Over the past few years the value retail market has seen increased levels of demand with consumers becoming increasingly aware and accepting of the appeal that the sector offers. Discounters and value retailers have made increased investment into brand and marketing activities, supported by significant store role out programmes which has broadened access. Furthermore, improved product quality and in-store experience have supported higher levels of acceptance and appeal amongst customers.

The Works' market position

Viewed as a speciality retailer by value retailers and as a value retailer by the full price specialists, The Works has developed a strong multi-channel proposition – which, the Pragma Report states, other value retailers have not been able to replicate – across four large and growing retail categories: books, arts and crafts, stationery and toys and games:

Category	*UK market size (2016)*	*UK market growth (2012 – 2016)*	*The Works' UK market share*	*Breakdown of The Works' revenue (FY18)*[(1)]	*Market dynamics*
Books	£1.9 billion	1.3% (print books)	3.6% (2016)	42%	● The children's book category has been growing consistently over the last few years (CAGR of 4.6 per cent. between 2011 and 2016) and is a key driver in the printed book market as it is more resistant to digitisation ● Consumers are continuing to engage with printed books (CAGR forecast of 4.7 per cent. between 2016 and 2021) ● 31 per cent. of Pragma survey respondents agreed that they would buy more books from discount/value shops (with only 18 per cent. disagreeing)
Arts and Crafts	£953 million	14.1%	2.6% (2016)	19%	● The rise of TV shows related to arts and crafts has driven interest in the sector ● Value retailers are an important channel for customers when purchasing arts and crafts ● 66 per cent. of Pragma survey respondents say arts and crafts are a hobby for themselves ● 59 per cent. of Pragma survey respondents bought arts/crafts from a discount/value shop and 40 per cent. (net) agreed that they would make further such purchases

(1) Excludes seasonal and regional categories.

Category	*UK market size (2016)*	*UK market growth (2012 – 2016)*	*The Works' UK market share*	*Breakdown of The Works' revenue (FY18)*[(1)]	*Market dynamics*
Stationery	£2.1 billion	0.6%	0.9% (2016)	12%	● The view of stationery as basic and functional has changed and it has become more aspirational and fashionable ● A rise in new entrants have introduced new and innovative stationery designs to the market ● Value for money is the most important criteria for consumers when choosing where to buy stationery ● The market is forecast to increase at a CAGR of 0.5 per cent. between 2016 and 2021 ● 65 per cent. (net) of Pragma survey respondents preferred to buy stationery in a physical shop ● Almost half said value for money was very important and 28 per cent. said they bought most of their stationery from discount/value shops

(1) Excludes seasonal and regional categories.

Category	*UK market size (2016)*	*UK market growth (2012 – 2016)*	*The Works' UK market share*	*Breakdown of The Works' revenue (FY18)[(1)]*	*Market dynamics*
Toys and Games	£3.0 billion	2.0%	0.6% (2016)	18%	● Licenced toys are an integral part of the toy industry with collectables also experiencing strong growth ● STEM (Science; Technology; Engineering; Maths) or STREAM (Science; Technology; Robotics; Engineering; Arts; Maths) toys are driving innovation in electronic toys with greater emphasis being placed on the cognitive development of children ● The market is forecast to increase at a CAGR of 3.0 per cent. between 2016 and 2021 ● 33 per cent. of Pragma respondents agreed that they would buy more toys from discount/value shops ● Toys and games was the highest category for pocket money spend

(1) Excludes seasonal and regional categories.

Source: Pragma Report

Competitive Landscape

The four product categories referred to above each have a different competitive set that includes value, mainstream and online-only operators.

According to the Pragma Report:

- the UK books category is dominated by online retailer Amazon with a 37 per cent. share of the market in 2016, but the Group also competes with major multiples such as Tesco, Sainsbury's and ASDA, general retailers such as WHSmith and specialist book retailers such as Waterstones and Blackwell's;
- the UK arts and craft category is generally fragmented with specialist retailer Hobbycraft the single largest operator with a market share of approximately 16 per cent. In addition to specialist retailers in this category, the Group competes with value retailers such as Home Bargains, The Range and Flying Tiger Copenhagen as well as online-only retailer, Amazon; and
- the UK stationery and toys and games categories are both highly fragmented with no single dominant retailer. In these categories, the Group competes with specialist retailers such as Paperchase and Ryman in the stationery category and The Entertainer and Smyths in the toys and games category as well as major multiples including Sainsbury's, Tesco and ASDA, discount

grocery retailers such as Aldi and general, value and online-only retailers. The chart below shows how The Works is uniquely positioned within the UK retail market:

Source: Management

According to the Pragma Report, across each of the four categories of books, arts and crafts, stationery and toys and games, consumers' top two purchase criteria are value for money and range, with approximately 92 per cent. of consumers rating The Works as offering value for money (ahead of all of its peers), and in line with specialist retailers on range, even though the Group offers a markedly smaller number of SKUs.

By leveraging its key strengths, the Directors believe that The Works is well-positioned to take market share from the full price store-based retail specialists and has a demonstrable track record of trading successfully against its core competitors as evidenced by its strong underlying growth in the Historical Period.

6. Key strengths

The Directors believe that the Group has the following key strengths:

6.1 *Offering a differentiated proposition for customers in the value retail sector*

The Group is well-positioned within the high growth value retail sector. The Works provides a clearly differentiated value proposition, offering a wide range of quality products at affordable prices across four key categories: Kids; Arts, Crafts and Hobbies; Stationery; and Family Gifts. These are supplemented by seasonal and regional offerings. The frequently refreshed product offering helps to create "newness" and product discovery within stores, encouraging repeat customer visits and supporting the Group's marketing theme "what will you discover?".

The strength of the Group's value proposition has historically been reflected in independent consumer surveys which indicate a clear and favourable differentiation in both customer and competitor perceptions. The business is viewed as a specialist within the value sector and a value retailer by the full price specialists. The Directors believe that competitors can compete on either price or quality, but currently not both on a consistent basis.

The Group's "Together" loyalty scheme, which the Directors believe was the first loyalty scheme in the value retail sector in the UK, has over 2.0 million members, giving the Group greater understanding of its customers, and the ability to drive sales through targeted, affordable marketing campaigns. For FY18, 21 per cent. of all transactions were made with a loyalty card and these loyalty card transactions had an average AOV approximately 37 per cent. higher than transactions without a loyalty card. The number of loyalty scheme registrations has grown month-on-month since the scheme was established. Additionally, the Pragma Report indicated that consumers' awareness of the Group and its proposition was continuing to grow following a steady increase in awareness over the past six years (from approximately 55 per cent. in 2012 to approximately 72 per cent. in 2018).

6.2 ***Successful and well-developed "own-brand" offering***

The Group has established a successful "own-brand" offering which has grown significantly since the Group's first own-brand was created in 2002 and the establishment of an in-house design department in 2016. As a proportion of the Group's net sales, own-brand products represented 25.7 per cent. of sales in FY16 and has grown to 27.5 per cent. in FY18.

Brands such as Craftworkz, Scribbilicious and Artworkz which were introduced in 2010, 2014 and 2016, respectively, have capitalised on the colouring trend, whilst Make & Create and Paper Place have contributed to sales in arts and crafts and stationery, respectively. The Works also sells a number of Christmas "own-brand" lines, which aim to capitalise on gifting over the festive period.

The establishment of the Group's in-house design department, supported by the strong sourcing capabilities of the buying team, has enabled further development of the own-brand proposition and movement towards further integration in certain product categories in recent years. These own-brand products not only help The Works to better control range development and drive higher gross margin, but also serve to offer customers exclusive products. The Directors believe there is potential to further develop the in-house design function and therefore drive margin expansion through the growth in further own-brand products.

6.3 ***Experienced buying team***

At the core of The Works' business is an experienced buying team. The buying team has invested significant time in building over 500 supplier relationships across Europe and Asia and has significant expertise in importing directly from the Far East. The Group's ability to evolve its product offering and in particular its mix between branded and higher margin, own-brand products has been a significant factor in growing margins.

There are a small number of 'core' products across the Group with a focus on driving new products and innovation. The experience and supplier relationships developed and maintained by the buying team enable management to continue to refresh the product range and also capitalise on market Mega Trends across the product zone formats.

In addition, the Directors believe The Works is well-positioned across all product zones because of its strong supplier relationships, which allow the Group to buy clearance purchases that include end of lines, overstocks, bankrupt stock and cancelled orders and to sell them at highly competitive prices whilst also generating strong margins.

The Works holds a supplier open-day for non-book related products weekly and runs regular open days for books publishers.

6.4 ***Proven multi-channel and multi-format model unique to value retail***

The Group sells its products through both digital and physical retail channels. Stores accounted for approximately 91 per cent. of sales in FY18 and are supported by a profitable and growing online presence.

Stores

The Works has established a range of store formats that enable the Group to sell products across a number of different locations and footprints. This provides the Group with a broad range of possible routes to its customers from which to drive retail roll out growth and tailor the level of investment in any particular location to the size of the potential sales opportunity. This flexibility helps to keep site capital expenditure investment in proportion to the scale of the opportunity.

In addition, The Works commenced trialling a "Craftworks" only store in July 2017, a small format store focused exclusively on arts and crafts essentials. The Craftworks format aims to access the growth of the craft market in the UK and the lack of any standalone craft stores on the high street.

The trial currently consists of five stores and provides a potential new format to complement the existing planned rollout of, core, The Works stores.

Online

The Group's e-commerce business has continued to grow in the last three financial years from 6.1 to 8.9 per cent. of Group sales and has been driven in part by the recruitment of a new multi-channel director. In addition, Click & Collect reinforces the multi-channel proposition by creating a link between online customers and stores which not only provides the customers with a convenient and affordable delivery service, but also introduces online customers to The Works' store environment. In addition, the average order size tends to be larger online due to a combination of product mix, increasing sales of "bundles" such as the '10 for £10' offer on kids' books and offering free delivery on orders over £20.

Conversion on the website has grown from 2.8 to 3.6 per cent. in the last three financial years reflecting the investment into developing the online customer journey, enhancing fulfilment services and adding functionality designed to improve convenience.

The e-commerce operation enables The Works to offer complementary web-exclusive products, including those with larger dimensions more suited to the convenience of home delivery, enhancing its customer proposition and providing a significant opportunity for further growth.

6.5 ***Well-positioned in a large and growing market***

The Group operates within the store-based value retail and online retail segments of the market which, according to the Pragma Report, were worth an estimated £28 billion and £54 billion, respectively, in 2016 and were the two fastest growing segments of the retail market between 2011 and 2016 with the value retail segment of the market growing at a CAGR of 11.3 per cent. and the internet retail segment growing at a CAGR of 14.6 per cent.

According to the Pragma Report, the non-grocery segment of the value retail market is set to continue the strong growth seen in recent years with an estimated CAGR of approximately 4 per cent. between 2016 and 2021, with growth forecast in each of the Group's four retail categories of books, arts and crafts, stationery and toys and games.

The Directors believe that the Group is well-positioned to take market share from the full price store-based retail specialists and has a demonstrable track record of trading successfully against its core competitors. This is evidenced by the strong underlying growth in the Group during the Historical Period.

Furthermore, driven by its continued store/concession roll-out programme, the strength of its well-defined value proposition and its proven multi-channel and multi-format model which consumers consider to be unique to value retail, the Directors believe that there is opportunity for continued significant growth of the Group.

6.6 ***A successful track record of delivering LFL sales growth***

The Group has a strong track record of delivering underlying LFL sales growth from existing stores, having delivered positive LFL sales over the Historical Period. This growth has been driven by a range of factors, including an evolving product mix with a continued focus on product "newness", the growth in the Group's own-brand offering and strong growth in its e-commerce channel.

As noted above, The Works seeks to capitalise on Mega Trends from time-to-time. To enable analysis of the core underlying business Mega Trends are excluded from underlying LFL analysis.

6.7 ***A successful track record of growing the Group's store portfolio and operating stores profitably in a range of retail locations***

As at 29 April 2018, the Group operated from a portfolio of 447 stores. The pace of the roll out has accelerated in recent years and the last two years have seen 51 and 60, respectively, net new stores across all formats. The Group intends to continue to roll out up to approximately 50 net new stores per year and the Directors believe there are up to 1,000 potential locations across the UK and RoI for the Group's existing store formats alone.

The Group's value proposition and low average capital expenditure requirements for new stores across all formats allow the Group to operate in a wide range of locations and formats while maintaining the quality and flexibility of its store-rental portfolio. The Group has stores operating profitably on high streets in both small towns and major cities across the UK and RoI, in shopping centre developments, in out-of-town retail parks and in factory outlet centres.

6.8 ***Consistently strong financial performance, cash generation and margin expansion***

Over the last three financial years, The Works' business model has consistently generated strong levels of Underlying Revenue growth and profitability driven by the Group's core underlying business alongside capitalising on Mega Trends. During the three financial years ended 29 April 2018, the Group's Underlying Revenue grew by a CAGR of 14.0 per cent. to £189.3 million, with Underlying EBITDA growing at a CAGR of 14.1 per cent. to £12.0 million. In addition, store cash margin has consistently grown over the Historical Period reaching 62.3 per cent. in FY18 (61 per cent. in FY16).

The Group has a highly cash generative operating model with Cash Conversion averaging 60.2 per cent. of Underlying EBITDA in the three years to 29 April 2018. This reflects the efficiency of the Group's business model and strong control of operating costs and working capital. In FY18, Cash Generation was £16.8 million and Cash Conversion was 70.8 per cent. of Underlying EBITDA. In FY18, only five of the Group's stores that had been trading for a full 15 months at the end of FY18 did not generate a profit (such stores representing a combined loss of less than £50,000).

The Directors estimate that Mega Trends contributed £8.8 million, £0.8 million and £2.8 million in terms of revenue and £4.1 million, £0.3 million and £1.2 million in terms of EBITDA in each of the last three financial years, respectively.

6.9 ***Scalable, well-invested infrastructure to support future growth plans***

The Group has made a significant investment in its store estate and support centre over recent years. In 2017 The Works moved to its purpose built distribution and support centre, Boldmere House, which the Directors believe will provide the business with the capacity to serve up to 1,000 stores.

The Group has also invested in its IT infrastructure over the past three years with the aim of ensuring reliability and supportability, compliance with new regulations (such as those in connection with the PCI and GDPR) and importantly underpinning the Company's growth plans. The move to Boldmere House enabled a significant upgrade to key areas of the IT infrastructure including a new local area network and a new central server stack which currently provides a resilient platform with the capability for expansion.

In addition, significant investment has been made in headcount to support future growth, with particular focus on the front-line operational field structure and key support centre functions to help provide the necessary resource to enable the delivery of the store rollout programme.

6.10 ***Experienced and committed management team***

The Executive Directors and Senior Managers, a significant number of whom have been in the business since 2011, are all involved in both the strategic and the day-to-day running of the business and between them have over 200 years of experience in the consumer and retail sectors. Together they have been responsible for the successful implementation of significant strategic and operational initiatives. This has included the continued development of the Group's retail proposition, establishment of a clear roll out strategy, the development of an "own-brand" offering and the Group's e-commerce platform. The Directors believe that the management team has a deep understanding of the competitive landscape and a proven track record of identifying higher margin product areas with the potential for future growth.

The Directors believe there are significant opportunities for future growth though the Group's focused store opening programme and the continued penetration and development of the

Group's e-commerce platform. Accordingly, on Admission, the Directors and Senior Managers will, in aggregate, continue to own a significant interest in the Company (approximately 22.0 per cent. of the Enlarged Share Capital).

7. Strategy

The Group intends to continue its strategy of offering a differentiated and dynamic product and sales proposition within the attractive and high growth value retail sector, both within its store estate and through its e-commerce platform.

To date, management has successfully delivered profitable growth through a range of initiatives characterised by four key pillars:

- the roll out of profitable new stores across a variety of formats;
- growth in LFL sales;
- further development of the Group's profitable multi-channel proposition; and
- improving margins.

The Directors believe that these proven growth initiatives will continue to form the basis of the Group's strategy.

7.1 *Roll out of profitable new stores across a variety of formats*

The Works has a successful track record of opening new stores across a number of different formats, and the roll out of profitable new stores has been a key driver of The Works' growth since its inception. As at 29 April 2018, the Group operated 447 stores and concessions across the UK and RoI and intends to expand its store portfolio organically by up to 50 net new stores each year, which is consistent with the rate of organic store openings over the last two years.

Based on external analysis of potential store locations prepared by CACI, as detailed in the CACI Report, and the Directors' analysis of potential concession locations across the UK, the Directors believe there are up to 1,000 potential locations (including the existing 447 stores) based on existing store formats in the UK including up to 30 in the RoI. This analysis takes store/concession and customer characteristics/metrics and analyses these against location data to identify "retail footprint centres" which represent good potential locations for the Group's stores/concessions.

The Group is actively looking at over 40 sites with new potential sites being kept under regular review, giving good visibility over new stores for the current financial year. The Group also intends to open approximately six new concessions each year, with the majority expected to be in garden centres across the UK and RoI. The Group intends to have opened over 60 per cent. of the target new store openings for any financial year by the end of October to ensure the stores are able to benefit from the lead up to the key Christmas trading period and the Christmas trading period itself.

In addition, the Group continues to trial new site formats and is currently trialling a new "Craftworks" format, a small format store to focus exclusively on arts and crafts essentials. This trial currently consists of five stores and provides a potential new format to complement the existing planned rollout of, core, The Works stores.

Following the successful relocation to the Group's new distribution centre in Birmingham, the Directors believe that the Group has the capacity and capability to support up to 1,000 stores, in aggregate, across the UK and RoI.

The Directors also believe that there is a further opportunity to trade multiple retail stores in certain, larger, retail locations.

7.2 ***Growth in LFL sales***

The Works has a demonstrable track record of profitable growth, whilst maintaining and strengthening its position as one of the UK's leading multi-channel specialist retailer of value gifts, arts, crafts, books, toys and stationery.

The Group intends to build on its successful track record of delivering LFL sales growth whilst maintaining its compelling value proposition by:

- continuing with the ongoing refurbishment of the Group's store estate and the rebranding of the majority of the Group's stores to "TheWorks.co.uk";
- making ongoing improvement to the current product zone structure, including relaunching in-store signage;
- continuing to refresh and enhance its all-year round in-store product proposition of "Gifts for Everyone", including the launch of a range of good quality greetings cards and the "Pen Bar", a dedicated area of the store selling a wide range of pens;
- continuing to drive product "newness" across all product zones;
- further developing its seasonal offerings;
- leveraging customer data obtained through the use of the Group's loyalty scheme membership to improve the return on investment from the Group's marketing initiatives;
- continuing to focus on improving in-store standards and customer service through ongoing training and development of, and increasing engagement with, store colleagues;
- leveraging the opportunities for additional sales in-store which are created by the Group's online Click & Collect sales channel; and
- raising awareness, though the Group's existing marketing channels, of the Group's credentials as an all year round gift shop.

7.3 ***Further development of the Group's profitable multi-channel proposition***

The Group launched its e-commerce platform in 2012 and has seen strong year-on-year sales growth as well as increasing web traffic and growing sales conversion rates. This growth has been supported by the Group's continued store expansion, generating new Click & Collect locations, investment in the platform's functionality and an expanded product offering. The Directors believe that these strategies will continue to drive online sales and market penetration.

To promote further the Group's multi-channel proposition, the Directors intend to continue with the Group's rebranding, including upgrading the store fascia from "The Works" to "TheWorks.co.uk". The Directors also intend to seek to improve customer acquisition and retention though a co-ordinated CRM programme, developed in conjunction with the Group's external marketing partners and anchored by the Group's fast growing loyalty scheme membership.

The Directors intend to expand the Group's online operations into new territories. A phase 1 trial is in the process of commencing, shipping into homes in RoI and also leveraging Click & Collect in the Group's eight stores in the RoI.

The e-commerce operation also enables The Works to offer complementary web-exclusive products, including those with larger dimensions more suited to the convenience of home delivery, enhancing its customer proposition and providing a significant opportunity for further growth.

7.4 ***Improving margins***

Over the three year period ended 29 April 2018, the Group has grown its store cash margin by 1.3 percentage points. The Directors intend to continue their strategy of improving margins through a number of initiatives, including but not limited to:

- expanding the Group's design department with a view to increasing the proportion of SKUs and sales of own-brand products as well as enhancing the look and quality of the Group's own-brand offering;
- further developing the Group's direct sourcing relationships with manufacturers, including leveraging economies of scale;
- managing mix of product offering towards higher margin categories/products (e.g. paper versus confectionery);
- continuing to review pricing strategy, including key deals and the strategic management of multi-buys and non-sale event discounting; and
- continuing to strengthen the buying team.

Additionally, the Group intends to enhance margins though the continued tight control of costs, including overall employee costs, negotiation of improved rental terms upon expiry and renewal of existing leases, and general expenses.

8. Employees and pensions

As at 29 April 2018, the Group employed 3,271 permanent employees. The following table sets out the breakdown of the Group's employees by function as at 29 April 2018.

Category	Number
Retail (permanent)[(1)]	2,919
Support centre (including regional and area managers)	184
Warehouse	168
Total	**3,271**

Note:

(1) Not full time equivalent figures.

The vast majority of the Group's sales assistants work on a part-time basis, this being key to ensure flexibility of staff during peak trading periods whilst controlling costs. During the Christmas trading periods the Group employs additional temporary sales staff (i.e. seasonal workers). Over 500 seasonal workers were employed by the Group for Christmas 2017.

The Group operates an auto-enrolment pension scheme, which was introduced in August 2013. As at 29 April 2018, 1,753 employees have been enrolled in the scheme. The Group does not operate a defined benefit pension scheme.

9. Intellectual property

The Group has registered a number of key trademarks to protect its brands, and a number of key design registrations to protect its designs, primarily in the United Kingdom, as this is the principal market in which the Group currently trades. The Group's key registered intellectual property includes the trademarks "TheWorks.co.uk", "The Works" and the domain name "theworks.co.uk".

The Group recognises the importance of intellectual property rights to its brands and undertakes the following measures to protect these interests:

- registration of key names and logos as trademarks in the key markets for the Group's brands;
- resistance to third-party efforts to encroach on the Group's trademarks by monitoring third-party applications and opposing them where appropriate; and

- defending third-party oppositions to the Group’s trademark applications, where appropriate.

In addition, the Group periodically visits competitors' stores to seek to detect any infringements to its intellectual property rights.

10. Insurance

The Group maintains comprehensive insurance policies which are arranged via its broker, Todd and Cue Limited, which the Directors believe is consistent with that normally maintained by companies in its industry. The Group maintains 12 month business interruption insurance. The Directors believe that the 12 month period would be sufficient for the Group to re-establish operations or make alternative arrangements for the supply of its store portfolio.

The Group’s other insurance policies include public and products liability, employer liability, motor fleet and marine transit insurance, directors’ and officers’ insurance and travel insurance.

The Group does not maintain any significant key man insurance cover.

11. Regulatory matters

The Group is subject to health and safety laws and regulations in the UK. The Group is committed to ensuring that its employees and customers are appropriately protected from health and safety risks associated with its operations. All new members of staff undergo appropriate health and safety training. The Directors believe that the Group complies in all material respects with its health and safety requirements. There have been no material health and safety incidents in the Group’s operations in the last three years.

12. Corporate social responsibility

The Works recognises the responsibility that it shares with its suppliers in ensuring that the people who produce its products are treated fairly and work in safe conditions.

The Group has developed a “Code of Conduct” to ensure that when customers buy from The Works, they can be satisfied in knowing that the goods have been produced without exploitation and in acceptable and sustainable working conditions. The Code of Conduct outlines the Group’s social and ethical requirements, which include, but are not limited to; child labour, forced labour, safety standards, health and hygiene, associations, discrimination and coercion, working hours and wages and environmental impact.

In order to ensure that these standards are achieved, The Group is implementing a monitoring system which requires suppliers to sign the Group’s Terms and Conditions of Purchase which state the supplier has read, understood and conforms to the Code of Conduct. These Terms and Conditions of Purchase are expected to be signed before the Group will place any orders with that supplier.

13. Current trading and prospects

The Group’s strong financial performance in FY18 has continued into the start of the current financial year, with trading in line with the Board’s expectations.

In the first 10 weeks of the current financial year, LFL sales have continued to grow strongly with cash margin notably ahead of the comparable period last year.

Since 29 April 2018, the Group has opened a net 10 new stores, including its 9th store in RoI, taking the Group’s total number of stores up to 457. All of these new stores are trading in line with the Board’s expectations.

The Board continues to implement the Group’s strategy, as set out in this Part VII, and remains confident about the future prospects of the Group.

14. Dividends and dividend policy

The Board follows a progressive dividend policy to reflect the expectation of future cash flow generation and long-term earnings potential of the Group. Based on the above expectations, the Directors intend 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. The Board expects the Company's first dividend following Admission will be announced with the interim results for the six months ending 28 October 2018.

In the event of a year where the Company benefits from Mega Trends the Group will follow its capital allocation policy. The Group's priorities for use of cash will be: firstly, capital investment to grow the business; secondly, to maintain a strong and prudent balance sheet; and thereafter, any excess cash would be available for additional distribution to Shareholders.

PART VIII

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. Directors and Senior Management

1.1 *Board of Directors*

(a) The Board comprises the following people:

Name	Age	Position
Dean Hoyle	51	Chairman and Non-Executive Director
Kevin Gerald Patrick Keaney	51	Chief Executive Officer
Gavin Lee Peck	36	Chief Financial Officer
Harry Michael Charles Morley	53	Non-Executive Director and Senior Independent Director
Catherine Janet Glickman	60	Non-Executive Director

(b) The business address of each of the Directors is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL.

(c) Brief biographical details of each of the Directors are set out below:

Dean Hoyle – *Chairman and Non-Executive Director – Aged 51*

Dean joined the Group as chairman on 14 September 2015 following a significant personal investment in the business. Prior to joining the Group, Dean founded Card Factory in 1997 and grew what was a single shop to the UK's leading specialist retailer of greetings cards with over 400 stores. Dean led Card Factory through the process of two private equity buyouts, generating significant shareholder returns and a business valuation of £350 million. In May 2014, Card Factory was floated with a premium listing on the London Stock Exchange with a market capitalisation of £766 million.

Kevin Gerald Patrick Keaney – *Chief Executive Officer – Aged 51*

Kevin was appointed Chief Executive Officer of the Group in January 2012 after joining as managing director in August 2011. During his time as Chief Executive Officer, The Works has been transformed from a single-channel chain of discount bookstores to one on the UK's leading multi-channel specialist retailers of value gifts, arts, crafts, toys, books and stationery. Under Kevin's leadership, the store estate has grown from 280 to over 450 stores following the roll out of a successful new store format and the Group has established a profitable e-commerce channel with a thriving click and collect proposition. The Group has also launched a loyalty programme and relocated to a new purpose built support office and distribution centre.

Prior to joining the Group, Kevin was chief executive officer at fashion retailer Animal which achieved a 126 per cent. increase in turnover under his leadership. He has over 30 years' front-line retail leadership experience having held senior management positions at Savers, M&S, Somerfield and Sainsbury`s. Kevin holds a Diploma in Company Direction from the IOD.

Gavin Lee Peck – *Chief Financial Officer – Aged 36*

Gavin joined the Group as Chief Financial Officer in April 2018, prior to which he was Commercial Director at Card Factory plc where he was responsible for the commercial function (buying, space and merchandising) alongside leadership of the commercial finance team. Gavin joined Card Factory in April 2011 and was a key member of a successful team that grew the business from a portfolio of approximately 530 stores generating £56 million EBITDA, to a portfolio of over 900 stores generating close to £100 million EBITDA, and played a key role working alongside the chief executive officer and chief financial officer in delivering a successful IPO of the business in May 2014. Gavin is a chartered accountant, having started his career at PricewaterhouseCoopers LLP where he spent eight years working in the audit and corporate finance departments, and has a BsC in Economics from The London School of Economics.

Harry Michael Charles Morley – *Non-Executive Director and Senior Independent Director – Aged 53*

Harry joined the Board as Senior Independent Non-Executive Director in July 2018. Harry has extensive experience of serving on boards of UK public companies, being non-executive director and chairman of the audit committee at Wetherspoons plc and The Mercantile Investment Trust plc, both FTSE 250 businesses. He was previously CEO of Armajaro Asset Management and was co-founder and CFO of Tragus Holdings Ltd (former owner of Café Rouge and Bella Italia restaurant chains). He is a graduate of Oxford University and qualified as a chartered accountant in 1991.

Catherine Janet Glickman – *Non-Executive Director – Aged 60*

Catherine joined the Board as an independent Non-Executive Director in July 2018. Catherine retired as Group HR Director of Genus plc in February 2018 having previously held the same title at Tesco where she led retail management development and customer service training during a period of significant expansion in the UK and overseas. Prior to this she held positions at Somerfield and Boots. Working closely with the remuneration committees at Genus and Tesco, Catherine has developed reward structures that align leadership motivation with group strategy. Catherine is currently non-executive director and chair of the remuneration committee at the pub retailing and brewery business, Marston's plc. Catherine is a graduate of Durham University with a BA Hons in English.

1.2 ***Senior Managers***

(a) The Senior Managers comprise the following people:

Name	Age	Position
Andrea Bennett	51	Trading director
Nicholas Wood	51	Retail Operations director
Simon Joseph	43	Multi-Channel director
Thomas Scott	59	IT director
Debbie McMinn(1)	36	Human Resources director
Paul Hughes	59	Property director
Victoria Norrish	39	Strategic Development director

(1) Née Debbie Jamieson

(b) The business address of each of the Senior Managers is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL.

(c) Brief biographical details of each of the Senior Managers are set out below.

Andrea Bennett – *Trading director – Aged 51*

Andrea joined the Group in 1986 as a Store Manager and was later promoted to Area Manager. Andrea left the Group for a number of years and took on the role as Buying Manager at the leading display marketing company, Premier Direct. Following her time at Premier Direct, Andrea became Senior Buyer at Dealerfield, after which she re-joined the Group in 2006 as Buying Manager. Andrea has over 30 years' retail experience and was promoted to the position of Trading director in 2010.

Nicholas Wood – *Retail Operations director – Aged 51*

Nicholas joined the Group in 2011 as Retail Operations director. He has previously held a range of senior management roles, including Retail Commercial director for The National Trust, and both Retail Development director and Regional director for Somerfield.

Simon Joseph – *Multi-Channel director – Aged 43*

Simon joined the Group in 2014 as Multi-Channel director following his time as e-commerce director at Asda. He has over 19 years' retail and e-commerce experience and has held numerous senior roles, including being part of the management teams at Jessops, Argos Retail Group, Jungle.com and Dixons Group. Simon was noted as being in the UK top 100 e-commerce "movers and shakers" in 2013.

Thomas Scott – *IT director – Aged 59*

Thomas joined the Group in 2014 as IT director. He has over 34 years' experience in IT, of which 28 have been in the retail sector. Prior to joining the Group, Thomas was the Head of Business Solutions for five years at Kingfisher, and has previously held roles at Shell, Gateway Foodmarkets, WHSmith and Somerfield.

Debbie McMinn[(1)] – *Human Resources director – Aged 36*

Debbie joined the Group in 2016 as Head of HR and was promoted to the position of HR director in May 2017. Debbie has over 16 years' experience in HR and previously held the position of director of HR at Holland & Barrett International, where she had overall responsibility for HR through extensive organic growth across Europe. Debbie has also held senior roles with other blue-chip organisations, such as Sun Microsystems and BskyB.

(1) Née Debbie Jamieson

Paul Hughes – *Property director – Aged 59*

Paul joined the Group in 2001 as Retail Operations director and became Property director in 2005. Paul formed part of both management buyout teams in 2003 and 2005 and has over 30 years of retail experience, having previously held roles at Motorworld, John Menzies and Unipart Group's retail division.

Victoria Norrish – *Strategic Development director – Aged 39*

Victoria joined the Group in 2007 as Financial Controller and was promoted to the position of Finance director in 2008. She previously held the position of Head of Accounts at Jessops, where she was involved in the successful sale of the business to ABN AMRO in 2002 and the subsequent flotation on the London Stock Exchange in 2004. Victoria qualified as an ACCA member in 2000 at KPMG and subsequently gained FCCA status.

1.3 *Company Secretary*

Prism Communications & Management Limited (company number: 04352585), trading as "Prism Cosec", has been appointed as the Company Secretary. Although the UK Corporate Governance Code does not provide that the same person should not perform the role of executive director and Company Secretary, the Directors consider that given the nature of the Company Secretary's role, in particular the need to ensure good information flows within the Board and its committees and between senior management and the Non-Executive Directors; and for advising the Board through the Chairman on all governance related matters, it would be in the Company's interests for an independent person to fulfil that role.

2. Corporate Governance

2.1 *UK Corporate Governance Code*

(a) The Board is committed to the highest standards of corporate governance and intends that the Company should comply with all requirements of the UK Corporate Governance Code that are applicable to it as a "smaller company" (defined in the UK Corporate Governance Code as being a company below the FTSE 350 throughout the year immediately prior to the reporting year, and which the Company will be on Admission). The Board considers that the Company is compliant with all aspects of the UK Corporate Governance Code that are applicable to it as a "smaller company" other than the requirement set out in code provision A.3.1 of the UK Corporate Governance Code which requires that the Chairman should, on appointment, meet the independence criteria set out in code provision B.1.1. This is because the Chairman will, at Admission, be a holder of Shares. Nevertheless, the Board considers that the fact of that holding of Shares (including the relative size of it) does not influence the Chairman's independence of character and judgement within the meaning of code provision B.1.1 and it does not influence him or the Board in the proper discharge of their duties and the operation of the business of the Group.

(b) The UK Corporate Governance Code recommends that, other than in the case of a UK listed company that is a "smaller company", at least half the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The UK Corporate Governance Code recommends that a "smaller company" should have at least two independent non-executive directors. The Board is currently comprised of two executive directors and two non-executive directors (excluding the Chairman) and the Board therefore considers that the Company is compliant with the UK Corporate Governance Code (as it applies to the Company) in this regard. Excluding the Chairman, the Board considers each of the Non-Executive Directors to be independent for the purposes of the UK Governance Code, notwithstanding any interests in Shares of the Company they may acquire pursuant to the Offer. It should be noted that were the Company to move into the FTSE 350 in the future, then in order to ensure its continued compliance with the UK Corporate Governance Code, the Company would need to ensure that at least half of its board of directors excluding the Chairman comprised independent non-executive directors.

(c) The UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of the chief executive officer has failed to resolve or for which such contact is inappropriate. Harry Morley has been appointed as the Senior Independent Director of the Company.

(d) As envisaged by the UK Corporate Governance Code, the Board has established three committees: the Audit Committee, the Nomination Committee and the Remuneration Committee. If the need should arise, the Board may set up additional committees as appropriate.

2.2 ***Audit Committee***

Harry Morley (chairman) and Catherine Glickman

(a) The UK Corporate Governance Code recommends that an audit committee should comprise at least three members (or, in the case of a "smaller company", two members) who are independent non-executive directors and that at least one member should have recent and relevant financial experience. The Audit Committee will be chaired by Harry Morley and its other member will be Catherine Glickman. The Directors consider that Harry Morley has recent and relevant financial experience in accordance with the requirements of the UK Corporate Governance Code. The Board therefore considers that the Company will be compliant with the UK Corporate Governance Code (as it applies to the Company) in this regard.

(b) The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules.

(c) The Audit Committee will normally meet not fewer than three times a year. Further meetings may be called as required. The internal and external auditors have the right to attend meetings. Outside of the formal meeting programme, the Audit Committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and, if relevant, the head of internal audit.

(d) The Audit Committee will be responsible for:

(i) assisting the Board in discharging its responsibilities and in making all relevant disclosures in relation to the financial affairs of the Company;

(ii) reviewing accounting policies and financial reporting and regulatory compliance;

(iii) reviewing the Company's system of internal control; and

(iv) monitoring the Company's processes for internal audit, risk management and external audit.

(e) From Admission, the Audit Committee chairman will be available at AGMs of the Company to respond to questions from Shareholders on the activities of the Audit Committee.

(f) The Audit Committee has taken appropriate steps to ensure that the Auditors are independent of the Company and obtained written confirmation from the Auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

2.3 ***Nomination Committee***

Harry Morley (chairman), Catherine Glickman and Dean Hoyle

(a) The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Nomination Committee will be chaired by Harry Morley and its other members will be Catherine Glickman and Dean Hoyle. The Board therefore considers that the Company will be compliant with the UK Corporate Governance Code in this regard. The Nomination Committee will meet at least once a year and also as and when required.

(b) The Nomination Committee will be responsible for assisting the Board in the formal selection and appointment of directors. It will consider potential candidates and will recommend appointments of new directors to the Board and will also be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as directors or committee members as the need may arise. The appointments will be based on merit and against objective criteria, including the time available to and the commitment which will be required, of the potential director. It will also be responsible for carrying out an annual performance evaluation of the Board, its committees and individual directors.

(c) The Nomination Committee will be responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement directors and committee members and will make appropriate recommendations to the Board on such matters.

(d) In addition, the Nomination Committee will make recommendations to the Board as regards succession planning for both executive directors and non-executive directors. The Nomination Committee will take into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board in the future.

2.4 ***Remuneration Committee***

Catherine Glickman (chairwoman) and Harry Morley

(a) The UK Corporate Governance Code recommends that, in the case of a UK listed company that is a "smaller company", the remuneration committee should comprise at least two non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Remuneration Committee will be chaired by Catherine Glickman and its other member will be Harry Morley. The Board therefore considers that the Company will be compliant with the UK Corporate Governance Code (as it applies to the Company) in this regard. The Remuneration Committee will meet at least twice a year.

(b) The Remuneration Committee will recommend what policy the Company should adopt on executive remuneration, determine the levels of remuneration for each of the Executive Directors and will recommend and monitor the remuneration of members of Senior Management. The Remuneration Committee will also generate an annual remuneration report to be approved by the Shareholders at the AGM.

(c) The Remuneration Committee will be responsible for determining and agreeing with the Board the broad policy for the remuneration of the Chairman, the Chief Executive and such other members of the executive management as it is designed to consider. The Remuneration Committee, within the terms of the agreed policy, will determine the total individual remuneration package of each Executive Director. In addition, the Remuneration Committee will ensure that provisions regarding disclosure of remuneration are fulfilled. The Remuneration Committee will make recommendations to the Board on the remuneration arrangements for the Executive Directors and the Chairman. The Remuneration Committee will oversee the remuneration policy of the Group.

(d) No Director will be involved in decisions as to his or her own remuneration.

3. Takeover Code

The Takeover Code is issued and administered by the Takeover Panel. The Company is subject to the Takeover Code. For more information about the Takeover Code, see paragraph 20 of Part XV of this Prospectus.

PART IX

OPERATING AND FINANCIAL REVIEW

1. Overview of the Group's business

The Works is one of the UK's leading multi-channel specialist retailers of value gifts, arts, crafts, toys, books and stationery. The Group occupies an attractive position within the high growth discount retail sector, offering a differentiated proposition as a value alternative to full price specialist retailers.

The Group offers its product range through its nationwide network of over 447 branded stores and concessions, as well as through its fast growing and profitable e-commerce platform, www.theworks.co.uk.

The Group's products are categorised into four product 'zones' under the umbrella "Gifts for Everyone". These product zones are classified as:

Zone	*% of sales FY18*
Kids	33.8%
Arts, Crafts and Hobbies	24.0%
Stationery	11.8%
Family Gifts	20.9%

Note: the above excludes regional and seasonal products

Each of these zones is supplemented by both seasonal and regional offerings and each zone offers books and both branded and own-brand merchandise. The key seasonal periods for The Works include Mother's Day, Father's Day, Easter, "back-to-school" and Christmas.

Across the four product zones, the Group has developed a strong track record of creating a number of own-brand ranges catering to either the value or specialist customer. As a proportion of the Group's net sales, own-brand products represented 25.7 per cent. of sales in FY16 and has grown to 27.5 per cent. in FY18. Own-brand products typically generate higher gross margin than equivalent branded products.

In FY18, the Group generated total revenue of £192.1 million, operating profit of £6.2 million and Adjusted EBITDA of £13.2 million, with an operating profit margin of 3.2 per cent. and an Adjusted EBITDA margin of 6.9 per cent.

2. Significant factors affecting results of operations and financial condition

The Group's operations and results of operations have been, and may continue to be, affected by certain key factors including, in particular, new store openings, LFL sales performance, Mega Trends, product gross margins, employee costs and wages, store property costs, seasonality of the Group's sales and fluctuations in currency exchange rates.

2.1 *Underlying performance, including the impact of Mega Trends*

Mega Trends and a number of other one-off items have had a significant impact on the historic earnings of the Group. As a result, to better analyse the underlying performance of the Group, management exclude Mega Trends and these other one-off items when reviewing the performance of the underlying business. The impact of these adjustments on the EBITDA is as detailed below:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Contribution to EBITDA from Mega Trends[1]	(4,141)	(317)	(1,197)
VAT provision on adult colouring books	750	(750)	–
Exceptional Costs			
– Boldmere House relocation costs	–	1,355	8
– Professional fees	400	–	1,475
– Other	–	–	186
Overall impact on EBITDA	**(2,991)**	**288**	**472**

(1) Directors estimate based on analysis of unaudited management information.

Mega Trends have a significant impact on the Group's financial performance but are infrequent in nature. Over the Historical Period, the Group was impacted by fidget spinners in FY18 and adult colouring products in FY16 and FY17. The fidget spinner Mega Trend lasted for approximately 20 weeks with adult colouring lasting for approximately 65 weeks. Based on analysis of unaudited management information, the Directors estimate the impact of Mega Trends in the Historical Period to be as follows:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Revenue	8,826	753	2,822
Cost of sales(1)	(4,477)	(417)	(1,539)
Gross profit	4,350	337	1,283
Operating expenses	(208)	(19)	(85)
EBITDA	4,141	317	1,197

(1) Comprises cost of goods sold and store wages.

Other adjustments to underlying earnings are as detailed below:

- VAT provision on adult colouring books: A £0.75 million accrual was made in FY16 for a potential change in the VAT treatment of adult colouring books due to a review that was being undertaken by HMRC. This was accounted for as a cost of sale. This review subsequently concluded that adult colouring books would continue to be non-vatable and therefore this accrual was reversed in FY17;
- Boldmere House relocation costs: The Group moved to a new support and distribution centre in FY17. Significant one-off costs were incurred during this period, including duplicate property costs being paid across the existing and new sites and costs associated with the physical move from the existing site to the new site; and
- Professional fees: Fees incurred by the Group in relation to the shareholder reorganisation undertaken in FY16. FY18 fees primarily relate to fees and associated costs incurred in relation to the proposed listing of The Works and the refinancing of its debt facilities.

The Underlying Revenue and EBITDA of the Group excluding Mega Trends and these other one-off adjustments are set out below:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Revenue	145,571	165,667	189,278
Cost of sales(1)(2)	(117,683)	(136,095)	(153,133)
Gross profit	27,888	29,572	36,145
Gross profit margin	*19.2%*	*17.9%*	*19.1%*
Operating expenses	(18,640)	(19,743)	(24,112)
EBITDA(3)	9,248	9,829	12,033
EBITDA margin	*6.4%*	*5.9%*	*6.4%*

Notes:

(1) Cost of sales comprises:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Cost of goods sold	62,261	70,723	79,038
Store wages	21,084	26,483	30,433
Store property costs	30,003	34,375	37,612
Other direct expenses	4,335	4,514	6,050
Cost of sales	**117,683**	**136,095**	**153,133**

(2) FY16 cost of sales above includes a reclassification of £1 million of e-commerce distribution costs from operating expenses to cost of sales ("other direct expenses") to be consistent with the treatment of these costs in FY17 and FY18. Note, this reclassification has not been adjusted within the Historical Financial Information contained in Part XI of this Prospectus.

(3) This figure removes depreciation charges from both cost of sales and operating expenses (please see the breakdown of depreciation charges contained in paragraph 4 of this Part IX).

In addition, in the financial period ended 26 April 2015 the Group was impacted by a Mega Trend relating to loom bands which the Directors estimate generated revenue of £7 million and EBITDA of £2.8 million.

2.2 *New store openings*

Continued, profitable expansion of the Group's store portfolio (which includes concessions) has increasingly been one of the Group's strategic goals. In line with this strategy, the Group has expanded its store portfolio by opening a net 134 new stores over the Historical Period. The Group's store portfolio grew from 313 stores at the start of FY16, to 336 stores, 387 stores and 447 stores at the end of FY16, FY17 and FY18, respectively. As of the date of this Prospectus, the Group operated 457 stores, having opened 10 net new stores in the current financial year. In the Historical Period, new store fit out capital expenditure required to open a new store averaged approximately £80,000 per store, with these stores generating an average payback (defined by the Directors as store contribution before head office and central costs divided by initial capital investment) of 13.3 months.

New store openings have had, and are expected to continue to have, a significant impact on the sales growth of the Group's business and make a significant contribution to the Group's operating profit. Expansion of the Group's store portfolio also has a direct effect on cost of sales, increasing the Group's total property costs, its aggregate payroll expense (due to the necessary increases in workforce) and other direct expenses related to servicing an increasing number of stores (for example, warehouse wages, costs related to distribution and transportation of the Group's merchandise to its stores, store utility costs, packaging, waste disposal and maintenance costs).

The Directors intend to continue to expand the Group's store portfolio at a rate of up to 50 net new store openings per year to establish a potential total portfolio of up to 1,000 stores in the UK and RoI. This implies a future new store roll out programme, at a rate similar to the Group's historical rate of new store openings over the past two years, of a further 10 to 11 years. Locations for certain new stores have already been identified and include the potential for up to approximately 30 new stores in the RoI.

The Directors believe that these remaining new store opportunities have, on average, slightly lower sales potential than the average of its existing store locations, primarily due to the new store sites being, on average, in lower footfall locations than the average of the Group's existing stores. The effects of this lower footfall on store contribution of the new stores may be offset, in part, by lower average rents at these sites. Accordingly, while the Group's rate of revenue growth may gradually slow in the future, the Directors believe that the new stores will continue to be earnings enhancing and incremental to Shareholder value. Management evaluates each new store prior to opening to assess whether its anticipated payback is in line with the Group's average.

The Board will continue to regularly assess the sales and profit contribution of all future store openings, taking into account a wide range of factors (including, but not limited to, actual store performance, the prevailing competitive landscape, the general retail environment outlook, the commercial property market and wider macro-economic factors), to seek to ensure that these incremental store openings continue to deliver an appropriate return and are value enhancing for Shareholders.

The Group focuses on opening over 60 per cent. of its annual roll out target by the end of October to ensure that the stores are able to benefit from the lead up to the Christmas period as well as the Christmas period itself. New stores typically reach maturity in the first 12 months of opening, often experiencing a "halo" effect in the first 10 weeks of trading before settling at a, lower, normalised sales level. Concessions do not typically experience such a "halo" effect, rather, they typically mature over their first three years of trading.

2.3 *LFL sales performance*

The Group has a strong track record of consistent annual growth in underlying LFL sales having achieved positive underlying LFL sales growth in each of the past three financial years.

Management defines the Group's LFL sales as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks, and from its e-commerce platform, www.theworks.co.uk, calculated on a calendar week basis. Note, the reason for the 63 weeks is that, in line with other retailers in the discount sector, new stores typically experience a "halo" opening effect which typically drops off after 10 weeks of trade.

As such, the underlying LFL sales figures exclude sales:

- relating to The Works stores that have not yet been open for a full 63 weeks;
- from stores closed during the relevant period (or the prior year comparable period); and
- from Mega Trends.

The table below highlights for each of the past three financial years, the annual percentage growth in underlying LFL sales for the Group.

	FY16	*FY17*	*FY18*
Underlying LFL's	1.5%	5.2%	4.7%

Growth in LFL store sales has been driven by a range of factors including:

- management's focus on continuously improving the quality and range of products across its categories and driving "newness" across its ranges;
- increased penetration of its own-brand product offering;
- improvement in space management and in-store merchandising to help improve sales densities and encourage customers to increase the number of items per basket; and
- an ongoing focus on improving store standards.

In addition, the successful development of the Click & Collect proposition has reinforced the multi-channel proposition by creating a link between online customers and stores which not only provides the customers with a convenient and affordable delivery service, but also introduces online customers to The Works' store environment supporting store footfall and driving transaction volumes as these customers are converted to making additional purchases in-store. For example, in FY18 approximately 34 per cent. of e-commerce transactions (by volume) were Click & Collect transactions and approximately 33 per cent. of these customers went on to make a further transaction in store when collecting their order.

2.4 *E-commerce development*

The Group's e-commerce channel has continued to grow over the Historical Period reflecting the renewed focus on this channel.

The Group had online sales of £9.4m, £12.6m and £17.2m in FY16, FY17 and FY18, respectively, with an EBITDA contribution of £0.8m, £1.2m and £1.5m in FY16, FY17 and FY18, respectively.

The growth in e-commerce sales has been driven by a number of factors including:

- increased visitor numbers to the The Works website;
- improved conversion rates (that is, an increased percentage of visitors going on to make a purchase) driven by a number of website improvements including a store stock checker, a new server to enhance speed, one-click checkout in partnership with PayPal, web-layout improvements and a redesign of the mobile website; and
- improved Click & Collect functionality, making it more convenient for customers to collect their orders.

2.5 ***Employee costs and wages***

The Group's total number of employees varies considerably during the course of each financial year given the recruitment of seasonal workers, many of whom are employed on a part-time basis, particularly in the build up to the Christmas trading period. The table below summarises the average number of employees (including seasonal workers, management and headquarters staff and directors) for each of the last three years.

	FY16	*FY17*	*FY18*
Average number of employees	2,486	2,902	3,211

The increases in the Group's headcount during the Historical Period principally reflect an expansion of the Group's store portfolio during this time from 313 stores as of the end of FY15 to 447 stores as of the end of FY18, as well as the expansion of the warehouse facilities and the investment in people throughout the business in anticipation of ongoing growth. During the peak Christmas trading periods, the Company employs seasonal workers as additional temporary staff on short term contracts. The Group recruited over 500 seasonal workers for Christmas 2017.

As a majority of the Group's employees are paid the national minimum wage, increases in the national minimum wage, and more recently the national living wage, from £6.50 (for colleagues aged 21 or over) in October 2014 to £7.83 (for colleagues aged 25 or over) and £7.38 (for colleagues aged 21 to 24) from April 2018 also contributed to increases in the Group's cost of sales.

The national minimum/living wage level continues to receive a significant amount of attention from political leaders. The Low Pay Commission have forecast that, based on the most up to date data, the UK national living wage rate will increase to around £8.20 from April 2019 and to around £8.61 from April 2020. Increases of the national minimum/living wage or increases in other wages above inflation would materially increase the Group's cost of sales, and could, in common with much of the retail sector, adversely affect the Group's operating profit margin if it were unable to mitigate these increases in the Group's cost of sales through compensating increases in sales, a reduction in staff employed by the Group, a reduction in staff hours allocated to stores and other business efficiencies.

2.6 ***Store property costs***

Prevailing commercial property rents, business rates and, where applicable, service charges in high streets, shopping centres and other retail locations where the Group's existing stores are located or where future stores will be opened impact the Group's store property costs and its cost of sales. All of the Group's stores operate on a leasehold or, in a limited number of cases, short-term agreements such as licences.

During the Historical Period, due to a recent market of generally declining rents in these locations, the Group has been able to re-negotiate successfully a number of its leases at the time the applicable break clause permitted it to do so or upon the expiration of such leases and, consequently, reduce the rent payable in line with current market conditions. Consequently, the Group has been able to reduce the lease costs for the affected stores. This had a positive impact on the Group's cost of sales during the Historical Period. Over this period, the reduction in arm's length market rents has generally not been accompanied by a similar reduction in business rates and, as such, business rates have become an increasing proportion of the Group's total property costs and an increasing burden on retail businesses generally.

Notwithstanding this, the 2017 rates review resulted in a significant reduction in the rateable value of a number of stores in the Group's portfolio. This resulted in a £0.3 million saving in business rates in FY18 for stores that were open as at the end of FY17.

2.7 ***Investments in the Group warehouse and distribution infrastructure***

During the Historical Period, the Group made a significant investment of £3.1 million into a purpose built support office and distribution centre at Coleshill, Birmingham which the Group moved into in early 2017. The Directors believe that, following this investment, the Group's current warehousing and distribution facilities have sufficient capacity to support up to 1,000 UK stores. As a result, the Group's future needs for investments in the expansion of its warehousing and distribution facilities in the UK are expected to be limited.

2.8 ***Seasonality of the Group's sales***

Historically, the Group's sales have exhibited strong seasonal trends, with monthly sales in November and December (i.e. in the lead up to Christmas) being substantially higher than the average sales rate in other months. Periods leading up to other significant occasions, such as Mother's Day, Father's Day, Easter and "back-to-school", have also resulted in higher than average sales for the Group. As a substantial portion of the Group's cost base (including property costs and a significant proportion of wages) is fixed, this has also resulted in a substantial majority of its profit being attributable to November and December sales. As a result, the Group's reported revenue and gross profit historically have been significantly higher in the second half of each financial year compared to the first half of the same financial year, to the extent that all of the Group's profits are generated in the second half of the financial year, and the Directors expect this to remain the case in future periods.

2.9 ***Fluctuations in currency exchange rates***

The Group's customers pay for products they purchase in Sterling (and Euros in the stores in the RoI). However, during the Historical Period, an increasing proportion of the Group's costs of goods sold were related to products purchased in the Far East, typically in U.S. Dollars (with such purchases representing 36 per cent. of all purchases in FY18). Consequently, the Group is exposed to fluctuations and changes in foreign exchange rates between the U.S. Dollar and Sterling. Transactions in foreign currencies are recorded at the exchange rate on the transaction date and are recognised in the Group's income statement within cost of sales. The Group utilises derivative contracts to hedge its U.S. Dollar exposure and lock in forward rates.

2.10 ***Group financing arrangements***

The Group's net financing expense was £3.6 million, £3.6 million and £3.6 million in FY16, FY17 and FY18, respectively, with the interest expense comprising principally of interest on bank loans. On Admission, the Group will refinance by utilising the New Debt Facility Agreement with HSBC Bank plc to repay the facilities provided under the 2014 Facilities Agreement, thereby substantially reducing its ongoing net financing expenses.

3. Current trading and prospects

The Group's strong financial performance in FY18 has continued into the start of the current financial year, with trading in line with the Board's expectations.

In the first 10 weeks of the current financial year, LFL sales have continued to grow strongly with cash margin notably ahead of the comparable period last year.

Since 29 April 2018, the Group has opened a net 10 new stores, including its 9th store in RoI, taking the Group's total number of stores up to 457. All of these new stores are trading in line with the Board's expectations.

The Board continues to implement the Group's strategy, as set out in Part VII of this Prospectus and remains confident about the future prospects of the Group.

4. Results of operations

The following table sets out the Group's results of operations for the periods indicated:

	FY16 (£'000)	FY17 (£'000)	FY18 (£'000)	Change FY16/FY17 (%)	Change FY17/FY18 (%)
Revenue	154,398	166,421	192,100	7.8	15.4
Cost of sales(3)(4)	(122,910)	(135,761)	(154,673)	10.5	13.9
Gross profit	**31,488**	**30,660**	**37,427**	**(2.6)**	**22.1**
Operating expenses(3)(4) (excl. Exceptionals)	(18,849)	(19,764)	(24,194)	4.9	22.4
Adjusted EBITDA	**12,639**	**10,896**	**13,233**	**(13.8)**	**21.4**
Exceptionals	(400)	(1,355)	(1,669)	238.8	23.2
EBITDA(1)	**12,239**	**9,541**	**11,564**	**(22.0)**	**21.2**
Depreciation(2)	(2,672)	(4,089)	(5,388)	53.0	31.7
Operating profit	**9,567**	**5,452**	**6,176**	**(43.0)**	**13.3**
Net financing expense	(3,572)	(3,570)	(3,604)	(0.0)	0.9
Profit before tax	**5,995**	**1,882**	**2,572**	**(68.6)**	**36.7**
Taxation	(1,399)	(542)	(787)	(61.3)	45.3
Profit for the year	**4,596**	**1,340**	**1,785**	**(70.8)**	**33.2**
Other consolidated financial information					
Adjusted EBITDA margin (per cent.)	8.2	6.5	6.9		
Gross profit margin (per cent.)	20.4	18.4	19.5		

Notes:

(1) Earnings before interest, tax, depreciation and amortisation. For reconciliation of Adjusted EBITDA to operating profit before tax, see note 6 in Section B of Part XI of this Prospectus.

(2) Depreciation here includes any losses on disposal of, and impaired losses on, fixed assets in the period.

(3) This figure removes depreciation charges from both cost of sales and operating expenses (please see the breakdown of depreciation charges referred to below).

(4) FY16 cost of sales included a reclassification of £1.0 million of e-commerce distribution costs from operating expenses to cost of sales to be consistent with the treatment of these costs in FY17 and FY18. Note, this reclassification has not been adjusted within the Historical Financial Information contained in Part XI of this Prospectus.

Comparison of results of operations for FY16, FY17 and FY18

Revenue

The Group's revenue consists primarily of sales of products in The Works' retail stores and through its e-commerce channel. Revenue is recognised at the point goods are sold or delivered.

The Group's revenue increased by £12.0 million, or 7.8 per cent., from £154.4 million in FY16 to £166.4 million in FY17 and by a further £25.7 million, or 15.4 per cent., to £192.1 million in FY18.

The increase in FY17 was principally attributable to the continued expansion of the Group's store portfolio, which increased from 336 stores at the start of the financial year to 387 stores at the end of the financial year, as well as an increase of 5.2 per cent. in underlying LFL sales over the previous financial year. FY16 experienced a Mega Trend in adult colouring which benefitted sales that were not repeated in FY17.

Similarly, the increase in FY18 was, again, principally attributable to the continued expansion of the Group's store portfolio, which increased from 387 stores at the start of the financial year to 447 stores at the end of the financial year, as well as an increase of 4.7 per cent. in underlying LFL sales over the previous financial year. Revenues in FY18 also benefitted from the fidget spinners Mega Trend.

Cost of sales

The Group's cost of sales (excluding depreciation) increased by £12.9 million, or 10.5 per cent., from £122.9 million in FY16 to £135.8 million in FY17 and by a further £18.9 million, or 13.9 per cent., to £154.7 million in FY18.

The table below sets out a breakdown of the cost of sales for the periods indicated:

				Change	
	FY16	*FY17*	*FY18*	*FY16/17*	*FY17/18*
	(£'000)	*(£'000)*	*(£'000)*	*%*	*%*
Cost of sales					
Cost of goods sold	66,041	70,256	80,097	6.4	14.0
Store wages	22,532	26,618	30,913	18.1	16.1
Store property costs	30,002	34,375	37,612	14.6	9.4
Other direct expenses	4,335	4,512	6,051,	4.1	34.1
Cost of sales	**122,910**	**135,761**	**154,673**	**10.5**	**13.9**

Cost of goods sold

Cost of goods sold principally comprises the cost of finished goods, other related costs such as import duty, freight and carriage costs and warehouse wages. The Group's cost of goods sold increased by £4.2 million, or 6.4 per cent., from £66.0 million in FY16 to £70.3 million in FY17 and by a further £9.8 million, or 14.0 per cent., to £80.1 million in FY18.

The increase in the Historical Period principally reflects the growth in revenue.

Despite the Group's foreign exchange hedging strategy, given the significant shift in value of sterling versus the U.S. Dollar, the weighted average exchange rate reflected in cost of goods changed notably in the Historical Period ($1.50, $1.35 and $1.28 for FY16, FY17 and FY18, respectively).

Despite the decline in the value of Sterling, the ratio of cost of goods sold to revenue has reduced slightly during the periods under review, from 42.8 per cent. in FY16 to 41.7 per cent. in FY18 reflecting improved product gross margins.

Store wages

Store wages include wages and salaries (including bonuses) for store-based staff, together with employers' National Insurance, employers' pension contributions, overtime, holiday pay and sick pay. The Group's store wages increased by £4.1 million, or 18.1 per cent., from £22.5 million in FY16 to £26.6 million in FY17 and by a further £4.3 million, or 16.1 per cent., to £30.9 million in FY18. These increases were driven principally by the increase in the Group's total store colleagues headcount, linked to the increase in store numbers and average wage rates due, primarily due to the increase in the UK national minimum wage, which were partly offset by various in-store efficiency initiatives to reduce employees' store hours.

The ratio of store wages to total revenue has increased slightly during the Historical Period, being 14.6 per cent. in FY16, 16.0 per cent. in FY17 and 16.1 per cent. in FY18.

Store property costs

Store property costs principally comprise store rents (net of rental incentives), business rates and service charges. The Group's store property costs increased by £4.4 million, or 14.6 per cent., from £30.0 million in FY16 to £34.4 million in FY17 and by a further £3.2 million, or 9.4 per cent., to £37.6 million FY18. These increases were driven principally by the growth of the Group's store portfolio from 336 stores as at the end of FY16 to 387 stores and 447 stores as of the end of FY17 and FY18, respectively, partly offset by reduced rents for certain store locations where the Group has been able to successfully negotiate such reductions at renewal or under the applicable break clause.

As noted above, the 2017 rates review resulted in a significant reduction in the rateable value of a number of stores in the Group's portfolio leading to a £0.3 million saving in business rates in FY18 for stores that were open as at the end of FY17.

The ratio of the store property costs to total revenue has increased slightly during the Historical Period being 19.4 per cent. in FY16, 20.7 per cent. in FY17 and 19.6 per cent. in FY18 driven primarily by property costs of new stores opened during the period being a higher percentage revenue than for those stores opened at the end of FY15.

Other direct expenses

Other direct expenses include store opening costs, debit and credit card charges, e-commerce warehouse labour, store utility costs, waste disposal, store maintenance and point-of-sale costs. The Group's other direct expenses increased slightly from £4.3 million in FY16 to £4.5 million in FY17 and moved by a further £1.5 million, or 34.1 per cent., to £6.1 million in FY18.

The ratio of other direct expenses to total revenue has remained reasonably consistent during the Historical Period being 2.8 per cent. in FY16, 2.7 per cent. in FY17 and 3.1 per cent. in FY18. The increase in FY18 reflects higher store electricity costs, increased debit and credit card charges and a step up in store maintenance costs.

Gross profit and gross profit margin

As a result of the foregoing factors, and the impact of Mega Trends outlined above, the Group's gross profit excluding depreciation decreased by £0.8 million, or 2.6 per cent., from £31.5 million in FY16 to £30.7 million in FY17 and increased by £6.8 million, 22.1 per cent., to £37.4 million in FY18. The Group's gross profit margin declined from 20.4 per cent. in FY16 to 18.4 per cent. and increased to 19.5 per cent. in FY17 and FY18, respectively.

Operating expenses

Operating expenses include central administration costs and operating expenses such as central IT costs, support centre salaries and remuneration, insurance, costs relating to divisional and area managers, third-party rent (for leasehold, non-store properties) and business rates for the Group's offices and warehousing. The Group's operating expenses increased by £0.9 million, or 4.9 per cent., from £18.8 million in FY16 to £19.8 million in FY17 and by a further £4.4 million, or 22.4 per cent., to £24.2 million in FY18.

The ratio of operating expenses to revenue has increased slightly during the Historical Period being 12.2 per cent. in FY16, 11.9 per cent. in FY17 and 12.6 per cent. in FY18 as the Group has continued to invest in its infrastructure to support the anticipated further growth.

Depreciation

Depreciation primarily relates to the depreciation of fixed assets within the store estate including fixtures and fittings and computer hardware and software costs as well as central fixed assets including the support and central distribution centre. Depreciation here includes the loss on disposal of fixed assets. The increase in this cost from £2.7 million in FY16 to £4.1 million in FY17 and £5.4 million in FY18 reflects the increased pace of rollout of new stores over those periods and the move to Boldmere House in FY17.

The table below breaks out the depreciation charge (as included in Note 14 of Section B of Part XI of this Prospectus) between cost of sales and operating expenses:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Cost of sales	1,996	3,116	3,494
Operating expenses	676	973	1,893
Total depreciation	**2,672**	**4,089**	**5,387**

Note: Depreciation here includes any losses on disposal and impairment losses on fixed assets in the period as set out in Note 6 of Section B of Part XI of this Prospectus.

Net financing expense

The Group's net financing expense comprised the following:

	FY16 (£'000)	FY17 (£'000)	FY18 (£'000)
Finance income			
Bank interest received	9	32	20
Other interest received	–	1	–
Finance income	**9**	**33**	**20**
Finance expense			
Interest on bank loans and overdrafts	(131)	(129)	(155)
Other interest payable	(3,108)	(3,111)	(3,455)
Amortisation of loan issue costs	(342)	(363)	(14)
Finance expense	**(3,581)**	**(3,603)**	**(3,624)**
Net finance expense	**(3,572)**	**(3,570)**	**(3,604)**

Bank interest received related to interest receivable on cash balances held by the Group. The movement each year reflects the changes in levels of deposits and interest rates on the Group's current and deposit accounts.

Interest on bank loans and overdrafts principally relate to the £31.2 million outstanding under Facility A and amounts drawn under, the Revolving Facility and the Ancillary Overdraft Facility (each as defined in paragraph 12.1 of Part XV of this Prospectus) during the Historical Period. The interest paid over the Historical Period has been relatively consistent reflecting the average level of debt remaining fairly consistent over that period.

Taxation

The Group's income statement tax charge decreased by £0.9 million, or 61.3 per cent., from £1.4 million in FY16 to £0.5 million in FY17, and increased by a further £0.2 million, or 45.3 per cent., to £0.8 million in FY18. The Group's effective tax rate was 23.3 per cent., 28.8 per cent. and 30.6 per cent. in FY16, FY17 and FY18, respectively, while the statutory tax rate during these periods was 20 per cent., 19.92 per cent. and 19 per cent., respectively. The higher effective tax rate reflects a number of factors including differences between capital allowances and depreciation charges and disallowable "exceptional" costs incurred.

Profit for the year

As a result of the foregoing factors, the Group's profit for the year decreased by £3.3 million, or 70.8 per cent., from £4.6 million in FY16 to £1.3 million in FY17 and increased by £0.4 million, or 33.2 per cent., to £1.8 million in FY18.

5. Liquidity and capital resources

The Group has historically funded its capital expenditure and working capital needs through cash flows from operations, together with Facility A3, the Revolving Facility and the Ancillary Overdraft Facility (each as defined in paragraph 12.1 of Part XV of this Prospectus). The Group expects to continue to operate on this basis going forward (albeit through the New Debt Facility). The Group's cash and cash equivalents as at the end of FY16, FY17 and FY18 were £6.4 million, £4.1 million and £7.4 million, respectively.

As cash generated by the Group's operating activities is its principal source of liquidity, and as a significant proportion of the Group's operating costs are fixed, specific risks to the Group's sources of liquidity include operational risks, such as the risk of flat or declining revenues.

Cash flows

During the Historical Period, the Group has been cash generative, reflecting the impact of high gross margins on cost of goods sold, strong control of operating costs, predictable capital expenditure and a limited working capital investment required to operate and grow the business. Cash Conversion is calculated as Underlying EBITDA less capital expenditures excluding expenditures on one-off strategic/one-off capital expenditure and in working capital movements, divided by Underlying EBITDA. As discussed in paragraph 6 below, the Group has incurred expenditure on a number of one-off strategic projects during the Historical Period. Excluding this capital expenditure, Cash Conversion in FY16, FY17 and FY18 was 57.1 per cent., 52.7 per cent. and 70.8 per cent. of EBITDA.

The table below sets out certain information regarding the Group's cash flows in the periods indicated:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Net cash inflow from operating activities	11,871	12,029	13,998
Net cash used in investing activities	(5,822)	(11,166)	(7,423)
Net cash used in financing activities	(3,270)	(3,189)	(3,248)
Net increase/(decrease) in cash and cash equivalents	**2,779**	**(2,326)**	**3,327**
Cash and cash equivalents at the beginning of the year	3,640	6,419	4,093
Closing cash and cash equivalents	**6,419**	**4,093**	**7,420**
Other cash flow data			
Cash Conversion (per cent.)	57.1%	52.7%	70.8%

The decrease in the cash and cash equivalents balance as at 30 April 2017 compared to 1 May 2016 reflects the significant investment in one-off projects as detailed below. The Group generated surplus cash in FY18.

Cash flows from operating activities

Net cash flows from operating activities comprise operating profit, plus non-cash items, less changes in net working capital and less corporation taxes paid during the period. The following table sets out a reconciliation of net cash inflow from operating activities to operating profit for the periods indicated:

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Total operating profit	**9,567**	**5,452**	**6,176**
Depreciation and amortisation	2,457	4,004	5,151
Loss on disposal of fixed assets	215	85	237
Derivative exchange loss/(gain)	(31)	366	(451)
Operating cashflow before changes in working capital	**12,208**	**9,907**	**11,113**
(Increase)/decrease in receivables	(1,794)	(1,161)	(3,257)
(Increase)/decrease in inventories	(1,514)	(689)	(2,449)
Increase/(decrease) in payables	3,719	4,852	9,296
Net (increase)/decrease in working capital	**411**	**3,002**	**3,590**
Cash inflow from operating activities	**12,619**	**12,909**	**14,703**
Corporation tax paid	(748)	(880)	(705)
Net cash flows from operating activities	**11,871**	**12,029**	**13,998**

The Group generated net cash flow from operating activities of £11.9 million in FY16 and £12.0 million in FY17. In FY18, the Group's cash inflow from operating activities increased by 16.4 per cent. to £14.0 million. These changes were primarily due to the movements in the Group's revenue and operating profit in both years due to the factors discussed in paragraph 4 above, together with changes in working capital, and corporation tax paid.

Net changes in working capital for FY16 resulted in an inflow of £0.4 million primarily due to an increase in payables offsetting increases in receivable and inventories. The net working capital inflow of £3.0 million in FY17 was primarily due to a further increase in payables offsetting increases in receivable and inventories reflecting, in part, the timing of the year end payment run.

Net changes in working capital in FY18 resulted in an inflow of £3.6 million primarily reflecting an increase in payables and a favourable movement in the mark-to-market of derivatives offset by an increase in inventories in advance of the launch of a number of new product ranges in the following year.

Cash used in investing activities

Net cash used in investing activities increased by £5.3 million, or 91.8 per cent., from £5.8 million in FY16 to £11.2 million in FY17. Net cash used in investing activities decreased by £3.7 million, or 33.5 per cent., to £7.4 million in FY18. This increase in FY17 was primarily due to increased expenditure on property, plant and equipment relating to the increased pace of new store rollout as well as the investment in the new support and distribution centre at Boldmere House.

Cash used in financing activities

Net cash used in financing activities decreased by £0.1 million from £3.3 million in FY16 to £3.2 million in FY17. Net cash used in financing activities increased by £0.1 million, or 1.9 per cent., to £3.3 million in FY18.

6. Capital expenditure

The Group's capital expenditure during the Historical Period consisted primarily of expenditures related to the opening of new stores as well as investments in new warehousing facilities and a new support and distribution centre. The table below sets out the breakdown of the Group's capital expenditure during the periods under review.

	FY16 (£'000)	*FY17 (£'000)*	*FY18 (£'000)*
Warehouse and support centre relocation	–	3,143	–
New stores and relocations	3,402	5,230	5,316
IT hardware and software	1,259	1,601	653
Web development	147	374	306
Store refits and rebrands	370	285	350
Other	929	1,148	1,111
Total capital expenditure	**6,107**	**11,781**	**7,736**
Capital expenditure on finance lease	(277)	(482)	(284)
Net capital expenditure	**5,830**	**11,299**	**7,452**

The Group's net capital expenditure in FY16, FY17 and FY18 was £5.8 million, £11.3 million and £7.5 million, respectively.

The Group's capital expenditure on one-off strategic projects during the Historical Period comprised expenditures related to the Group's consolidation of its warehousing facilities and the building of a new support and distribution centre and higher IT spend in FY16 and FY17 as systems were upgraded to support future growth. As set out in the table above, capital expenditure attributable to new store openings and relocations in FY16, FY17 and FY18 was £3.4 million, £5.2 million and £5.3 million, respectively. In FY16, FY17 and FY18, new store fit out capital expenditure required to open a new store averaged approximately £80,000 per store.

Going forwards, the Directors expect ongoing capital expenditure of approximately £7.0 million to £8.0 million per annum. Any capital expenditure over and above this amount will be subject to strict return on investment criteria.

7. Financial liabilities

The table below details the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Within one year (£'000)	*In the second to fifth years inclusive (£'000)*	*After five years (£'000)*	*Total (£'000)*
As at 29 April 2018				
Fixed interest rate instruments	3,042	31,667	0	34,709
Finance lease liability	226	540	0	766
Non interest bearing	44,311	0	0	44,311
Total	**47,579**	**32,207**	**0**	**79,786**

Banking facilities

Paragraph 12.1 of Part XV of this Prospectus provides a detailed description of the terms of the banking facilities in place over the Historical Period.

Finance leases

The Group's aggregate liabilities under finance leases totalled £0.2 million, £0.6 million and £0.7 million in FY16, FY17 and FY18, respectively. These finance leases principally related to store IT equipment (hardware).

8. Quantitative and qualitative disclosures about market risk

The principal financial risks faced by the Group are liquidity, foreign currency, interest rate, counterparty credit and capital risks. The Directors have overall responsibility for the oversight of the Group's risk management strategy. The principal financial risk factors and the actions taken to mitigate those risks are reviewed on an on-going basis.

Liquidity risk

The Group generates significant operational cash inflows enabling the Group to maintain substantial cash balances. The Group has a £25 million revolving credit facility to meet seasonal short-term liquidity requirements as outlined at paragraph 12.6 of Part XV of this Prospectus. Cash flow forecasts are prepared to assist management in identifying future liquidity requirements.

The New Debt Facility is subject to certain agreed financial covenants. The risk of a breach of these covenants is mitigated by regular and thorough financial forecasting, detailed covenant modelling and close monitoring of covenant compliance. As at the date of this Prospectus, the Group had adequate headroom against all of its financial covenants.

Interest rate risk

The Group's principal interest rate risk arises from the New Debt Facility. Bank borrowings are denominated in pounds sterling and are borrowed at floating interest rates. Following Admission and the entering into of the New Debt Facility Agreement, a 50 basis point increase in interest rates would result in an increased annual interest cost of approximately £70,000.

Counterparty credit risk

The Group is exposed to counterparty credit risk on its holdings of cash and cash equivalents and derivative financial assets. To mitigate the risk, counterparties are limited to high credit-quality financial institutions.

As a retail business the Group has minimal exposure to credit risk on trade receivables.

Capital risk management

The Group's capital risk management policy is to maintain a strong and efficient capital base to support the strategic objectives of the Group, provide optimal returns to shareholders and safeguard the going concern status of the Group.

The Group defines capital as equity attributable to the equity holders of the Company plus net debt. Net debt is shown in note 27 in Part XI of this Prospectus.

The Group has a continued focus on free cashflow generation. The Directors monitor a range of financial metrics together with standard banking covenant ratios (for example, leverage and fixed charge cover), maintaining suitable headroom to ensure that the Group's financing requirements continue to be serviceable.

Foreign exchange risk management

As at 29 April 2018, the Group held a portfolio of foreign currency derivative contracts with notional principal amounts totalling US$10.4 million (FY17: US$25 million and FY16: US$4 million) to mitigate the exchange risk on future U.S. Dollar denominated trade purchases from its suppliers in the Far East.

9. Critical accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 in Part XI of this Prospectus.

PART X

LIQUIDITY AND CAPITAL RESOURCES

The following table sets out the consolidated capitalisation and indebtedness of the Operating Group as at 29 April 2018:

	As at 29 April 2018 *£'000*
Indebtedness	
Guaranteed	–
Secured	209
Unguaranteed/unsecured	–
Total current debt	209
Guaranteed	–
Secured	31,249
Unguaranteed/unsecured	–
Total non-current debt	31,249
Total indebtedness	31,458
Capitalisation	
Share capital	–
Own shares	(2,500)
Other reserves	–
Total capitalisation	(2,500)

There has been no material change in the Operating Group's capitalisation since 29 April 2018.

The table below sets out the net current financial indebtedness of the Operating Group as at 29 April 2018:

	As at 29 April 2018 *£'000*
Cash	7,420
Cash equivalents	–
Liquidity	7,420
Current bank debt	–
Current portion of non-current debt	–
Other current financial debt	(209)
Current financial debt	(209)
Net current financial liquidity	7,211
Non-current bank loans	(30,755)
Other non-current financial debt	(494)
Non-current financial indebtedness	(31,249)
Net financial indebtedness	(24,038)

PART XI

HISTORICAL FINANCIAL INFORMATION

SECTION A: ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

KPMG

The Directors
TheWorks.co.uk plc
Boldmere House
Faraday Avenue
Hams Hall Distribution Park
Coleshill
Birmingham
England
B46 1AL

13 July 2018

Ladies and Gentlemen

TheWorks.co.uk plc

We report on the financial information set out on pages 87 to 115 for the 53 week period ended 1 May 2016, the 52 week period ended 30 April 2017 and the 52 week period ended 29 April 2018. This financial information has been prepared for inclusion in the prospectus dated 13 July 2018 of TheWorks.co.uk plc on the basis of the accounting policies set out in note 3. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of TheWorks.co.uk plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the prospectus dated 13 July 2018, a true and fair view of the state of affairs of The Works Investments and its subsidiary undertakings as at 1 May 2016, 30 April 2017 and 29 April 2018 and of its profits, cash flows and changes in equity for the 53 week period ended 1 May 2016, the 52 week period ended 30 April 2017 and the 52 week period ended 29 April 2018 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

SECTION B: HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Consolidated statement of comprehensive income

	Note	*53 weeks ended 1 May 2016 £000*	*52 weeks ended 30 April 2017 £000*	*52 weeks ended 29 April 2018 £000*
Revenue	5	154,398	166,421	192,100
Cost of sales		(123,874)	(138,877)	(158,167)
Gross profit		30,524	27,544	33,933
Other operating income		7	10	7
Distribution costs		(8,483)	(7,781)	(9,358)
Administrative expenses before exceptional items		(12,081)	(12,966)	(16,737)
Exceptional items	7	(400)	(1,355)	(1,669)
Administrative expenses		(12,481)	(14,321)	(18,406)
Operating profit	8	9,567	5,452	6,176
Investment income	9	9	33	20
Finance costs	10	(3,581)	(3,603)	(3,624)
Profit before tax		5,995	1,882	2,572
Tax	11	(1,399)	(542)	(787)
Profit for the period		4,596	1,340	1,785

All results arise from continuing operations. During the 53 weeks ended 1 May 2016, 52 weeks ended 30 April 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.

	Note	*53 weeks ended 1 May 2016 £*	*52 weeks ended 30 April 2017 £*	*52 weeks ended 29 April 2018 £*
Earnings per share				
Basic and diluted	12	523	153	203

Consolidated statement of financial position

	Note	2016 £000	2017 £000	2018 £000
Non-current assets				
Goodwill	13	16,180	16,180	16,180
Property, plant and equipment	14	11,081	18,671	21,012
Deferred tax	20	347	320	299
		27,608	35,171	37,491
Current assets				
Inventories	16	17,549	18,238	21,495
Trade and other receivables	17	13,792	14,775	17,313
Cash and bank balances		6,419	4,093	7,420
		37,760	37,106	46,228
Total assets		65,368	72,277	83,719
Current liabilities				
Trade and other payables	22	30,262	35,107	44,311
Obligations under finance leases	21	55	152	209
Net current assets		7,443	1,847	1,708
Non-current liabilities				
Borrowings	18	30,043	30,399	30,755
Obligations under finance leases	21	183	454	494
		30,226	30,853	31,249
Total liabilities		60,543	66,112	75,769
Net assets		4,825	6,165	7,950
Equity				
Share capital	23	–	–	–
Retained earnings		4,825	6,165	7,950
Total equity		4,825	6,165	7,950

Consolidated statement of changes in equity

	Share capital £000	*Retained earnings £000*	*Total equity £000*
Balance at 26 April 2015	–	2,729	2,729
Profit and total comprehensive income for the year	–	4,596	4,596
Own shares acquired in the year	–	(2,500)	(2,500)
Balance at 1 May 2016	–	4,825	4,825
Profit and total comprehensive income for the year	–	1,340	1,340
Balance at 30 April 2017	–	6,165	6,165
Profit and total comprehensive income for the year	–	1,785	1,785
Balance at 29 April 2018	–	7,950	7,950

Consolidated cash flow statement

	Note	*2016* *£000*	*2017* *£000*	*2018* *£000*
Net cash from operating activities	24	11,871	12,029	13,998
Investing activities				
Proceeds on disposal of property, plant and equipment		–	102	9
Interest received		8	31	20
Purchases of property, plant and equipment	14	(5,830)	(11,299)	(7,452)
Net cash used in investing activities		(5,822)	(11,166)	(7,423)
Financing activities				
Proceeds from bank borrowings		2,500	–	–
Debt issue costs		(234)	–	–
Purchase of own shares		(2,500)	–	–
Interest paid		(2,993)	(3,073)	(3,075)
Repayments of obligations under finance leases		(43)	(116)	(173)
Net cash used in financing activities		(3,270)	(3,189)	(3,248)
Net increase/(decrease) in cash and cash equivalents		2,779	(2,326)	3,327
Cash and cash equivalents at beginning of year		3,640	6,419	4,093
Cash and cash equivalents at end of year		6,419	4,093	7,420

Notes to the consolidated financial statements

1. General information and basis of preparation

Basis of preparation

The Works Investments Limited (referred to as “the Company” in this Part XI only) is a private company limited by shares incorporated in England under the Companies Act and is registered in England. The registered number is 09073458 and the registered address is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, B46 1AL.

The principal activities of the Company and its subsidiaries (referred to as “the Group” in this Part XI only) are the provision of high quality, great value gifts, art, craft, stationery, toys and books as a discount retailer.

This consolidated historical financial information (“HFI”) has been prepared for the purposes of inclusion in the Prospectus in accordance with the requirements of the Listing Rules and the Prospectus Directive Regulation and in accordance with IFRS as adopted by the EU (EU-IFRS) and this basis of preparation, including the significant accounting policies set out below.

The financial information is presented on the basis of the accounting policies and practices of the Group as will be applied in the first published financial statements following Admission.

The financial information presented within this document does not comprise the statutory accounts of the Company for the financial years ended 1 May 2016, 30 April 2017 and 29 April 2018. The statutory accounts for those years have been reported on by the company’s auditor and delivered to the registrar of companies. The reports of the auditor were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates and are rounded to the nearest thousand.

“**Historical Period**” refers to the three periods ended 29 April 2018, 30 April 2017 and 1 May 2016. “**2018**”, “**2017**” and “**2016**” throughout refers to these three periods respectively.

2. Adoption of new and revised Standards

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 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers (and the related Clarifications)*
IFRS 16	*Leases*
IFRS 17	*Insurance Contracts**
IFRS 2 (amendments)	*Classification and Measurement of Share-based Payment Transactions*
IFRS 4 (amendments)	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IAS 40 (amendments)	*Transfers of Investment Property*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
Annual Improvements to IFRSs 2014-2016 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures*
IFRIC 22	*Foreign Currency Transactions and Advanced Consideration*
IFRIC 23	*Uncertainty over Income Tax Treatments**
IFRS 9 (amendments)	*Prepayment Fixtures with Negative Compensation (issued on 12 October 2017)*

* Not yet endorsed for use in the EU

IFRS 15

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group intends to adopt the modified retrospective approach in the next period's financial statements.

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'
- Determining the transaction price
- Allocating 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

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration, contract modifications and requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the Statement of Financial position ("SFP") and amortised over the period an entity expects to benefit from the customer relationship.

The Group has considered the new standard, considered the relatively straightforward income streams the Group has and whilst the Group hasn't concluded the issue formally the impact is not expected to be material.

IFRS 9

When IFRS 9 is adopted the standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures. IFRS 9 should be applied subject to certain exemptions. The standard introduces the following:

- An 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for the credit event to have occurred before a credit loss is recognised.
- A new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- A logical approach for the classification of financial assets, driven by cash flow characteristics and the business model in which an asset is held.
- Embedded derivatives are no longer separated from financial asset hosts.

The Group is still in the process of quantifying the implications of this standard. However, qualitatively the Group expects the following impacts:

- 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.
- The Group has not designated any instrument for hedging, as such no impact 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 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"). No impact is expected on the financial statements.
- There is no embedded derivative within the financial instruments held by the Group.

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 balance sheet for all applicable leases. Adoption of the standard will have a material impact on the reported assets and liabilities in the financial statements.

The operating lease commitments disclosed in note 25 of the 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 Group does not believe there are any contracts not included in the operating lease note that would qualify as a lease under IFRS 16.

Under IAS 17 operating lease costs were expensed to the income statement. Under IFRS 16 a depreciation charge will be made against the right of use assets and an interest charge incurred against the lease liability. Any timing differences between operating lease costs previously expensed under IAS 17 and depreciation and interest charges under IFRS 16 will impact profit reported in the income statement. The EBITDA profit measure defined in note 6 to the financial statements will increase by approximately the operating lease costs identified in note 8 to the financial statements, subject to a non-material element qualifying as low value or short-term leases under IFRS 16 and continuing to be expensed to the income statement as operating lease costs. This benefit to EBITDA will be offset by the depreciation charge on the right of use assets and the interest charge applied to the related lease liability. The net impact of IFRS 16 will not be uniform over the life of the lease.

The Group continues to assess the impact of adopting the standard under the different transitional options available. Full retrospective application would provide both a restated comparative period and a more consistent year on year charge to the income statement than the alternative modified transitional options. The assessment of a full retrospective application including all leases and lease events back to the date of lease commencement is not yet complete.

3. Significant accounting policies

Basis of accounting

The consolidated HFI has been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in the consolidated HFI is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Going concern

The Directors have considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the consolidated HFI in notes 18, 24 and 27.

The Group meets its day-to-day working capital requirements through an overdraft facility that was renewed on 22 June 2018. The loan facility was extended to 31 August 2019. The current economic conditions create uncertainty particularly over the level of demand for the Group's products.

The directors have prepared trading and cash flow forecasts for the Group for the 12 months from the date of approval of this historic financial information. They include adjustments to reflect the estimated proceeds of the proposed IPO, the related costs and the proposed use of these proceeds. The forecasts have been sensitised to indicate the impact of reasonably possible downside scenarios and headroom remains comfortable.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated HFI.

Basis of consolidation

The consolidated HFI incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the periods ended 1 May 2016, 30 April 2017 and 29 April 2018. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales 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 or receivable 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. Such consideration 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.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retail set up costs

The costs incurred setting up retail premises before opening are charged to the profit or loss account in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Exceptional items

Exceptional 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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses, if any. Depreciation is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost over their expected useful lives. The principal rates used are as follows:

Leasehold property improvements	Over the life of the lease.
Fixtures and fittings	15 per cent. per annum straight line or depreciated on a straight line basis over the remaining life of the lease, whichever is shorter.
Computer equipment	25 per cent. to 50 per cent. per annum straight line.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 27.

Loans and receivables

Trade receivables and unquoted loans are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination, (ii) held for trading, or (iii) it is designated as at FVTPL.

The Group carries at FVTPL the following liability: derivatives not designated in hedge relationships.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 27.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rates including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in notes 19 and 27.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and judgements used in the financial statements are as follows:

Impairment of goodwill

Calculations of the value in use of the cash generating units to which goodwill are associated are used to evaluate whether an impairment has arisen. Such calculations involve estimates of the future forecast cash flows and selecting an appropriate discount rate. Note 13 provides information on the assumptions used. The directors do not consider that there will be an impairment within the next financial year but nonetheless it is an estimate that they consider to be the most complex.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, shop fittings may be impaired if sales in that shop fall or are no longer in use. Judgement is required in assessing whether there is an impairment trigger.

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 a key estimate and are based on management's estimates of future cash flows 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 amount.

Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

Inventory provisioning

The Group reviews its inventory on a regular basis and where necessary includes a provision for any inventory that may be worth less than its book value. Due to the seasonal nature of the business, judgement is applied in regards to the type of stock items that require a provision. The provision is an estimate, which is based on ageing and historical trends and is reviewed by management throughout the year. The total provision in 2018 was £900,000 (2017: £950,000; 2016: £1,308,000). In 2018 the net profit impact of the provision was a credit of £49,000. A 10 per cent. reduction in the estimated net realisable value of inventory would lead to an increase in the provision of £31,000 at 29 April 2018.

5. Revenue

An analysis of the Group's revenue is as follows:

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Continuing operations			
Sales of goods	154,398	166,421	192,100
Other operating income	7	10	7
	154,405	166,431	192,107

6. Segmental reporting

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

The Group has only one operating and 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 Operation Decision Maker.

Adjusted EBITDA is a key measure used by the Board of Directors. Adjusted EBITDA represents underlying profit for the period before net finance expense, taxation, depreciation and amortisation, loss on disposals of property, plant and equipment impairment losses and exceptional costs. Exceptional items are gains or losses incurred in a period which are not expected to be recurring. The following table provides a reconciliation of Adjusted EBITDA to a statutory measure, profit before tax.

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Revenue	154,398	166,421	192,100
Adjusted EBITDA	12,639	10,896	13,233
Exceptional items	(400)	(1,355)	(1,669)
Loss on disposals of property, plant and equipment	(215)	(85)	(237)
Depreciation	(2,457)	(4,004)	(5,016)
Finance costs	(3,581)	(3,603)	(3,624)
Investment income	9	33	20
Impairment loss	–	–	(135)
Profit before tax	5,995	1,882	2,572

The Group's principal activities, as described in Note 1, arise predominantly in the UK where all material revenues are generated and all material non current assets are located.

7. Exceptional items

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Exceptional items			
Relocation costs(i)	–	1,355	8
Share capital restructure(ii)	400	–	–
Professional fees – one off non-operational expenditure(iii)	–	–	1,475
Historical packaging waste levy penalty	–	–	186
	400	1,355	1,669

(i) These are costs incurred in relation to the relocation of the support centre.
(ii) These are legal expenses incurred associated with the share capital restructure.
(iii) These relate to professional fees in respect of the proposed IPO.

The related tax impact of these exceptional items is a tax credit in the profit and loss account of £nil for 2016, £260,000 for 2017 and £201,000 for 2018.

8. Profit for the year

Profit for the year has been arrived at after charging:

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Loss on disposal of property, plant and equipment	215	85	237
Depreciation	2,457	4,004	5,016
Impairment loss on fixed assets	–	–	135
Operating Lease payments:			
Hire of plant and machinery	330	426	419
Other operating leases	18,564	21,198	23,596
Net foreign exchange (gains)/losses	(53)	39	188
Cost of inventories recognised as an expense	61,316	65,351	74,072
Staff costs	30,739	34,644	40,647

9. Investment income

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Bank Interest receivable	9	32	20
Other interest receivable	–	1	–
Total investment income	9	33	20

10. Finance costs

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Bank Interest payable	131	129	155
Other interest payable	3,108	3,111	3,455
Other finance costs	342	363	14
Total finance costs	3,581	3,603	3,624

11. Tax

	2016 £000	2017 £000	2018 £000
UK corporation tax:			
Current year	1,298	476	885
Adjustments in respect of prior periods	(35)	(20)	(186)
	1,263	456	699
Foreign tax:			
Current year	24	53	70
Adjustments in respect of prior periods	16	6	(3)
	40	59	67
Total current tax charge	**1,303**	**515**	**766**
Deferred tax (see note 20)			
Origination and reversal of temporary differences	47	14	(100)
Adjustments in respect of prior periods	3	(5)	–
Effect of changes in tax rates	46	18	121
Total deferred tax charge	**96**	**27**	**21**
Total tax charge	**1,399**	**542**	**787**

The UK Finance Act 2016 reduced the rate of corporation tax to 17 per cent. with effect from 1 April 2020. This rate was fully enacted on 15 September 2016 and therefore was effective as at 30 April 2017 and 29 April 2018.

The UK Finance (No.2) Act 2015 reduced the rate of corporation tax to 18 per cent. with effect from 1 April 2020. This rate was fully enacted on 18 November 2015 and therefore was effective as at 1 May 2016.

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

The current tax charge for the three periods is higher than the standard rate of corporation tax in the UK (2018: 19 per cent. 2017: 19.92 per cent., 2016: 20 per cent.). The differences are explained below:

	2016 £000	2017 £000	2018 £000
Profit before tax	5,995	1,882	2,572
Tax at the UK corporation tax rate (2018: 19 per cent., 2017: 19.92 per cent., 2016: 20 per cent.)	1,199	374	489
Effects of:			
Property, plant and equipment differences	140	179	185
Expenses that are not deductible in determining taxable profit (primarily depreciation on assets not qualifying for capital allowances and non-deductible loan note interest)	53	22	205
Other permanent differences	(1)	(1)	–
Effect of tax rates in foreign jurisdictions	24	53	70
Tax over provided in prior periods	(16)	(19)	(68)
Reduction in tax rate on deferred tax balances	25	13	12
Foreign PE exemption	(39)	(84)	(106)
Change in tax rate	14	5	–
Tax expense for the year	1,399	542	787

The key difference between the effective tax rate and the statutory tax rate relates to ineligible depreciation on shop fit outs. This is initially estimated for accounts purposes and the tax over provided in prior periods relates to the finalisation of their estimates in the following year. The Foreign PE exemption relates to the stores in Ireland.

12. Earnings per share

The calculation of the earnings per share is based on the following data:

	2016	*2017*	*2018*
	£	£	£
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company (thousands)	4,596	1,340	1,785
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,780	8,780	8,780
Basic and Diluted earnings per share	523	153	203

13. Goodwill

	Goodwill
	£000
Cost and carrying amounts	
At 27 April 2015, 1 May 2016, 30 April 2017	**16,180**
Acquired on acquisition of subsidiaries	–
At 29 April 2018	**16,180**

No goodwill impairment has arisen in any of the reported periods.

Goodwill of £16.2 million was generated during the year ended 27 April 2015 when the Group acquired The Works Stores Limited. As such, all of the goodwill has been allocated to one cash generating unit being The Works Stores Limited. The goodwill is not expected to be deductible for income tax purposes.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of The Works Stores Limited is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to operating costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to The Works Stores Limited. The growth rates are based on historical performance and expected future trends.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for the following three years based on an estimated growth rate of 10 per cent *(2017: 10 per cent, 2016: 10 per cent)*.

The rate used to discount the forecast cash flows from The Works Stores Limited is 10 per cent *(2017: 10 per cent, 2016: 10 per cent)*.

The Group has conducted a sensitivity analysis on the impairment test of The Works Stores Limited by applying reasonably possible changes in the key assumptions being the growth rate and discount rate and operating costs such as distribution labour. On applying these sensitivities, the aggregate carrying amount of the net assets of The Works Stores Limited does not exceed the aggregate recoverable amount.

14. Property, plant and equipment

	Leasehold improvements £000	*Fixtures and fittings £000*	*Computer equipment £000*	*Total £000*
Cost				
At 27 April 2015	2,798	4,031	2,378	9,207
Additions	1,826	2,726	1,555	6,107
Disposals	(204)	(288)	(6)	(498)
At 1 May 2016	4,420	6,469	3,927	14,816
Additions	1,544	7,844	2,393	11,781
Disposals	(191)	(474)	(181)	(846)
At 30 April 2017	5,773	13,839	6,139	25,751
Additions	1,756	4,544	1,569	7,869
Disposals	(315)	(849)	(691)	(1,855)
At 29 April 2018	7,214	17,534	7,017	31,765
Accumulated depreciation				
At 27 April 2015	431	712	418	1,561
Charge for the period	721	1,062	674	2,457
On disposals	(115)	(164)	(4)	(283)
At 1 May 2016	1,037	1,610	1,088	3,735
Charge for the period	808	1,758	1,438	4,004
On disposals	(189)	(360)	(110)	(659)
At 30 April 2017	1,656	3,008	2,416	7,080
Charge for the period	944	2,273	1,799	5,016
Impairment	–	–	135	135
On disposals	(242)	(641)	(595)	(1,478)
At 29 April 2018	2,358	4,640	3,755	10,753
Carrying amount				
At 29 April 2018	4,856	12,894	3,262	21,012
At 30 April 2017	4,117	10,831	3,723	18,671
At 1 May 2016	3,383	4,859	2,839	11,081
At 27 April 2015	2,367	3,319	1,960	7,646

Included within property, plant and equipment are the following amounts held under finance leases:

	Computer equipment		
	2016 £000	*2017 £000*	*2018 £000*
Net book value	269	574	679
Depreciation charged in the year	16	136	214

15. Investments in Subsidiaries

The Group consists of a parent company, The Works Investments Limited, incorporated in the UK and two subsidiaries held directly and indirectly by The Works Investments Limited, The Works Stores Limited and The Works Online Limited.

Details of the Company's subsidiaries at 29 April 2018 are as follows:

Name	*Country of incorporation*	*Principal activity*	*Holding*	*Proportion of ownership interest %*	*Proportion of voting power held %*
The Works Stores Limited	UK	Retail	Direct	100%	100%
The Works Online Limited	UK	Retail	Indirect	100%	100%

16. Inventories

	2016 £000	*2017 £000*	*2018 £000*
Goods for resale	17,549	18,238	21,495

The cost of inventories recognised as an expense during the year in respect of continuing operations was 2016: £61 million, 2017: £65 million, 2018: £74 million.

17. Trade and other receivables

	2016 £000	*2017 £000*	*2018 £000*
Trade receivables	58	178	116
Other receivables	562	217	689
Prepayments and accrued income	12,992	14,380	16,419
Corporation tax	176	–	–
Derivative financial asset	4	–	89
	13,792	14,775	17,313

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. These all relate to credit card payments for online sales and are therefore all current. Due to the nature of the business no credit is provided to customers. There is no allowance against the trade receivables.

Prepayments include £3,049,000 in 2016, £4,223,000 in 2017 and £4,104,000 in 2018 in respect of prepaid rents and £8,908,000 in 2016, £9,015,000 in 2017 and £10,651,000 in 2018 in respect of rates on the Company's Leased locations.

18. Borrowings

	2016 £000	*2017 £000*	*2018 £000*
Secured borrowings at amortised cost			
Bank overdrafts	–	–	–
Bank loans	31,200	31,200	31,200
Unamortised debt issue costs	(1,157)	(801)	(445)
	30,043	30,399	30,755
Total borrowings			
Amount due for settlement within 12 months	–	–	–
Amount due for settlement after 12 months	30,043	30,399	30,755

The other principal features of the Group's borrowings are as follows.

(i) Bank overdraft facility was renewed on 22 June 2018 and attracts interest of 4 per cent. above the bank's sterling base rate. The overdraft is secured on certain of the assets of the Group.

(ii) Bank loan of £31.2 million (2016: £31.2 million) with a repayment date of 31 August 2019 attracting an interest rate of LIBOR + 9.25 per cent.

19. Derivative financial instruments

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Assets			
Fair value of forward currency contracts	4	–	89
Liabilities			
Fair value of forward currency contracts	–	362	–

Further details of derivative financial instruments are provided in note 27.

20. Deferred tax

Recognised deferred tax assets

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period.

	Fixed assets	*Other timing differences*	*Total*
	£000	*£000*	*£000*
At 27 April 2015	308	135	443
Deferred tax charge in profit and loss account	(88)	(8)	(96)
At 1 May 2016	220	127	347
Deferred tax charge in profit and loss account	(21)	(6)	(27)
At 30 April 2017	199	121	320
Deferred tax charge in profit and loss account	(12)	(9)	(21)
At 29 April 2018	187	112	299

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax assets have been recognised primarily on differences between accumulated depreciation and capital allowances.

21. Obligations under finance leases

	Minimum lease payments		
	2016	*2017*	*2018*
	£000	*£000*	*£000*
Amounts payable under finance leases:			
Within one year	55	162	226
In the second to fifth years inclusive	183	489	540
After five years	–	–	–
	238	651	766
Less: future finance charges	–	45	63
Present value of lease obligations	238	606	703

	Present value of minimum lease payments		
	2016	*2017*	*2018*
	£000	*£000*	*£000*
Amounts payable under finance leases:			
Within one year	55	152	209
In the second to fifth years inclusive	183	454	494
After five years	–	–	–
Present value of lease obligations	238	606	703
Analysed as:			
Amounts due for settlement within 12 months (shown under current liabilities)	55	152	209
Amounts due for settlement after 12 months	183	454	494
	238	606	703

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 29 April 2018, the average effective borrowing rate was 2.3 per cent (*2017: 2.2 per cent, 2016: 0 per cent*). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets concerned.

22. Trade and other payables

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Trade payables	18,230	22,418	29,022
Corporation tax	766	226	287
Other taxation and social security	571	448	938
Other payables and accruals	10,695	11,653	14,064
Derivative liability	–	362	–
	30,262	35,107	44,311

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Other payables and accruals include £3,050,000 in 2016, £5,821,000 in 2017 and £6,454,000 in 2018 in respect of unamortised lease incentives.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

23. Share capital

	2016	2017	2018
	£	£	£
Allotted, called up and fully paid:			
5,092 "A" ordinary shares of 1p each	51	51	51
2,273 "B" ordinary shares of 1p each	23	23	23
335 "D" ordinary shares of 1p each	3	3	3
1,080 "E" ordinary shares of 1p each	11	11	11
2,111 "G" ordinary shares of 1p each	21	21	21
	109	109	109

The "A", "B" and "E" shareholders are entitled to receive notice of and attend any general meeting of the Company. At such meetings, the "A" shareholders are entitled to 47.8525 per cent. of all votes able to be cast at the meeting, "B" shareholders are entitled to 47.8525 per cent., and "E" shareholders are entitled to the remaining 4.295 per cent. of the voting rights. The "D" and "G" shareholders are not entitled to voting rights. The shares rank *pari passu* with regards to dividends except for the G shares which are not entitled to any dividends.

As part of the Company's share restructure, shares were cancelled and reissued or a new class of shares issued. As a result a reserve was created for the purchase of own shares, provided in the statement of changes in equity.

The Company's other reserves are as follows: retained earnings reserve represents cumulative profit or losses, net of dividends. A reconciliation of the Group's retained reserves balances is provided in the statement of changes in equity.

24. Notes to the cash flow statement

	2016	2017	2018
	£000	£000	£000
Profit for the year	4,596	1,340	1,785
Adjustments for:			
Depreciation of property, plant and equipment	2,457	4,004	5,016
Impairment of fixed assets	–	–	135
Investment income	(9)	(33)	(20)
Finance costs	3,581	3,603	3,624
Income tax expense	1,399	542	787
Loss on disposal of property, plant and equipment	215	85	237
Derivative exchange loss/(gain)	(31)	366	(451)
Operating cash flows before movements in working capital	12,208	9,907	11,113
(Increase) in inventories	(1,514)	(689)	(2,449)
(Increase) in receivables	(1,794)	(1,161)	(3,257)
Increase in payables	3,719	4,852	9,296
Cash generated by operations	12,619	12,909	14,703
Income taxes paid	(748)	(880)	(705)
Net cash from operating activities	11,871	12,029	13,998

Reconciliation of liabilities arising from financing activities

	Loans and borrowings £000	*Finance lease liabilities £000*
Balance at 1 May 2017	30,399	606
Changes from financing cash flows		
Payment of finance lease liabilities	–	(173)
Total changes from financing cash flows	–	(173)
Other changes		
Interest paid	–	(14)
Amortisation of debt interest costs	356	–
New finance leases	–	284
Total other changes	356	270
Balance at 29 April 2018	30,755	703

25. Operating lease arrangements

The Group as lessee

	2016 £000	*2017 £000*	*2018 £000*
Lease payments under operating leases recognised as an expense in the year	18,564	21,198	24,015

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	*2017 £000*	*2018 £000*
Within one year	16,620	20,224	23,852
In the second to fifth years inclusive	46,478	58,796	70,191
After five years	20,280	45,132	41,476
	83,378	124,152	135,519

Operating lease payments represent rentals payable by the Group for its stores and its office.

26. Retirement benefit schemes

Defined contribution schemes

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £323,000 (*2017: £263,000, 2016: £333,000*).

At the end of the year contributions of £107,000 (*2017: £54,000, 2016: £28,000*) were outstanding.

27. Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings disclosed in note 18 after deducting cash and bank balances) and equity of the Group (comprising issued capital and retained earnings as disclosed in note 23). Both are included in the table below.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group keeps its capital structure under review.

The gearing ratio at the year end is as follows:

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Borrowings	30,043	30,399	30,755
Obligations under finance leases	238	606	703
Cash and cash equivalents	(6,419)	(4,093)	(7,420)
Net Debt	23,862	26,912	24,038
Equity	4,825	6,165	7,950
Net debt to equity ratio	495%	437%	302%

Debt is defined as long-term and short-term borrowings (excluding derivatives) as detailed in note 18.

Equity includes all capital and reserves of the Group that are managed as capital.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Financial assets			
Cash and cash equivalents	6,419	4,093	7,420
Fair value through profit and loss (FVTPL)	4	–	89
Trade and other receivables	13,788	14,775	17,313
Financial liabilities			
Fair value through profit and loss (FVTPL)	–	362	–
Amortised cost:			
Trade and other payables	30,262	35,107	44,311
Finance lease liabilities	238	606	703
Loans	30,043	30,399	30,755

The Group's Finance team manages the financial risks relating to the operations of the Group including managing cash and foreign currency requirements of the Group. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

		Liabilities			*Assets*	
	2016	*2017*	*2018*	*2016*	*2017*	*2018*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
US Dollar	1,679	1,747	2,612	2,872	3,487	4,536
Euro	45	388	269	863	792	448

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar and Euro.

The following table details the Group's sensitivity to a 10 per cent. increase and decrease in sterling against the relevant foreign currencies. 10 per cent. represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10 per cent. change in foreign currency rates. A positive number indicates a decrease in profit and other equity where sterling strengthens 10 per cent. against the relevant currency. For a 10 per cent. weakening of sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances would be negative.

		US Dollar impact			*Euro impact*	
	2016	*2017*	*2018*	*2016*	*2017*	*2018*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Profit or loss	108	158	175	74	37	16

This is mainly attributable to the exposure outstanding on US Dollar and Euro cash, inventory, trade payables and other accruals in the Group at the reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate sensitivity analysis

The group is also exposed to fluctuation in the interest rate on the overdraft facility which is used to manage the day to day operations. The sensitivity analysis below has been determined based on an increase in the interest rate of 0.5 per cent. on the average cash balances throughout the year.

	2016	*2017*	*2018*
	£000	*£000*	*£000*
Average cash balance	5,295	2,804	4,163
Profit or loss	26	14	8

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not offer any credit to its customers which means there is no significant credit risk exposure to its customers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of the financial assets recorded in the financial statements represents the Group's and the Company's exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Within 1 year	*2-5 years*	*5+ years*	*Total*
	£000	*£000*	*£000*	*£000*
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
Variable interest rate instruments	–	–	–	–
Forward currency contracts	–	–	–	–
	47,579	32,207	–	79,786

	Within 1 year	*2-5 years*	*5+ years*	*Total*
	£000	*£000*	*£000*	*£000*
30 April 2017				
Non-interest bearing	34,745	–	–	34,745
Finance lease liability	162	489	–	651
Fixed interest rate instruments	2,995	34,978	–	37,973
Variable interest rate instruments	–	–	–	–
Forward currency contracts	362	–	–	362
	38,264	35,467	–	73,731
1 May 2016				
Non-interest bearing	30,262	–	–	30,262
Finance lease liability	55	183	–	238
Fixed interest rate instruments	3,034	37,973	–	41,007
Variable interest rate instruments	–	–	–	–
Forward currency contracts	–	–	–	–
	33,351	38,156	–	71,507

The following tables detail 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*
29 April 2018				
Non-interest bearing	8,225	299	–	8,524
Fixed interest rate instruments	–	–	–	–
Variable interest rate instruments	–	–	–	–
Forward currency contracts	89	–	–	89
	8,314	299	–	8,613
30 April 2017				
Non-interest bearing	4,488	320	–	4,808
Fixed interest rate instruments	–	–	–	–
Variable interest rate instruments	–	–	–	–
Forward currency contracts	–	–	–	–
	4,488	320	–	4,808

	Within 1 year *£000*	*2-5 years* *£000*	*5+ years* *£000*	*Total* *£000*
1 May 2016				
Non-interest bearing	7,215	347	–	7,562
Fixed interest rate instruments	–	–	–	–
Variable interest rate instruments	–	–	–	–
Forward currency contracts	4	–	–	4
	7,219	347	–	7,566

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*
	29/04/2018	*30/04/2017*	*01/05/2016*				
Foreign currency forward contracts	Assets £89,000 Liabilities £nil	Assets £nil Liabilities £362,000	Assets £4,000 Liabilities £nil	Level 2	Year 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.

28. Related party transactions

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, Group companies entered into the following transactions with related parties who are not members of the Group:

	Provision of services			*Purchase of services*		
	2016	*2017*	*2018*	*2016*	*2017*	*2018*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Endless LLP	–	–	–	141	101	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.

Remuneration of key management personnel

The remuneration relates to all the directors of The Works Investments Limited, who are key management personnel of the Group, as well as holding investments in the Group, is paid for by one of the Company's subsidiary companies. The table below summarises the remuneration paid during the Historical Financial Period.

	Year ended 1 May 2016	*Year ended 30 April 2017*	*Year ended 29 April 2018*
	£000	*£000*	*£000*
Emoluments	1,617	2,496	1,484
Pension contributions	204	89	100

29. Subsequent events

Subsequent to the balance sheet date a series of transactions have been entered into in preparation for the admission to the premium listing segment of the Official List. In particular:

- a new £25.0 million revolving credit facility has been signed with HSBC Bank plc.
- the Group has a newly formed holding company, TheWorks.co.uk plc. The acquisition of The Works Investments Limited was by way of a share for share exchange and there has been no significant change in the ultimate shareholders.

PART XII

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information set out below has been prepared to illustrate the impact of the issue of the Subscription Shares and the refinancing of existing debt facilities on the consolidated net assets of the Operating Group as at 29 April 2018. This unaudited pro forma financial information has been prepared on the basis of, and should be read in conjunction with, the notes set out below and in accordance with the accounting policies applied in preparing the Group's consolidated historical financial information included in Part XI of this Prospectus.

The unaudited pro forma statement of net assets is based on the consolidated net assets of the Operating Group at 29 April 2018 and has been prepared on the basis that the issue of the Subscription Shares and refinancing of existing debt facilities was completed on 29 April 2018.

Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Operating Group's actual financial position or results. It may not, therefore, give a true picture of the Operating Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma financial information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

		Adjustments		
	Net assets at 29 April 2018 Note 1 £000	*Net proceeds of the Offer received by the Company Note 2 £000*	*Debt refinancing Note 3 £000*	*Unaudited pro forma net assets Note 4 £000*
Non-current assets				
Intangible assets	16,180	–	–	16,180
Property, plant and equipment	21,012	–	–	21,012
Deferred tax	299	–	–	229
	37,491	–	–	37,491
Current assets				
Inventories	21,495	–	–	21,495
Trade and other receivables	17,313	–	–	17,313
Cash and bank balances	7,420	24,804	(31,200)	1,024
	46,228	24,804	(31,200)	39,832
Total assets	83,719	24,804	(31,200)	77,323
Current liabilities				
Trade and other payables	44,311	–	–	44,311
Obligations under finance leases	209	–	–	209
Net current assets	1,708	24,804	(31,200)	(4,688)
Non-current liabilities				
Borrowings	30,755	–	(30,755)	–
Obligations under finance leases	494	–	–	494
	31,249	–	(30,755)	494
Total liabilities	75,769	–	(30,755)	45,014
Net assets	7,950	24,804	(455)	32,309

(1) The financial information has been extracted, without material adjustment, from the consolidated historical financial information of the Group as set out in Section B of Part XI of this Prospectus.

(2) The net proceeds of the Offer receivable by the Company of £24.8 million are calculated on the basis that the Company issues 17,812,517 Subscription Shares of 1 pence each at a price of 160 pence per share, net of estimated expenses payable by the Company in connection with the Offer of approximately £3.7 million.

(3) As set out in paragraphs 12.1 and 12.6 of Part XV of this Prospectus, the current debt facilities (£31.2 million at 29 April 2018) are to be repaid in full out of the net proceeds receivable by the Company pursuant to the Offer. Debt issue costs of £0.4 million on the current debt facilities will be fully amortised through the income statement in 2019 as a result.

(4) No adjustment has been made to reflect the trading results of the Group since 29 April 2018.

SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

KPMG

The Directors
TheWorks.co.uk plc
Boldmere House
Faraday Avenue
Hams Hall Distribution Park
Coleshill
Birmingham
England
B46 1AL

13 July 2018

Ladies and Gentlemen

TheWorks.co.uk plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in section A of Part XII of the Prospectus dated 13 July 2018, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the issue of new ordinary shares and debt refinancing might have affected the financial information presented on the basis of the accounting policies adopted by TheWorks.co.uk plc in preparing the historical financial information contained in Part XV of this Prospectus. This report is required by paragraph 7 of Annex II of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of TheWorks.co.uk plc to prepare the Pro forma financial information in accordance with Annex II of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of TheWorks.co.uk plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of TheWorks.co.uk plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of TheWorks.co.uk plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART XIII

DETAILS OF THE OFFER

1. Background

1.1 Pursuant to the Offer:

(a) the Company intends to issue 17,812,517 Subscription Shares, at the Offer Price of 160 pence per Subscription Share raising gross proceeds of approximately £28.5 million. The offer of the Subscription Shares by the Company is underwritten in accordance with the terms of the Placing Agreement. The commissions and other estimated fees, expenses and applicable taxes payable by the Company in connection with the Offer are expected to be approximately £3.7 million. Accordingly, the Company expects to raise net proceeds from the Offer of approximately £24.8 million. The Subscription Shares will represent approximately 28.5 per cent. of the Enlarged Share Capital; and

(b) the Selling Shareholders intend to sell, in aggregate, 22,953,648 Sale Shares, at the Offer Price of 160 pence per Offer Share raising gross proceeds of approximately £36.7 million. The Company expects the Selling Shareholders to receive net proceeds from the Offer of approximately £35.4 million (after deducting commissions and amounts in respect of stamp duty or SDRT payable by the Selling Shareholders). The Company will not receive any proceeds from the sale of the Sale Shares.

1.2 The Offer Shares will represent approximately 65.2 per cent. of the Enlarged Share Capital.

1.3 Under the Offer, Offer Shares will only be offered to certain institutional and professional investors in the United Kingdom and elsewhere in "offshore transactions" outside the US in reliance on Regulation S or under another available exemption from, or in a transaction not subject to, the registration requirements under the Securities Act.

1.4 The currency of the Offer is pounds sterling.

1.5 Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold under the Offer in jurisdictions outside the UK are described below.

1.6 When admitted to trading, the Shares will be registered with ISIN number GB00BF5HBF20 and SEDOL number BF5HBF2 and trade under ticker symbol WRKS.

1.7 Immediately following Admission, it is expected that:

(a) in excess of 25 per cent. of the Company's issued share capital (excluding any Shares held in treasury (if any)) will be held in public hands (within the meaning of paragraph 6.14.3 of the Listing Rules);

(b) no expenses or taxes will be charged by the Company or the Selling Shareholders to any investor who subscribes for and/or purchases Shares pursuant to the Offer;

(c) participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation. Investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment; and

(d) the results of the Offer will be announced.

2. Use of proceeds, reasons for the Offer and Admission

2.1 The Offer will provide the Company with net proceeds of approximately £24.8 million, all of which will be used to repay borrowings drawn under the banking facilities referred to in paragraph 12.1 of Part XV of this Prospectus.

2.2 The Offer will provide the Selling Shareholders with a partial realisation of their investment in the Company.

2.3 The Directors believe that the Offer and Admission will:

(a) provide the Company with access to the capital markets if necessary in the future;

(b) enable the Selling Shareholders to potentially monetise their holdings, also allowing an ongoing liquid market for their Shares;

(c) diversify the Company's shareholder base;

(d) enhance the Group's public profile and status with customers, investors, landlords, developers and business partners; and

(e) assist in the recruitment, incentivisation and retention of key management and employees.

3. Terms and conditions of the Offer

3.1 ***Introduction***

These terms and conditions apply to persons agreeing to subscribe for and/or purchase Offer Shares. Each person to whom these terms and conditions apply, as described above, who confirms its agreement to Investec (whether orally or in writing) to subscribe for and/or purchase Offer Shares (which may include Investec or its nominee(s)) (an "**Offeree**") hereby agrees with Investec, the Company, the Selling Shareholders and the Registrar to be bound by these terms and conditions as being the terms and conditions upon which Offer Shares will be issued or sold under the Offer. An Offeree shall, without limitation, become so bound if Investec confirms to the Offeree (i) the Offer Price and (ii) its allocation of Offer Shares and Investec so notifies the Registrar on behalf of the Company and the Selling Shareholders. The Company and/or Investec and/or the Selling Shareholders may require any Offeree to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Offeree to execute a separate offer letter (an "**Offer Letter**"). The provisions of these terms and conditions may be waived or modified as regards specific Offerees or on a general basis by Investec and/or the Company.

3.2 ***Agreement to subscribe for and/or purchase Offer Shares***

Conditional on: (i) Admission occurring and becoming effective by no later than 8.00 a.m. on 19 July 2018 (or such other time as Investec and the Company may agree but, in any event, no later than 8.30 a.m. on 2 August 2018); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms; and (iii) Investec confirming to the Offerees their allocation of Offer Shares, each Offeree agrees to become a member of the Company and agrees to subscribe for and/or purchase at the Offer Price those Offer Shares allocated to it by Investec. Each Offeree acknowledges that its agreement so to subscribe for and/or purchase the number of Offer Shares allocated to it is not by way of acceptance of a public offer made or to be made by the Company, Investec and/or the Selling Shareholders but is by way of a collateral contract and, accordingly, that section 87Q of FSMA does not entitle it to withdraw its acceptance in the event that the Company publishes a supplementary prospectus in connection with Admission. To the fullest extent permitted by law, each Offeree acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Offeree may have.

3.3 ***Payment for Offer Shares***

Each Offeree undertakes to pay the Offer Price for the Offer Shares subscribed for and/or purchased by such Offeree in the manner and by the time directed by Investec.

Each Offeree is deemed to agree that, if it fails to pay the Offer Price for the Offer Shares subscribed for and/or purchased by such Offeree, Investec may sell any or all of the Offer Shares allocated to that Offeree (and which have not been paid for) on such Offeree's behalf and retain from the proceeds, for Investec's account and benefit (as agent for Company and/or the Selling Shareholders (as the case may be)), an amount equal to the aggregate amount owed by the Offeree plus any interest due. Any excess proceeds will be paid to the relevant Offeree at its risk. The relevant Offeree will, however, remain liable and shall indemnify the Company, Investec, any relevant nominee of Investec and the Selling Shareholders on demand for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or SDRT or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Offer Shares on such Offeree's behalf. By agreeing to acquire Offer Shares, each Offeree confers on Investec all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which Investec or its nominee lawfully takes in pursuance of such sale.

3.4 ***Representations and warranties***

By agreeing to subscribe for and/or purchase Offer Shares under the Offer, each Offeree which enters into a commitment to subscribe for and/or purchase Offer Shares will (for itself and any person(s) procured by it to subscribe for and/or purchase Offer Shares and any nominee(s) for any such person(s)) be deemed to agree, undertake, represent and warrant to each of the Company, the Selling Shareholders, the Registrar and Investec that:

(a) in agreeing to subscribe for and/or purchase Offer Shares under the Offer, it has read this Prospectus and it is relying solely on this Prospectus (and any supplementary prospectus published by the Company subsequent to the date of this Prospectus) and not on any other information given, or representation or statement made at any time, by any person concerning the Group, the Offer Shares or the Offer. It agrees that none of the Company, the Selling Shareholders, Investec or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation. This paragraph 3.4(a) shall not exclude any liability for fraudulent misrepresentation;

(b) it has the funds available to pay the Offer Price in respect of the Offer Shares for which it has given a commitment under the Offer;

(c) the contents of this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus are exclusively the responsibility of the Company and its Directors and apart from the responsibilities and liabilities, if any, which may be imposed on the Selling Shareholders or Investec by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Investec, the Selling Shareholders nor any person acting on their behalf nor any of their affiliates accept any responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of this Prospectus or any supplementary prospectus published by the Company subsequent to the date of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Group, the Offer Shares or the Offer and nothing in this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Investec and the Selling Shareholders accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which they might otherwise have in respect of this Prospectus or any supplementary prospectus published by the Company subsequent to the date of this Prospectus or any such statement;

(d) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for and/or purchase Offer Shares under the Offer, it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its offer commitment in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Selling Shareholders, Investec, the Registrar or any of their respective officers, agents, affiliates or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer (and, in making this representation and warranty, the Offeree confirms that it is aware of the selling and transfer restrictions set out in paragraph 7 below);

(e) it does not have a registered address in and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Offer Shares and it is not acting on a non-discretionary basis for any such person;

(f) it agrees that, having had the opportunity to read this Prospectus, it shall be deemed to have had notice of all information and representations contained in this Prospectus, that it is acquiring Offer Shares solely on the basis of this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus and no other information and that in accepting a participation in the Offer it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for and/or purchase Offer Shares;

(g) it acknowledges that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in this Prospectus and any supplementary prospectus published by the Company subsequent to the date of this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by Investec, the Company or the Selling Shareholders;

(h) it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 and no instrument under which it subscribes for and/or purchases Offer Shares (whether as principal, agent or nominee) would be subject to stamp duty or SDRT at the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Offer Shares, are not participating in the Offer as nominee or agent for any person or persons to whom the allocation, transfer or delivery of Offer Shares would give rise to such a liability;

(i) it, or the person specified by it for registration as a holder of the Offer Shares, will be liable for any stamp duty or SDRT liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depositary receipts and clearance services), registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Offer Shares and acknowledges and agrees that, save for the Selling Shareholders who have agreed to pay any stamp duty or SDRT under section 87 of the Finance Act 1986, none of Investec, the Selling Shareholders nor the Company nor any of their respective affiliates nor any person acting on behalf of them will be responsible for any other liability to stamp duty or SDRT resulting from a failure to observe this requirement;

(j) it is not a national, resident or citizen of the United States, Australia, New Zealand, Canada, Japan or the Republic of South Africa (the "**Restricted Jurisdictions**") or a corporation, partnership or other entity organised under the laws of any of the Restricted Jurisdictions, that it will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Shares in the Restricted Jurisdictions or to any national, resident or citizen of the Restricted Jurisdictions and it acknowledges that the Shares have not been and will not be registered under the applicable securities laws of any of the Restricted Jurisdictions and that the same are not being offered for subscription and/or purchase, and may not, directly or indirectly, be offered, sold, transferred or delivered, in the Restricted Jurisdictions;

(k) if it is located in the UK it is: (i) a person having professional experience in matters relating to investments who falls within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) a high net worth body corporate, unincorporated association or partnership or trustee of a high value trust as described in Article 49(2) of the Order; or (iii) is otherwise a person to whom an invitation or inducement to engage in investment activity may be communicated without contravening section 21 of FSMA;

(l) if it is receiving the Offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Offer Shares may be lawfully offered under that other jurisdiction's laws and regulations;

(m) unless otherwise agreed in writing with the Company and Investec, if it is a resident in the EEA (other than the United Kingdom), it is a "qualified investor" within the meaning of the law in the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive;

(n) if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Offer constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for and/or purchase Offer Shares pursuant to the Offer unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Offer Shares could lawfully be distributed to and subscribed for and/or purchased and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;

(o) none of Investec or any of its respective affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Offer or providing any advice in relation to the Offer and participation in the Offer is on the basis that it is not and will not be a client of Investec or any of its affiliates, that Investec is acting for the Company and the Selling Shareholders and no-one else and that none of Investec or any of its affiliates have any duties or responsibilities to it for providing protections afforded to its or their respective clients or for providing advice in relation to the Offer nor in respect of any representations, warranties, undertaking or indemnities contained in these terms and conditions or in any Offer Letter, where relevant;

(p) it is not located within the United States, it is subscribing for and/or purchasing Offer Shares in an "offshore transaction" as defined in Regulation S and where it is subscribing for and/or purchasing Offer Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for and/or purchase the Offer Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this Prospectus or in any Offer Letter, where relevant; and (iii) to receive on behalf of each such account any documentation relating to the Offer in the form provided by the Company and/or Investec. It agrees that the provision of this paragraph shall survive any resale of the Offer Shares by or on behalf of any such account;

(q) it is acting as principal only in respect of the Offer, or, if it is acting for any other person (i) it is and will remain liable to the Company and/or Investec and/or the Selling Shareholders for the performance of all its obligations as an Offeree in respect of the Offer (regardless of the fact that it is acting for another person) (ii) it is both an "authorised person" for the purposes of FSMA and a "qualified investor" as defined at Article 2(1)(e) of the Prospectus Directive acting as agent for such person and (iii) such person is either (1) a FSMA "qualified investor" or (2) its "client" (as defined in section 86(2) of FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Offer or any other offers of transferable securities on his behalf without reference to him;

(r) it confirms that any of its clients, whether or not identified to Investec or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Investec or any of their affiliates or agents for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;

(s) where it or any person acting on its behalf is dealing with Investec, any money held in an account with Investec on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Investec to segregate such money as that money will be held by Investec under a banking relationship and not as trustee;

(t) it has not and will not offer or sell any Offer Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 102B of FSMA;

(u) it is an “eligible counterparty” or a “professional investor” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is subscribing for and/or purchasing the Offer Shares for investment only and not for resale or distribution;

(v) it irrevocably appoints any Director and any director of Investec to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for and/or purchase of all or any of the Offer Shares for which it has given a commitment under the Offer, in the event of its own failure to do so;

(w) it accepts that if the Offer does not proceed or the conditions to Investec’s obligations in respect of such Offer under the Placing Agreement are not satisfied or the Placing Agreement is terminated prior to the Admission or the Offer Shares are not admitted to the Official List and/or to trading on the London Stock Exchange’s main market for listed securities for any reason whatsoever, then none of Investec, the Company or the Selling Shareholders or any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them or any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

(x) it has not taken any action or omitted to take any action which will or may result in Investec, the Company, the Selling Shareholders or any of their respective directors, officers, agents, affiliates, employees or advisers being in breach of the legal or regulatory requirements of any territory in connection with the Offer or its subscription for and/or purchase of Offer Shares pursuant to the Offer;

(y) in connection with its participation in the Offer, it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006, the Money Laundering Regulations 2007, the Counter-Terrorism Act 2008 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (each as amended and supplemented from time to time) and that its offer commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied and that it has recorded satisfactory evidence in respect of the same. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (“**Money Laundering Directive**”); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;

(z) due to anti-money laundering and the countering of terrorist financing requirements, the Registrar, Investec, the Company and/or the Selling Shareholders may require proof of identity of the Offeree and related parties and verification of the source of the payment before the offer commitment can be processed and that, in the event of delay or failure by the Offeree to produce any information required for verification purposes, the Registrar, Investec, the Company and/or the Selling Shareholders may refuse to accept the offer commitment and the subscription and/or purchase monies relating thereto. It holds harmless and will indemnify the Registrar, Investec, the Company and/or the Selling Shareholders against any liability, loss or cost ensuing due to the failure to process the offer commitment, if such information as has been required has not been provided by it or has not been provided timeously;

(aa) it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, section 118 of FSMA, the Proceeds of Crime Act 2002 and in the EU Market Abuse Regulation (596/2014) ("**MAR**") and confirms that it has complied and will continue to comply with those obligations;

(bb) except as set out in paragraph (cc) below, it has neither received nor relied on any "inside information" (for the purposes of MAR and section 56 of the Criminal Justice Act 1993) concerning the Company prior to or in connection with accepting the invitation to participate in the Offer and it is not subscribing for and/or purchasing Offer Shares on the basis of any material non-public information;

(cc) if it has received any "inside information" (for the purposes of MAR and section 56 of the Criminal Justice Act 1993) in relation to the Company and its securities, it received such information within the market soundings regime as provided for in article 11 of MAR and any associated delegated regulations and has not (i) dealt or attempted to deal in the securities of the Company; (ii) encouraged, recommended or induced another person to deal in the securities of the Company; or (iii) unlawfully disclosed inside information to any person, prior to the information being made publicly available;

(dd) it and each person or body (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it accepts Offer Shares pursuant to the Offer or to whom it allocates such Offer Shares have the capacity and authority to enter into and to perform their obligations as an Offeree of the Offer Shares and will honour those obligations;

(ee) as far as it is aware it is not "acting in concert" (within the meaning given in the Takeover Code) with any other person in relation to the Company and it is not a "related party" of the Company for the purposes of the Listing Rules;

(ff) Investec, the Selling Shareholders (who shall include, for the avoidance of doubt, any Directors selling Sale Shares pursuant to the Offer) and the Company (and any agent on their behalf) are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion, including the right of Investec to terminate the Placing Agreement, without any liability whatsoever to them (or any agent acting on their behalf) and Investec, the Selling Shareholders and the Company shall not have any obligation to consult or notify it in relation to any right or discretion given to them or which they are entitled to exercise;

(gg) the Company and the Selling Shareholders expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to it without interest;

(hh) the representations, undertakings and warranties given by it as contained in this Prospectus or in any Offer Letter, where relevant, are irrevocable. It acknowledges that Investec, the Selling Shareholders, the Company and the Registrars and their respective affiliates will rely upon the truth and accuracy of such representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have been made by its application for Offer Shares are no longer accurate, it shall promptly notify Investec and the Company;

(ii) it is not and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring Offer Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate;

(jj) nothing has been done or will be done by it in relation to the Offer that has resulted or could result in any person being required to publish a prospectus in relation to the Company or to any Shares in accordance with FSMA or the Prospectus Rules or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;

(kk) it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Shares in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules issued by the FCA and made under Part VI of FSMA as they apply to the Company;

(ll) it is required to comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Offer Shares in, from, or otherwise involving, the United Kingdom;

(mm) it accepts that the allocation of Offer Shares shall be determined by Investec following consultation with the Company and that Investec may scale down any offer commitments on such basis as it may determine; and

(nn) time shall be of the essence as regards its obligations to settle payment for the Offer Shares and to comply with its other obligations under the Offer.

3.5 ***Indemnity***

Each Offeree irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify and hold the Company, Investec and the Selling Shareholders and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it or any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these terms and conditions.

4. Supply and disclosure of information

If Investec, the Selling Shareholders, the Registrar or the Company or any of their agents request any information in connection with an Offeree's agreement to subscribe for and/or purchase Offer Shares under the Offer or to comply with any relevant legislation, such Offeree must promptly disclose it to them.

5. Miscellaneous

5.1 The rights and remedies of the Company, the Selling Shareholders, Investec and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

5.2 On the acceptance of their offer commitment, if an Offeree is a discretionary fund manager, that Offeree may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Offer will be sent at the Offeree's risk. They may be returned by post to such Offeree at the address notified by such Offeree.

5.3 Each Offeree agrees to be bound by the Articles (as amended from time to time) once the Offer Shares, which the Offeree has agreed to subscribe for and/or purchase pursuant to the Offer, have been acquired by the Offeree. The contract to subscribe for and/or purchase Offer Shares under the Offer and the appointments and authorities mentioned in this Prospectus will be governed by and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholders, Investec and the Registrar, each Offeree irrevocably submits to the jurisdiction of the courts of England and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against an Offeree in any other jurisdiction.

5.4 In the case of a joint agreement to subscribe for and/or purchase Offer Shares under the Offer, references to a "Offeree" or "it" in these terms and conditions are to each of the Offerees who are a party to that joint agreement and their liability is joint and several.

5.5 Investec, the Selling Shareholders and the Company expressly reserve the right to modify the Offer (including, without limitation, its timetable and settlement) at any time before allocations are determined including the right of Investec and the Company to agree the extension for the dates and times for satisfaction of any or all of the conditions in the Placing Agreement (provided that such conditions are not extended beyond 8.30 a.m. on 2 August 2018).

5.6 The Offer is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. For further details, the terms of the Placing Agreement are set out in paragraph 12.5 of Part XV of this Prospectus.

5.7 Investec may, and its affiliates acting as an investor for its or their own account(s) may, subscribe for and/or purchase Offer Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Offer Shares, any other securities of the Company or other related investments in connection with the Offer or otherwise. Accordingly, references in these terms and conditions to the Offer Shares being offered, subscribed for, purchased, acquired or otherwise dealt with should be read as including any offer to, subscription for, purchase, acquisition or dealing by, Investec and/or any of their respective affiliates acting as an investor for its or their own account(s). Neither Investec nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

5.8 The Selling Shareholders have agreed to pay any stamp duty chargeable on a transfer on sale of Sale Shares and/or SDRT chargeable on an agreement to transfer Sale Shares arising in the United Kingdom (currently at a rate of 0.5 per cent.) on the initial sale of Sale Shares under the Offer. Each Offeree which acquires Sale Shares will be deemed to undertake: (i) that it shall not submit any reclaim to HMRC in respect of any stamp duty or SDRT so paid or accounted for by the Selling Shareholders in respect of the Offer or the Sale Shares and (ii) that it agrees that it is liable for any capital duty, stamp duty, SDRT and all other stamp, issue, securities, transfer registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by such investor or any other person on the acquisition by such Offeree of any Offer Shares or the agreement by such Offeree to acquire any Offer Shares.

6. Sales outside the United States

Each subscriber for and/or purchaser of the Offer Shares offered in reliance on Regulation S will be deemed to acknowledge, warrant, represent and agree as follows:

6.1 it and any person, if any, for whose account it is acquiring the Offer Shares, is subscribing for and/or purchasing the Offer Shares outside the United States in an offshore transaction meeting the requirements of Regulation S (including, for the avoidance of doubt, a bona fide sale on a market of the London Stock Exchange for listed securities) and the transaction was not pre-arranged with a subscriber/buyer in the United States;

6.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Offer Shares;

6.3 it is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being offered and sold only in "offshore transactions" outside the United States in reliance on Regulation S;

6.4 it is not acquiring the Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Offer Shares into the United States or any jurisdiction referred to above;

6.5 if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

6.6 it has received, carefully read and understands this Prospectus and has not distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Offer Shares to any persons within the United States, nor will it do any of the foregoing; and

6.7 that the Company, Investec and the Selling Shareholders, their affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, warranties, representations or agreements made by it, if it becomes aware that the foregoing acknowledgements, warranties, representations or agreements are no longer accurate or have not been complied with, it will immediately notify the Company and Investec and, if it is acquiring any Offer Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, warranties, representations and agreements on behalf of each such account.

7. Selling restrictions

7.1 The distribution of this Prospectus and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

7.2 No action has been or will be taken in any jurisdiction by the Company, the Selling Shareholders or Investec that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required, other than the United Kingdom. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of the Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for and/or purchase any of the Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

7.3 ***European Economic Area***

In relation to each Member State, an offer to the public of any Shares may not be made in that Member State, except that an offer to the public in that Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

(a) to any legal entity which is a "qualified investor" as defined under the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of Investec; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the Company, Investec or any Selling Shareholder to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Company, Investec and the Selling Shareholders that it is a "qualified investor" within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares so as to enable an investor to decide to subscribe for and/or purchase any Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Shares being offered to a "financial intermediary" as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and Investec has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholders, Investec and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Investec of such fact in writing may, with the consent of Investec, be permitted to subscribe for and/or purchase Offer Shares.

7.4 *United States of America*

The Shares have not been and will not be registered under the Securities Act or under the securities laws or regulations of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no offer of the Shares in the United States. The Shares are being offered and sold only outside the United States in "offshore transactions" in reliance on Regulation S.

7.5 *Australia*

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001.

Each subscriber and/or purchaser of Shares will be deemed to have acknowledged the above and, by applying for Shares under the Offer, gives an undertaking to the Company and the Selling Shareholders not to offer, sell, transfer, assign or otherwise alienate those securities to persons in Australia (except in the circumstances referred to above) for 12 months after their issue.

7.6 *Canada*

The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province of territory of Canada. Accordingly, subject to certain exceptions the Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

7.7 *Republic of South Africa*

The relevant clearances have not been, and will not be, obtained from the South African Reserve Bank nor any other applicable body in the Republic of South Africa. Accordingly, the Offer Shares will not, directly or indirectly, be offered or sold within the Republic of South Africa.

7.8 *New Zealand*

The Shares have not been, and will not be, registered under the applicable securities laws of New Zealand. Subject to certain exceptions, the Shares may not be offered or sold in New Zealand or to for the account or benefit of any resident in New Zealand.

7.9 *Japan*

The Offer Shares have not been, and will not be, registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan except under circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorised in effect at the relevant time.

7.10 ***Information to distributors***

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Investec will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

8. Allocation

8.1 Investec has solicited indications of interest from prospective investors to subscribe for and/or purchase Offer Shares in the Offer. On this basis, prospective investors have been asked to specify the number of Shares that they are prepared to subscribe for and/or purchase at different prices. Multiple applications under the Offer are permitted. There is no minimum or maximum number of Offer Shares which can be applied for.

8.2 A number of factors have been considered in deciding the Offer Price and the bases of allocation, including prevailing market conditions, the level and the nature of the demand for Offer Shares, the objective of encouraging long-term ownership of the Shares and the objective of establishing an orderly after market in the Shares. Allocations under the Offer will be determined by Investec after consultation with the Company. The Offer Price has been established at a level determined in accordance with these arrangements, taking into account indications of interest received from persons (including market-makers and fund managers) connected with Investec. Accordingly, the Offer Price may be lower than the highest price at which all of the Shares, in respect of which indications of interest have been received or which are available for subscription and/or purchase in the Offer, could have been accepted.

8.3 Participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation. The results of the Offer will be announced on the date of Admission.

8.4 Investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing with the Offer Shares may not begin before notification is made.

8.5 All Shares allotted or sold pursuant to the Offer will be allotted or sold, payable in full, at the Offer Price.

8.6 The rights attaching to the Shares are uniform in all respects and they form a single class for all purposes.

8.7 Each Share ranks equally in all respects with each other Share and has the same rights (including voting and dividend rights and rights to a return of capital) and restrictions as each other Share, as set out in the Articles.

8.8 Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.

8.9 Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profit of the Company.

8.10 The Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Shares, subject to the Companies Act and the requirements of the Listing Rules.

8.11 Further details of the rights attached to the Shares are set out in paragraph 4.1 of Part XV of this Prospectus.

9. Dealing arrangements

9.1 The Offer is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature, including Admission occurring and becoming effective by 8.00 a.m. on 19 July 2018 or such later date as may be determined in accordance with such agreement and the Placing Agreement not having been terminated in accordance with its terms. Certain conditions are related to events which are outside the control of the Company, the Directors, the Selling Shareholders and Investec. Further details of the Placing Agreement are described in paragraph 12.5 of Part XV of this Prospectus.

9.2 Application has been made to the FCA for all of the Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Listing of the Shares is not being sought on any stock exchange other than the London Stock Exchange.

9.3 It is expected that Admission will take place and unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 19 July 2018. Settlement of dealings from that date will be on a two day rolling basis.

9.4 Each investor will be required to undertake to pay the Offer Price for the Shares sold to such investor in such manner as shall be directed by Investec.

9.5 The Shares are in registered form and can be held in certificated or uncertificated form. Title to certificated Shares (if any) will be evidenced in the register of members of the Company and title to uncertificated Shares will be evidenced by entry into the operator register maintained by the Registrar (which will form part of the register of members of the Company).

9.6 It is intended that allocations of Offer Shares to investors who wish to hold Offer Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Offer Shares will be posted by first class post as soon as is practicable and, in any event, by 2 August 2018. Dealings in advance of the crediting of the relevant CREST stock account shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Offer Shares which are not settled in CREST, transfers of those Offer Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

10. CREST

With effect from Admission, the Articles will permit the holding of Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

11. Placing arrangements

11.1 The Company, the Directors, the Selling Shareholders and Investec have entered into the Placing Agreement, pursuant to which Investec has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Subscription Shares to be allotted by the Company and purchasers for the Sale Shares made available by the Selling Shareholders, in each case pursuant to the Offer.

11.2 The Placing Agreement contains provisions entitling Investec to terminate that agreement (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and those arrangements will lapse and any monies received in respect of the Offer will be returned to applicants without interest. The Placing Agreement provides for Investec to be paid a commission in respect of the Offer Shares subscribed for and/or purchased. Any commission received by Investec may be retained and any Offer Shares acquired by it may be retained or dealt in, by it, for its own benefit.

11.3 Further details of the terms of the Placing Agreement are set out in paragraph 12.5 of Part XV of this Prospectus.

12. Lock-up arrangements

On 13 July 2018, the Principal Selling Shareholders, Investec and the Company entered into a lock-in deed pursuant to which each Principal Selling Shareholder has agreed to the following lock-up arrangements:

(a) for a six month lock-up period from the date of the Placing Agreement, each Principal Selling Shareholder has agreed that, subject to certain customary exceptions, it will not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by it immediately after Admission (or any Shares which may accrue to it as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing; and

(b) for a further six months after the initial lock-up period ends, each Principal Selling Shareholder has undertaken that, subject to certain customary exceptions, it will not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by it immediately after Admission (or any Shares which may accrue to it as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing otherwise than through Investec (subject to certain customary exceptions).

On 13 July 2018, the Selling Shareholders, save for the Principal Selling Shareholders, Investec and the Company entered into a lock-in deed pursuant to which each Selling Shareholder, save for the Principal Selling Shareholders, has agreed to the following lock-up arrangements:

(c) for a 12 month lock-up period from the date of the Placing Agreement, each Selling Shareholder, save for the Principal Selling Shareholders, has agreed that, subject to certain customary exceptions, he or she will not (and shall procure that none of his or her connected persons shall) directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by him or her immediately after Admission (or any Shares which may accrue to him or her as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing; and

(d) for a further 12 months after the initial lock-up period ends, each Selling Shareholder, save for the Principal Selling Shareholders, has undertaken that, subject to certain customary exceptions, he or she will not (and shall procure that none of his or her connected persons shall) directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by him or her immediately after Admission (or any Shares which may accrue to him or her as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing, otherwise than through Investec (subject to certain customary exceptions).

13. Details of the Selling Shareholders

13.1 The following persons are the Selling Shareholders:

Name	Business Address	Position	No. of Shares following the Reorganisation but immediately prior to Admission
Endless Fund II A	3 Whitehall Quay, Leeds LS1 4BF	–	20,111,507
Endless Fund II B	3 Whitehall Quay, Leeds LS1 4BF	–	4,502,154
Andrea Bennett	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Trading director	1,115,945
Dean Hoyle	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Chairman and a Non-Executive director	4,781,022
Kevin Keaney	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Chief Executive Officer and a Director	1,824,333
Geraldine Hughes	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Not applicable	203,587
Janet Hoyle	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Chairman's assistant	4,779,598
Joanne Barraclough	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Chairman's assistant	2,540,775
Nicholas Wood	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Retail operations director	980,694
Paul Hughes	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Property director	1,071,810
Simon Joseph	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Multi-channel director	449,770
Thomas Scott	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	IT director	449,770
Victoria Norrish	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Strategic development director	1,118,792
Gavin Peck	Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL	Chief Financial Officer and a Director	757,726

13.2 Save as set out in this Prospectus, none of the Selling Shareholders hold (or held) position(s) or office(s) and/or have (or had) had material interest(s) in the last three years with the Company (or any other member of the Group) or any of its predecessors or affiliates.

PART XIV

TAXATION

The Company is registered under the laws of the United Kingdom and treated as a UK company for corporate law and UK tax purposes. **Shareholders or prospective Shareholders should read the "UK Taxation" paragraphs below, as well as consulting their own professional advisers, regarding the tax consequences of acquiring, holding and disposing of the Shares.**

1. UK taxation

The following is a summary of certain United Kingdom ("**UK**") tax considerations relating to an investment in the Shares.

The statements set out below reflect current UK law and published guidance (which may not be binding) of HM Revenue and Customs ("**HMRC**"), as at the date of this Prospectus and which may be subject to change, possibly with retroactive effect. They are intended as a general guide and apply only to Shareholders resident and, in the case of an individual, domiciled exclusively in the UK for UK tax purposes (except insofar as express reference is made to the treatment of non-UK residents), who hold Shares as an investment (other than under an individual savings account ("**ISA**")) and who are the absolute beneficial owners of the Shares and any dividends paid thereon. (In particular, Shareholders holding their Shares through a depositary receipt system or clearance service should note that they may not always be regarded as the absolute beneficial owners of such Shares.) This guidance does not address all possible tax consequences relating to an investment in the Shares. Specifically, this guidance does not address: (i) special classes of Shareholders such as, for example, dealers in securities, broker-dealers, intermediaries, insurance companies or collective investment schemes; (ii) Shareholders who hold Shares as part of hedging transactions; (iii) Shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment; (iv) Shareholders that own (or are deemed to own) 10 per cent. or more of the Shares and/or voting power of the Company, (v) Shareholders subject to specific tax regimes or benefitting from certain reliefs or exemptions, (vi) those connected with the Company or Group; and (vii) unless otherwise indicated, Shareholders that hold the Company's shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise). Such Shareholders may be subject to special rules and this summary does not apply to such Shareholders.

Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction other than the UK, should consult their own professional advisers immediately.

2. Taxation of dividends

The Company will not be required to withhold amounts on account of UK tax at source when paying a dividend.

A UK resident individual Shareholder who is liable to income tax at a rate not exceeding the basic rate will be subject to income tax on the dividend at the rate of 7.5 per cent.

A UK resident individual Shareholder who is liable to income tax at a rate not exceeding the higher rate will be subject to income tax on the dividend at the rate of 32.5 per cent. to the extent that the dividend, when treated as the top "slice" of the Shareholder's income, exceeds the lower threshold for higher rate income tax. A UK resident individual Shareholder who is subject to income tax at the additional rate will be subject to income tax on the dividend at the rate of 38.1 per cent. to the extent that the dividend, when treated as the top "slice" of the Shareholder's income exceeds the lower threshold for additional rate income tax.

Shareholders who are within the charge to UK corporation tax will be subject to UK corporation tax on dividends paid by the Company, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within one of the exempt classes and certain other conditions are met. Each Shareholder's position will depend on its own individual circumstances and while it would normally be expected that the dividends paid by the Company would fall within an exempt class, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules.

Shareholders within the charge to UK corporation tax should therefore consult their own professional advisers.

Non-UK resident corporate Shareholders will not be liable to income or corporation tax in the UK on dividends paid on the Shares unless the Shareholder carries on a trade in the UK and the dividends are either a receipt of that trade or the shares are held by or for a UK permanent establishment through which the trade is carried on. In the latter case the dividends may still fall into one of the exempt classes and not be subject to the UK corporation tax.

Non-UK resident individual Shareholders may choose to treat the dividends, other than the dividends representing the receipts of a trade, profession or vocation carried on in the UK, as 'disregarded income' (as defined by statute) thereby limiting their UK income tax liability in respect of the dividend. Such Shareholders should have no further UK income tax to pay upon their receipt of a dividend from the Company. If chosen, disregarded income treatment will apply to all UK source savings and investment income of the Shareholder in a tax year (but does not apply to UK rental income) and the personal allowance available to certain categories of non-resident individuals will not be available in that tax year.

Shareholders may also be subject to foreign taxation on dividend income under applicable local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from the Company in the country of their tax residence.

3. Taxation of chargeable gains

An individual Shareholder who acquires Shares while UK resident, needs to cease to be resident for tax purposes in the UK for a period of more than five complete tax years before disposing of any Shares otherwise the temporary non-residence rules apply. If those rules apply and the Shareholder disposes of all or part of his Shares during the period in which he is non-UK resident then he may be liable to capital gains tax on his return to the UK, where that Shareholder was UK resident for at least four of the seven tax years immediately preceding the year of departure from the UK (subject to any available exemptions or reliefs). For individuals, a tax year is the period from 6 April in a calendar year to 5 April in the following calendar year.

An individual Shareholder who is subject to UK income tax at the higher or additional rate will be liable to UK capital gains tax on the amount of any chargeable gain realised by a disposal of Shares at the rate of 20 per cent. Individual Shareholders who are subject to income tax at the basic rate only should only be liable to capital gains tax on the chargeable gain up to the unused amount of the Shareholder's basic rate band at a rate of 10 per cent. and at a rate of 20 per cent. on the gains above the basic rate band. In the event that a disposal of the Shares results in the realisation of a loss by the Shareholder for capital gains tax purposes, such a loss may be set-off by the Shareholder against other chargeable gains in the same or future years of assessment.

UK resident corporate Shareholders will generally be subject to UK corporation tax (rather than capital gains tax) on any chargeable gain realised on a disposal of Shares. Any chargeable loss realised by such a Shareholder may be set-off by the Shareholder against chargeable gains in the same or future accounting periods. A corporate Shareholder with a significant holding of Shares may be exempt from corporation tax on any gain arising on disposal of Shares, provided it can satisfy the conditions of the exemption applicable to disposal of substantial shareholdings.

4. UK inheritance tax

Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder during their lifetime, or on their death, may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder making the gift is neither resident nor domiciled in the UK, nor deemed to be domiciled there under certain rules relating to the number of years of UK residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the donor survives for at least seven complete years after the date of the gift. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts in respect of which the donor reserves or retains some benefit. Special rules also apply to gifts made to close companies and where assets are transferred to and/or held by most types of trustee. The inheritance tax rules are complex and holders of Shares should consult an appropriate professional adviser in any case where the rules may be relevant, particularly (but not limited to) cases where Shareholders intend to make a gift of any kind or to hold any Shares through a trust arrangement. They should also seek professional advice in a situation where there is potential for a charge to both UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

5. Stamp duty and stamp duty reserve tax ("SDRT")

General

Instruments transferring Shares will generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer (rounded up to the nearest £5.00 where applicable). The transferee normally pays the stamp duty. An exemption from stamp duty is available on an instrument transferring the Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

An unconditional agreement to transfer Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer, but such liability will be cancelled, or a right to repayment (normally with interest) will arise in respect of the SDRT liability, if the agreement is completed by a duly stamped instrument or an exempt transfer within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional). The purchaser is liable for any SDRT arising.

The statements above are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and/or may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

6. CREST

Deposits of Shares into CREST will not generally be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth. Paperless transfers of Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system.

Depositary receipt systems and clearance services

Where Shares are transferred (in the case of stamp duty) or issued or transferred (in the case of SDRT) (a) to, or to a nominee or an agent for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or an agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT (as applicable) will generally be payable at the higher rate of 1.5 per cent. on the amount or value of the consideration given or, in certain circumstances, the value of the Shares. However, following litigation, HMRC have confirmed that they will no longer seek to apply to 1.5 per cent. SDRT charge on an issue of shares or securities to a clearance service or depositary receipt system on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to a transfer of shares or securities to a clearance service or depositary receipt system where the transfer is not an integral part of an issue of share capital.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise, will strictly be accountable for by the clearance service or depositary receipt system operator or their nominee as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise on any transfer of Shares into such an account and on subsequent agreements to transfer such Shares.

Any person who is in any doubt as to his or her taxation position or who is liable to taxation in any jurisdiction other than the UK should consult his or her professional advisers.

PART XV

ADDITIONAL INFORMATION

1. Responsibility

The directors of the Company, whose names appear on page 42 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation

2.1 The Company is a public limited company with registered number 11325534. It was incorporated as a private limited company in England and Wales on 24 April 2018 and pursuant to a special resolution passed on 11 July 2018 was re-registered as a public limited company on 12 July 2018 with the name TheWorks.co.uk plc. The Company's registered office is situated in England. The Company operates in conformity with its constitutional documents and with UK company law.

2.2 The principal legislation under which the Company operates and under which the Shares were (or will be) created is the Companies Act and the regulations made thereunder. The Company is subject to the Takeover Code.

2.3 The Shares are duly authorised according to, and conform with, the requirements of the Company's articles of association and any required statutory or other consents needed to proceed with Admission have been obtained.

2.4 The Company's registered office and principal place of business is at Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, England B46 1AL. The Company's telephone number is 0121 313 6000.

2.5 The principal activity of the Group is the sourcing and sale of value gifts, arts, crafts, toys, books and stationery in the UK and the RoI.

3. Share capital and the Reorganisation

3.1 The issued share capital of the Company as at the date of this Prospectus, immediately following the Reorganisation (but before Admission) and as it is expected to be immediately following completion of the Offer and Admission is and will be as follows (all of which are, or will be, fully paid or credited as fully paid):

Date	Class of shares	Aggregate nominal value	Number of issued shares
As at the date of this Prospectus	A ordinary	£50.92	5,092
	B ordinary	£22.73	2,273
	D ordinary	£3.35	335
	E ordinary	£10.80	1,080
	G ordinary	£21.11	2,111
Immediately following the Reorganisation but before Admission	Ordinary Shares	£446,874.83	44,687,483
Immediately following completion of the Offer and Admission	Ordinary Shares	£625,000.00	62,500,000

3.2 The changes in the amount of the issued share capital of the Company which have taken place since its incorporation on 24 April 2018 to 12 July 2018 (being the latest practicable date prior to the publication of this Prospectus) are as follows:

(a) on incorporation, the share capital of the Company was one share of £0.01 which was allotted, fully paid, as the subscriber share for cash consideration at nominal value to Kevin Keaney;

(b) on 10 July 2018, the Company and the then shareholders of The Works Investments entered into the Exchange Agreement pursuant to which the then shareholders of The Works Investments sold the entire issued share capital of The Works Investments to the Company in consideration for the issue and allotment by the Company to the then shareholders of The Works Investments of 5,092 A ordinary shares, 2,273 B ordinary shares, 335 D ordinary shares, 1,080 E ordinary shares and 2,111 G ordinary shares;

(c) on 10 July 2018, a special resolution of the Company was passed pursuant to which the share premium account of the Company was capitalised and applied in paying up, in full, 499 A ordinary shares, B ordinary shares, D ordinary shares, E ordinary shares and G ordinary shares for every one share of the relevant class then held;

(d) on 11 July 2018, a special resolution of the Company was passed pursuant to which the then shareholders resolved to reduce the Company's share capital by cancelling £51,445,545 standing to the credit of the Company's share premium account and applying the realised profits to the Company's profit and loss account. The capital reduction became effective on 12 July 2018, upon registration by the Registrar of Companies of the relevant documents;

(e) on 12 July 2018, a special resolution of the Company was passed pursuant to which, amongst other things, and effective immediately prior to Admission:

(i) an amount of £446,875 standing to the credit of the Company's profit and loss account was capitalised and applied in paying up, in full, (A) for every A ordinary share, B ordinary share and D ordinary share then in issue a further 8.408893 A ordinary shares, 8.408893 B ordinary shares and 8.408893 D ordinary shares (respectively), (B) for every E ordinary share then in issue a further 1.847380 E ordinary shares, and (C) for every G ordinary share then in issue a further 5.561513 G ordinary shares;

(ii) the Company adopted new articles of association (conditional on Admission) a summary of which is set out at paragraph 4 below;

(iii) (immediately following and conditional upon the capitalisation referred to in paragraph 3.2(e)(i) becoming effective), each of the then existing A ordinary shares, B ordinary shares, D ordinary shares, E ordinary shares and G ordinary shares was reclassified and redesignated into one Ordinary Share;

(iv) the directors of the Company were authorised generally and unconditionally for the purposes of section 551 of the Companies Act to exercise all or any powers of the Company to allot shares in the Company up to an aggregate nominal amount of £178,126 in connection with the Offer, such authority to expire on 30 September 2018; and

(v) the directors of the Company were empowered pursuant to section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company for cash, up to an aggregate nominal amount of £178,126 in connection with the Offer pursuant to the authority referred to in paragraph 3.2(e)(iv) above and as if sub-section 561(1) and sub-sections (1) to (6) of section 562 of the Companies Act did not apply, such powers to expire on 30 September 2018; and

(f) on 12 July 2018, a special resolution of the Company was passed pursuant to which, amongst other things, and with effect immediately following Admission:

(i) the directors of the Company were authorised generally and unconditionally for the purposes of section 551 of the Companies Act to exercise all or any powers of the Company to allot shares (and rights over shares) in the Company such authority being limited to:

(A) the allotment of up to an aggregate nominal amount equal to one third of the aggregate nominal value of the share capital of the Company on Admission (such amount to be reduced by any allotment of shares or grant of rights to subscribe for, or to convert any security into, shares in the Company made pursuant to the resolution described in paragraph (B) below); and

(B) the allotment of up to an aggregate nominal amount equal to two thirds of the aggregate nominal value of the share capital of the Company on Admission in connection with an offer by way of a rights issue in favour of holders of Shares in proportion (as nearly as may be practicable) to the respective number of Shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities),

such authorities to expire at the conclusion of the first AGM of the Company following Admission, or, if earlier, on 31 December 2019;

(ii) the directors of the Company were empowered pursuant to sections 570(1) and 573 of the Companies Act to:

(A) allot equity securities (as defined in section 560 of the Companies Act) of the Company wholly for cash pursuant to the authority described in paragraph 3.2(f)(i) above; and

(B) to sell ordinary shares (as defined in section 560(1) of the Companies Act) held by the Company as treasury shares for cash,

as if section 561 and sub-sections (1) to (6) of section 562 of the Companies Act did not apply to such allotment or sale, provided that such powers shall be limited to the allotment of equity securities for cash and the sale of treasury shares:

(C) in connection with or pursuant to an offer of or invitation to acquire equity securities by way of a pre-emptive offer; and

(D) otherwise than pursuant to paragraph 3.2(f)(ii)(C) above, up to an aggregate nominal amount of £31,250 (representing approximately 5 per cent. of the aggregate nominal amount of the share capital of the Company (excluding treasury shares) as it is expected to be immediately following Admission),

such powers to expire at the conclusion of the first AGM of the Company following Admission, or, if earlier, on 31 December 2019; and

(iii) subject to the passing of the resolution referred to in paragraph 3.2(f)(ii) above, the directors of the Company were empowered pursuant to sections 570(i) and 573 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company wholly for cash, provided that such power shall be:

(A) limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £31,250 (representing approximately 5 per cent. of the aggregate nominal amount of the share capital of the Company (excluding treasury shares)) as it is expected to be immediately following Admission; and

(B) used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date on which this resolution was passed,

as if section 561(1) and subsections (1)-(6) of section 562 of the Companies Act did not apply to such allotment or sale, such powers to expire at the conclusion of the first AGM of the Company following Admission, or, if earlier, on 31 December 2019.

Once effective, the authority and powers referred to in paragraphs 3.2(f)(i), (ii) and (iii) above shall be in substitution for, and replace, any then existing like authority and power to the extent not utilised at that time.

3.3 On 12 July 2018, a special resolution of the Company was passed pursuant to which, subject to the Company offering appropriate facilities by which the members of the Company entitled to vote at a general meeting may vote at that general meeting using electronic means, a general meeting of the Company, save for the AGM, may be called on not less than 14 clear days' notice, provided that the authority conferred by this resolution shall expire at the conclusion of the next AGM of the Company.

3.4 With effect immediately upon completion of the Offer and upon Admission, and pursuant to the authority and power granted by the resolutions referred to in paragraphs 3.2(e)(iv) and (v) above, the Subscription Shares will be allotted at the Offer Price pursuant to the Offer.

3.5 Save as disclosed above and in paragraphs 3 and 12 of this Part XV of this Prospectus:

(a) the Company does not hold any treasury shares and no Shares are held by, or on behalf of, any member of the Group;

(b) no Shares have been issued otherwise than as fully paid;

(c) no share or loan capital of the Company has, since incorporation of the Company to the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

(d) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

(e) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

3.6 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of shares for cash. The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme (as defined in section 1166 of the Companies Act)) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied.

3.7 There have been no public takeover bids by third parties in respect of the Company's share capital since incorporation of the Company as at 12 July 2018 (being the latest practicable date before the publication of this Prospectus).

3.8 The Shares are denominated in pounds sterling.

4. Articles of Association

The Articles of Association were adopted pursuant to a special resolution passed on 12 July 2018 (subject to and conditional upon Admission). The Company's objects are not restricted by its Articles of Association, accordingly, pursuant to section 31 of the Companies Act, the Company's objects are unrestricted.

The Articles of Association contain provisions to the following effect:

4.1 *Shares*

Respective rights of different classes of shares

Subject to the provisions of the Companies Act and in particular to those conferring rights of pre-emption and without prejudice to any rights attached to any shares or class of shares, any share in the Company may be issued with, or have attached to it, such preferred, deferred, qualified or other rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the resolution does not make specific provision, as the board may determine. The Company may also issue shares which are, or are liable to be, redeemed at the option of the Company or the holder, and the board may determine the terms, conditions and manner of redemption of such shares.

Voting rights

(a) At a general meeting, subject to any special rights or restrictions attached to any class of shares:

 (i) on a show of hands, every member present in person or by a duly appointed proxy present shall have one vote; and

 (ii) on a poll, every member present in person or by a duly appointed proxy shall have one vote for every share held by him.

(b) A proxy shall have the right to exercise all or any of the rights of his appointor, or (where more than one proxy is appointed) all or any of the rights attached to the shares in respect of which such proxy is appointed to attend, and to speak and vote, at a meeting of the Company.

(c) No member shall, unless the board otherwise determines, be entitled in respect of shares held by him to be present or to vote, either personally or by proxy, or to be reckoned in a quorum at any general meeting unless all calls or other sums presently payable by him in respect of such shares in the Company have been paid in full.

Variation of rights

(a) Should the share capital of the Company be divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the written consent of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class, and may be so varied or abrogated either while the Company is a going concern or during or in contemplation of a winding-up.

(b) The special rights attached to any class of shares will not, unless otherwise expressly provided by the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking, as regards participation in the profits or assets of the Company, in some or all respects equally to them.

Transfer of shares

(a) Transfers of certificated shares must be effected in writing, and signed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. Transfers of uncertificated shares may be effected by means of a relevant system (i.e. CREST).

(b) The directors may decline to register any transfer of a certificated share (save where to do so would prevent dealings in the shares from taking place on the London Stock Exchange on an open and proper basis), unless (i) the instrument of transfer is in respect of only one class of share, (ii) the instrument of transfer is lodged at the Company, duly stamped if required, and accompanied by the relevant share certificate(s) and such other evidence reasonably required by the board to show the transferor's right to make the transfer; and (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

Restrictions where notice not complied with

If any person appearing to be interested in shares (within the meaning of Part 22 of the Companies Act) has been duly served with a notice under section 793 of the Companies Act (which confers upon public companies the power to require information as to interests in its voting shares) and is in default for a period of 14 days in supplying to the Company the information required by that notice:

(a) the holder of those shares shall not (for so long as the default continues) be entitled to attend or vote (in person or by proxy) at any shareholders' meeting or to exercise any other right conferred by membership in relation to general meetings; and

(b) the directors may in their absolute discretion, where those shares represent 0.25 per cent. or more of the issued shares of a relevant class, by written notice to the holder, direct that:

  (i) any dividend or part of a dividend (including shares issued in lieu of a dividend) or other money which would otherwise be payable on the shares will be retained by the Company without any liability for interest when such dividend or other money or share is finally paid or issued to the member; and/or

  (ii) (with various exceptions set out in the Articles) transfers of the shares will not be registered.

Forfeiture and lien

(a) If a member fails to pay in full any sum which is due in respect of a share on or before the due date for payment, then, following notice by the board requiring payment of the unpaid amount with any accrued interest and any expenses incurred by the Company by reason of such non-payment, such share may be forfeited by a resolution of the board to that effect (including all dividends or other monies declared in respect of the forfeited share and not actually paid before the forfeiture).

(b) A member whose shares have been forfeited will cease to be a member in respect of the shares, but will remain liable to pay the Company all monies which at the date of forfeiture were presently payable by him to the Company, together with interest. The Company may enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal, or waive payment in whole or part.

(c) A share forfeited shall become the property of the Company and may be sold, re-allotted or otherwise disposed of to any person (either to the person who was, before forfeiture, the holder of it or entitled to it or to any other person) on such terms and in such manner as the board think fit.

(d) The Company shall have a first and paramount lien on every share (not being a fully paid-up share) for all monies, whether presently payable or not, called or payable at a date fixed by or in accordance with the terms of issue of such share. The Company's lien shall extend to any dividends or other sums payable by the Company in respect of that share. The board may waive any lien which has arisen and may resolve that any share shall be exempt from such a lien, either wholly or partially.

(e) The Company may sell, in such manner as the board may think fit, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is then payable nor until the expiration of 14 days after a notice in writing, stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share or entitled to such share by transmission.

(f) The net proceeds of the sale by the Company of any share on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as the debt or liability is then payable, and any residue shall (upon, in the case of a certificated share, surrender to the Company for cancellation of the certificate for the share sold and subject to a like lien for debts or liabilities not then payable as existed upon the share prior to the sale) be paid to the holder immediately after such sale of the share.

Changes in capital

The provisions of the Articles governing the conditions under which the Company may alter its share capital are no more stringent that the conditions imposed by the Companies Act.

4.2 ***General meetings***

Annual general meeting

An AGM shall be held within each period of six months beginning with the day following the Company's accounting reference date, at such place or places, date and time as may be decided by the directors.

Convening of general meetings

The directors may, whenever they think fit and in accordance with the Companies Act, call a general meeting. The Directors are required to call a general meeting once the Company has received requests from its members to do so in accordance with the Companies Act.

Notice of general meetings, etc.

(a) Notice of general meetings shall include all information required to be included by the Companies Act and shall be given to all members other than those members who are not entitled to receive such notices from the Company under the provisions of the Articles or the terms of issue of the shares they hold. Unless otherwise determined in accordance with the Articles, an annual general meeting shall be called by not less than 21 clear days' notice in writing. All other general meetings may be called by at least 14 clear days' notice. In each case, this is subject to any longer notice period required by the Companies Acts.

(b) For the purposes of determining which persons are entitled to attend or vote at a meeting, and how many votes such persons may cast, the Company may specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the Register of Members in order to have the right to attend or vote at the meeting or to appoint a proxy to do so.

Quorum and voting

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Two members present in person or by corporate representative or proxy shall be a quorum. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is duly demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.

Conditions of admission

The board, and at any general meeting the chairman, may make any arrangement and impose any requirement or restriction or take any action which it or he considers appropriate to ensure the security and orderly conduct of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The chairman of the meeting is entitled to refuse entry to a person who refuses to comply with these arrangements, requirements or restrictions.

4.3 ***Directors***

General powers

The business of the Company shall be managed by the board, which may exercise all such powers of the Company as are not by the Companies Act or by the Articles required to be exercised by the Company in general meeting, subject to the provisions of the Companies Act and the Articles and to any directions given by the Company in general meeting by special resolution.

Number of directors

Unless and until otherwise determined by ordinary resolution of the Company from time to time, the Directors shall not be less than two but shall not be subject to any maximum number.

Share qualification

A director shall not be required to hold any shares of the Company by way of qualification. A director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

Executive directors

The board may from time to time appoint one or more of their number to be the holder of any executive office upon such terms as the board or any committee authorised by the board may determine and may revoke or terminate any such appointments. The board may confer upon any director holding an executive office any of the powers exercisable upon such terms and conditions, and with such restrictions, as it thinks fit. The board may from time to time revoke, withdraw, alter or vary all or any of such delegated powers.

Directors' fees

(a) The ordinary remuneration of the non-executive directors for their services as officers of the Company (excluding amounts payable under any other provision of the Articles) shall be determined by the board but shall not exceed in aggregate the sum of £1 million per year (which figure shall be subject to upward only adjustment in line with any percentage increase in the retail prices index (as defined in section 989 of the Income Tax Act 2007)) or such greater sums as the Company may from time to time determine by ordinary resolution.

(b) An executive director shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may determine, and either in addition to or in lieu of his remuneration as a director.

Directors' retirement

(a) At every annual general meeting each of the directors for the time being shall retire from office. A director who retires at any annual general meeting shall be eligible for re-appointment. In addition, any director appointed by the board shall hold office only until the next following annual general meeting and shall then be eligible for reappointment.

(b) Subject to the provisions of the Articles, the Company at the meeting at which a director retires by rotation may fill the vacated office by appointing a person to it and in default the retiring director shall, if willing to continue to act, be deemed to have been reappointed, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-appointment of such director shall have been put to the meeting and lost.

Removal of a director by resolution of Company

The Company may by special resolution or by ordinary resolution of which special notice has been given in accordance with the provisions of the Companies Act, remove any director before the expiration of his period of office.

Proceedings of the board

Subject to the provisions of the Articles, the board may meet for the despatch of business and adjourn and otherwise regulate its proceedings as it thinks fit and the following shall apply in relation to proceedings of the board:

(a) The quorum necessary for the transaction of the business of the board may be fixed from time to time by the board and, unless so fixed at any other number, shall be two. A meeting of the board at which a quorum is present shall be competent to exercise all the powers, authorities and discretion for the time being vested in or exercisable by the board.

(b) The directors may elect from their number a chairman and one or more deputy chairmen and decide the period for which each is to hold office and may at any time remove them from such offices.

(c) Questions arising at any meeting of the directors shall be determined by a majority of votes. If the number of votes for and against a proposal are equal, the chairman of the meeting shall have a casting vote.

Directors' interests

(a) For the purposes of section 175 of the Companies Act, the board shall have the power to authorise any potential conflict situation, being a situation in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The director in question shall not be counted in the quorum at the relevant meeting of the board and shall not vote on the resolution.

(b) The board may make any such authorisation subject to such terms as it may determine.

Restrictions on voting

(a) Except as provided below, a director may not vote or be counted in the quorum on any resolution of the board in respect of any contract, arrangement or any other proposal in which he, or a person connected to him, is materially interested. Any vote of a director in respect of a matter where he is not entitled to vote shall not be counted.

(b) Subject to the provisions of the Companies Act, a director is entitled to vote and be counted in the quorum in respect of any resolution concerning any contract, transaction or arrangement, or any other proposal regarding (inter alia):

    (i) any transaction for giving to such director any guarantee, security or indemnity in respect of money lent by him or obligations undertaken by him at the request or for the benefit of the Company or any of its subsidiaries;

    (ii) any transaction for the giving by the Company or any of its subsidiaries of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries in respect of which such director has himself given an indemnity or which he has guaranteed or secured in whole or in part;

    (iii) any transaction by such director to subscribe for shares, debentures or other securities of the Company or any of its subsidiaries issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company or any class of them or to the public or any section of it, or to underwrite or sub-underwrite any such shares, debentures or other securities;

    (iv) any transaction in which such director is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;

    (v) any transaction concerning any other company (not being a company in which such director and persons connected with him to his knowledge own one per cent. or more of the equity share capital of such company or of the voting rights available to members of such company) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

    (vi) any proposal concerning the adoption, modification or operation of a scheme or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings and that does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom such scheme or arrangement relates;

(vii) any transaction for the giving of an indemnity to the director; and

(viii) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any directors of the Company.

Confidential information

If a situation arises in which a director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, and provided that such actual or potential conflict is permitted or authorised under the Articles, the board may determine that the interested director shall not be required to disclose any confidential information relating to the potential conflict situation to the Company if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by that director in relation to or in connection with such situation.

Delegation of powers of the directors

(a) The board may delegate such of its powers, authorities or discretion (with power to sub-delegate) as it may think fit to committees consisting of one or more members of the board and (if thought fit) one or more other persons. Any committee so formed shall, in the exercise of the powers, authorities or discretion so delegated, conform to any regulations which may from to time be imposed by the board.

(b) The board may establish local or divisional boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local or divisional boards, or any managers or agents, and may fix their remuneration. The board may delegate to any such local or divisional board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the board, and may also give power to sub-delegate, and may authorise the members of any such local or divisional board or any of them to fill any vacancies on the board (and to act notwithstanding vacancies) and to fix their own remuneration.

(c) The board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions and upon such terms (including terms as to remuneration) as it may think fit.

(d) Each director shall have the power to appoint any person to be his alternate director and may at his discretion remove such alternate director. If such alternate director is not another director, such appointment, unless previously approved by the board, shall have effect only upon and subject to it being so approved.

Directors' liabilities

(a) Subject to the provisions of the Companies Act and the rules made by the FCA, every director, and every director of each of the associated companies of the Company, shall be indemnified by the Company out of its own funds against any liability incurred by or attaching to such director or director in connection with any negligence, default, breach of duty or breach of trust by such director or director in relation to the Company or any associated company of the Company and any other liability incurred by or attaching to such director or director in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

(b) The board shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other company which is its holding company or in which the Company or such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company, or to any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which employees of the Company or of any other such company or subsidiary undertaking are interested.

(c) So far as may be permitted by the Companies Act and the rules permitted by the FCA, the Company may provide a director and every director of an associated company with funds to meet expenditure incurred or to be incurred by such director or director in defending any criminal or civil proceedings, or action taken or to be taken by a regulatory authority, in connection with any negligence, default, breach of duty or breach of trust by such director or director in relation to the Company or an associated company of the Company or in connection with any application for relief under the provisions mentioned in section 205(5) of the Companies Act. The Company may also do anything to enable such relevant officer to avoid incurring such expenditure.

4.4 ***Borrowing limitations***

(a) Subject to any provisions of the Articles to the contrary, the board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and (subject to the Companies Act) and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(b) The board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control as the board can secure) that the aggregate principal amount at the relevant time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group other than amounts to be taken into account in accordance with article 42.3.3) shall not, without the previous sanction of an ordinary resolution of the Company, at any time exceed an amount equal to (i) in the period before the audited accounts of the Company for the financial period to 30 April 2019 are published, £35 million and (ii) at all other times three times the Adjusted Capital and Reserves (as defined in the Articles).

4.5 ***Dividends and other distributions***

(a) Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends to be paid to the members according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the board.

(b) In so far as in the opinion of the board the profits of the Company justify such payments, the board may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment of it and may also from time to time pay interim dividends on shares of any class of such amounts and on such dates in respect of such periods as it thinks fit. If the board acts in good faith, it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

(c) Unless and to the extent that the rights attached to any shares or the terms of issue of any shares otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

(d) Any unclaimed dividends may be invested or otherwise applied for the benefit of the Company until they are claimed. Any dividend unclaimed for 12 years from the date on which it became due for payment shall be forfeited and shall revert to the Company.

(e) The board may, with the sanction of an ordinary resolution of the Company in general meeting, offer members the right to elect to receive shares, credited as fully paid, in whole or in part, instead of cash in respect of such dividend or dividends as are specified by such resolution.

(f) Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

4.6 *Notices*

Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any shareholder by the Company personally, by post, by means of a relevant system, by sending or supplying it in electronic form to an address notified by the shareholder to the Company for that purpose, where appropriate, by making it available on a website and notifying the shareholder of its availability, or by any other means authorised in writing by the shareholder.

5. Employees

The table below sets out the average number of persons, including the executive directors of the Company, employed or contracted by the Operating Group for FY16, FY17 and FY18(1).

	Number of employees		
	FY16	**FY17**	**FY18**
Office and management	132	141	180
Shop staff	2,258	2,634	2,876
Warehouse and distribution staff	96	127	155
	2,486	2,902	3,211

(1) The average number of persons employed or contracted by the Operating Group is based on the IFRS accounts for the Operating Group for the Historical Period.

6. Directors and Senior Managers

Details of the Directors and the Senior Managers and their functions in the Company are set out in paragraphs 1.1 and 1.2 of Part VIII of this Prospectus. Their business address is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL.

6.1 *Current and previous directorships*

The Directors (in addition to being directors of the Company) and Senior Managers hold or have held the directorships of the companies and/or are or were partners of the partnerships specified opposite their respective names below within the past five years prior to the date of this Prospectus.

Directors	Current appointments	Former appointments held in the previous five years
Dean Hoyle	Crossco (1317) Limited Crossco (1318) Limited Gweco 493 Limited Gweco 510 Limited Gweco 511 Limited Helium Miracle 164 Limited Huddersfield Canalside Limited Huddersfield Town Foundation Limited Kirklees Stadium Development Limited M D One Limited The Huddersfield Town Association Football Club Limited The Works Investments	CF Topco Limited

Directors	Current appointments	Former appointments held in the previous five years
Kevin Keaney	The Works Investments The Works Online The Works Stores	None
Gavin Peck	The Works Investments The Works Stores	None
Harry Morley	Ascot Authority (Holdings) Limited J D Wetherspoon plc The Mercantile Investment Trust plc	ARL Commodities Limited Armajaro Asset Management Executive LLP Armajaro Asset Management Holdings Limited Armajaro Asset Management Investments Limited Armajaro Holdings Limited Armajaro Investments Limited Armajaro Metals Limited GMA 1 Limited Mixed Spice Limited Southern Wines Limited Spices Galore Limited
Catherine Glickman	Marstons plc Scar House Consulting Limited	Milk Pension Fund Trustees Limited Welwyn Hatfield Citizens Advice Bureau

Senior Managers	Current appointments	Former appointments held in the previous five years
Andrea Bennett	The Works Investments The Works Online The Works Stores	None
Nicholas Wood	None	None
Simon Joseph	The Works Investments The Works Stores	None
Thomas Scott	The Works Investments The Works Stores	None
Debbie McMinn(1)	The Works Investments The Works Stores	None
Paul Hughes	The Works Investments The Works Online The Works Stores	None
Victoria Norrish	The Works Investments	None

(1) Née Debbbie Jamieson

6.2 *Directors' and Senior Managers' shareholdings and share options*

(a) The interests in the share capital of the Company of the Directors and Senior Managers (all of which, unless otherwise stated, are beneficial or are interests of a person connected with the Director or Senior Manager) following the Reorganisation but immediately prior to Admission and immediately following Admission are as follows:

	Following Reorganisation but immediately prior to Admission		Immediately following Admission	
Directors	**No. of Shares**	**% of issued share capital**	**No. of Shares**	**% of Enlarged Share Capital**
Dean Hoyle(1)	9,560,620	21.4%	8,891,378	14.2%
Kevin Keaney	1,824,333	4.1%	1,094,600	1.8%
Gavin Peck(2)	757,726	1.7%	454,636	0.7%
Harry Morley	–	–	15,625	0.0%
Catherine Glickman	–	–	15,625	0.0%
Senior Managers				
Andrea Bennett	1,115,945	2.5%	669,567	1.1%
Nicholas Wood	980,694	2.2%	588,417	0.9%
Simon Joseph	449,770	1.0%	269,862	0.4%
Thomas Scott	449,770	1.0%	269,862	0.4%
Debbie McMinn(3)	–	–	15,625	0.0%
Paul Hughes(4)	1,275,397	2.9%	765,239	1.2%
Victoria Norrish	1,118,792	2.5%	671,276	1.1%

(1) Includes 4,779,598 Shares held by Janet Hoyle.

(2) On 10 July 2018, Gavin Peck, as part of his incentivisation package with the Company and also in part to compensate him for foregoing equity in his previous employer, entered into three nil cost option agreements with: (1) the Principal Selling Shareholders in respect of, in aggregate, 34 A ordinary shares and 1 D ordinary share in the capital of the Company; (2) Dean Hoyle in respect of 59 B ordinary shares and 7 G ordinary shares in the capital of the Company; and (3) Janet Hoyle in respect of 58 B ordinary shares and 6 G ordinary shares in the capital of the Company (the "**GP Options**"). The GP Options are exercisable in certain circumstances, including prior to Admission. If validly exercised in full and assuming the Reorganisation becomes effective, pursuant to the GP Options, the Principal Selling Shareholders will transfer 164,656 Shares; Dean Hoyle will transfer 295,823 Shares; and Janet Hoyle will transfer 297,247 Shares to Gavin Peck. As part of the Placing, Investec has agreed to use its reasonable endeavours to procure purchasers for 303,090 Sale Shares which will be held by Gavin Peck, representing approximately 40.0 per cent. of the Shares that will be held by him on Admission (assuming the Reorganisation becomes effective). Gavin Peck has agreed to pay to the Company an amount equal to the PAYE income tax and employee's National Insurance Contributions that will become payable as a result of the exercise of the GP Options, and he intends to use the net proceeds of the sale of his Sale Shares, together with other funds, to fund that payment. The Company will also incur a liability for employer's National Insurance Contributions as a result of the exercise of the GP Options (at a rate of 13.8 per cent. of the market value of the Shares acquired by Gavin Peck), which the Company will fund, but it is expected that this will be fully offset by a corporation tax deduction in connection with the exercise of the GP Options, resulting in an aggregate net benefit to the Company of approximately £40,000.

(3) Née Debbie Jamieson.

(4) Includes 203,587 Shares held by Geraldine Hughes.

(b) Save as disclosed in this paragraph 6.2, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company.

6.3 ***Transactions with Directors and Senior Managers***

No Director or Senior Manager has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Company or any of its subsidiary undertakings and which were affected by the Company or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

6.4 ***Directors' service agreements and letters of appointment***

(a) **Kevin Keaney** *(Chief Executive Officer)*

Kevin commenced employment with The Works Stores on 30 August 2011. From Admission, Kevin will be entitled to receive an annual salary of £310,000 (subject to annual review by the Board) plus a discretionary bonus with the potential to be awarded up to 100 per cent. of salary as determined by the Remuneration Committee (as set out in paragraph 6.5 below) and is eligible to participate in the LTIP. Kevin is entitled to: a car allowance of £10,000 or a company car of equivalent grading; full pay for any period of incapacity for an aggregate of 18 weeks in any 52 week period; his reasonable accommodation expenses; participate in The Works Stores' private medical insurance scheme (in place from time to time) along with his family; receive life assurance benefits of four times salary; and receive 25 days' holiday (excluding public holidays). Kevin receives a cash payment of 10 per cent. of his basic salary in lieu of a company pension contribution. He has the option to use a salary sacrifice arrangement for any of this payment and his base salary in return for an employer pension contribution of equal value.

(b) **Gavin Peck** *(Chief Financial Officer)*

Gavin entered into a service agreement with The Works Investments on 3 April 2018. From Admission, Gavin will be employed by The Works Stores and will be entitled to receive an annual salary of £200,000 (subject to annual review by the Board) plus a discretionary bonus with a potential to be awarded up to 100 per cent. of salary as determined by the Remuneration Committee (as set out in paragraph 6.5 below). Gavin will also be entitled to the same benefits as Kevin Keaney with the exception of accommodation expenses on Admission.

(c) *Other*

In addition to the matters referred to above, from Admission, the Executive Directors' service agreements with The Works Stores will also include: confidentiality and intellectual property clauses that are without limit in time; post-termination restrictions relating to: non-solicitation of suppliers and prospective suppliers, non-poaching and non-employment/non-engagement of key individuals for a 12 month period post-termination; non-compete and non-dealing post-termination restrictions for a 12 month period post-termination; a restriction on being involved with any current or prospective suppliers if such involvement would cause them to cease, reduce or vary the terms of their supply to the Group for a 12 month period post-termination; and a prohibition on representing oneself as being connected with any Group Company at any time after termination. The Executive Directors' service agreements are terminable on 12 months' written notice served by either party. The Works Stores has a contractual right to pay the Executive Directors in lieu of part or all of their notice period (in an amount equal to their basic salary, benefits and holiday pay that would have been payable) and to place them on garden leave during all or part of their notice period. All post-termination restrictions are reduced by any period the Executive Director spends on garden leave. In the event of gross misconduct their employment will be terminable with immediate effect without the requirement for notice or payment in lieu thereof.

(b) *Non-Executive Directors' letters of appointment*

Each of the Non-Executive Directors has been appointed pursuant to letters of appointment. Details of the terms of each Non-Executive Director's appointment with the Company are set out below.

Name	Date of commencement of appointment	Committee chairmanships/Other Board positions	Fee per annum
Dean Hoyle[(1)]	12 July 2018	Chairman and member of Nomination Committee	£100,000
Harry Morley	12 July 2018	Senior Independent Director; Chair of Audit Committee; Chair of Nomination Committee and member of Remuneration Committee	£55,000
Catherine Glickman	12 July 2018	Chair of Remuneration Committee; member of Nomination Committee and member of Audit Committee	£50,000

Note 1: Dean Hoyle became an employee of the Group on 14 September 2015 and has entered into a settlement agreement which becomes effective on Admission to terminate his employment.

Each of the Non-Executive Directors' appointment letters: takes effect on the date of this Prospectus; includes confidentiality and intellectual property clauses that are without limit in time; provides that they are terminable on six months' notice by either party, and with immediate effect in certain circumstances including upon a failure to be re-elected by Shareholders or 12 months' notice in the case of Dean Hoyle; and entitles each Non-Executive Director to be paid for all expenses properly incurred in connection with the appointment. The appointment letters also include post-termination restrictions including non-solicitation of key employees or customers for a period of 12 months post-termination.

(c) *Directors' indemnity insurance*

The Company has customary directors' indemnity insurance in place in respect of each of the Directors.

6.5 *Overview of remuneration policy going forward*

(a) In anticipation of Admission, the proposed remuneration committee of the Board undertook a review of the Group's remuneration policy for senior management, including the Executive Directors, in order to ensure that it is appropriate for the listed company environment. In undertaking this review, that committee sought independent, specialist advice.

(b) The Company's remuneration strategy is to provide pay packages that attract, retain and motivate high-calibre talent to help ensure its continued growth and success as a listed company.

(c) The Company's remuneration strategy aims to encourage and support a high performance culture; reward achievement of the Group's corporate strategy and delivery of sustainable growth, and align the interests of the Executive Directors, senior management and employees to the long-term interests of Shareholders; whilst ensuring that remuneration and incentives adhere to the principles of good corporate governance and support good risk management practice and sustainable Company performance.

(d) Consistent with this remuneration strategy, the proposed remuneration committee of the Board has agreed a structure for future remuneration arrangements for Executive Directors and senior management, taking into account an evolving market and best practices. Remuneration will be set at a level that is considered by the proposed remuneration committee of the Board to be appropriate for the size and nature of the business. Performance-related pay will be based on stretching targets, and will form an important part of the overall remuneration package. There will be an appropriate balance between short and longer-term performance targets linked to delivery of the Group's business plan.

(e) The Company intends to deliver this policy for senior management, including Executive Directors, via a remuneration framework which combines base salary, pension contributions, benefits, an annual bonus plan and share-based awards under the LTIP.

(f) As required by the Companies Act, the Company will put forward a directors' remuneration policy for formal approval by Shareholders at its first AGM following Admission. It is intended that the following arrangements will form part of the directors' remuneration policy from Admission:

(i) *Base salary*

The base salaries for Executive Directors and senior management will depend on their experience and the scope of their role as well as having regard to practices at peer companies of equivalent size and complexity. In considering the base salary (and other elements of remuneration) of Executive Directors and senior management, due regard will be taken of the pay and conditions of the workforce generally. Base salaries will typically be reviewed on an annual basis. Base salaries on Admission for Kevin Keaney and Gavin Peck are £310,000 and £200,000 respectively. In setting the base salaries, the proposed remuneration committee of the Board recognises that these are towards the lower end of the market-competitive range, but has given regard to the material shareholding in the Company of the current Executive Directors and a desire to focus the remuneration structure on a long-term strategy.

(ii) *Pension*

Kevin Keaney and Gavin Peck will both receive a cash payment in lieu of pension contributions of 10 per cent. of basic salary per annum. Kevin and Gavin will each have the option to use a salary sacrifice arrangement for any of their base salary and cash payment in return for employer pension contributions of equivalent value.

(iii) *Annual bonus plan*

Executive Directors and senior management are eligible to participate in an annual bonus plan, with a maximum opportunity for the Executive Directors of 100 per cent. of salary. The Executive Directors' bonuses for FY19 will be subject to performance targets based on stretching earnings targets. Bonuses for future years will be subject to the satisfaction of performance targets aligned to the Company's strategy, with the majority of the opportunity based on financial measures and any balance based on strategic or personal measures. The proposed remuneration committee of the Board's current intention is that the full amount of any bonus earned will be paid in cash, although discretion will be retained to defer into Shares for up to two years part of any bonus earned.

(iv) *LTIP*

Awards under the LTIP will normally be granted to the Executive Directors and selected senior management on an annual basis. Further information in relation to the LTIP is set out in paragraph 8.1 below.

(v) *Minimum shareholding requirement*

To align the interests of the Executive Directors with those of Shareholders, the proposed remuneration committee of the Board has adopted formal shareholding guidelines in accordance with which a shareholding with a value of at least 200 per cent. of base salary (in the case of the Company's chief executive officer) and 100 per cent. of base salary (in the case of the Company's chief financial officer) must be built up and maintained. While there is no specified period within which the holding must be achieved, 50 per cent. of the Shares acquired under the LTIP (after sales to cover tax and any applicable exercise price) must be retained until it is achieved. Shares subject to vested but unreleased or released but unexercised awards under the LTIP (and any deferred bonus awards) shall count towards the guideline on a net of assumed tax basis.

(vi) *Chairman and Non-Executive Director fees*

The Chairman's and the other Non-Executive Directors' fees will be set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its committees, and to attract and retain non-executive directors of a high calibre with relevant commercial and other experience. Fee levels are set by reference to non-executive director fees at companies of similar size and complexity. The fee paid to the Chairman is determined by the Remuneration Committee, while the fees for other Non-Executive Directors are determined by the Board as a whole. On Admission, a single all-inclusive fee will be paid to the Chairman and Non-Executive Directors. However, the Company may review the structure of these fee arrangements following Admission so that fees could comprise a "basic fee" plus additional fees for acting as Senior Independent Director and as chairman of any relevant Board committee. The Chairman will, from Admission, receive an annual fee of £100,000. Harry Morley will receive a fee of £45,000 for his role as a Non-Executive Director, £5,000 for carrying out the role of senior independent director and £5,000 for his role as chair of the Audit Committee. Catherine Glickman will receive a fee of £45,000 for her role as a Non-Executive Director and £5,000 for her role as chair of the Remuneration Committee. Non-Executive Directors are not eligible to participate in any of the Company's pension or incentive arrangements.

6.6 *Directors' and Senior Manager's remuneration*

For FY18, the aggregate total remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) to the Directors and Senior Managers by members of the Group was approximately £1.4 million.

(a) Under the terms of their service contracts, letters of appointment and applicable incentive plans, in FY18, the Directors and Senior Managers were remunerated by members of the Group as set out below:

Name	Base Salary	Fees	Benefits	Total (exc. pension)	Pension	Total (inc. pension)	Date of joining the Group
Directors							
Dean Hoyle	80,000	–	–	80,000	426	80,426	01/09/2015
Kevin Keaney	175,000	–	33,989	208,989	17,500	226,489	30/08/2011
Gavin Peck[1]	11,923	–	1,399	13,322	1,375	14,697	03/04/2018
Harry Morley[2]	–	–	–	–	–	–	12/07/2018
Catherine Glickman[2]	–	–	–	–	–	–	12/07/2018
Senior Managers	906,500	–	91,683	998,183	101,159	1,099,342	N/A

Notes

1. Joined part way through FY18.
2. Not a director or employee of any Group Company during FY18.

(b) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

(c) No amounts have been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors.

6.7 *Conflicts of interest*

(a) Certain of the Directors are directors of one or more of the Company's subsidiary companies. These directorships potentially give rise to a conflict of interest between the relevant Director's duties to the Company and their duties to the relevant subsidiary company. For example, if the Group has offered to provide capital to one of its subsidiary companies on which one of its Directors sits on the board, that Director owes certain duties to the subsidiary company in his capacity as a director when that company considers such offer, such as the duty to avoid conflicts of interest, to exercise independent judgement and to promote the success of that company for the benefit of its members as a whole. It may be that in seeking to exercise such duties, this conflicts with the same duties that Director owes to the Company. In such circumstances, the Director will ensure that he declares all such conflicts in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof.

(b) Save as referred to in paragraph 6.7(a) above, there are no actual or potential conflicts of interest between the Directors' duties to the Company and their private interests and other duties.

6.8 ***Directors' and Senior Managers' confirmations***

(a) During the last five years, no Director or Senior Manager has:

(i) been convicted in relation to a fraudulent offence;

(ii) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or senior management of any company;

(iii) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);

(iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;

(v) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or which entered into any partnership or voluntary arrangement, or had a receiver appointed over any partnership asset;

(vi) had a receiver appointed with respect to any assets belonging to him; or

(vii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time during which he was a director of that company or within 12 months after his ceasing to be a director.

7. Significant Shareholders and the Selling Shareholders

7.1 As at the date of this Prospectus, the Directors were aware of the following persons who, in addition to the Directors and Senior Managers set out in paragraph 6 above, directly or indirectly, are interested in 3 per cent. or more of the Company's capital or voting rights:

	Following Reorganisation but immediately prior to Admission		Immediately following Admission	
Shareholders	**No. of Shares**	**% of issued share capital**	**No. of Shares**	**% of Enlarged Share Capital**
BlackRock, Inc.	–	–	8,900,000	14.2%
Schroders plc	–	–	6,665,000	10.7%
Cannacord Genuity Group Inc	–	–	5,925,000	9.5%
Endless Fund II A(1)	20,111,507	45.0%	5,027,877	8.0%
Janet Hoyle(2)	4,779,598	10.7%	4,445,027	7.1%
Jupiter Asset Management Limited	–	–	3,125,000	5.0%
BennBridge Limited	–	–	2,500,000	4.0%
SFM UK Management LLP	–	–	2,080,000	3.3%
Standard Life Investments Limited	–	–	1,980,000	3.2%
Joanne Barraclough	2,540,775	5.7%	1,905,582	3.0%
Endless Fund II B(1)	4,502,154	10.1%	1,125,539	1.8%

(1) These Shareholders are affiliated entities.

(2) Also included in Dean Hoyle's holdings set out at paragraph 6.2(a) above.

7.2 Pursuant to the Offer, in aggregate, 22,953,648 Sale Shares will be sold by or behalf of the Selling Shareholders. The interests in Sale Shares of the Selling Shareholders following the Reorganisation but immediately prior to Admission, the number of Sale Shares each Selling Shareholder is to sell and their interests in Shares immediately following Admission is set out below:

	Following Reorganisation but immediately prior to Admission			Immediately following Admission	
Selling Shareholder	**No. of Shares**	**% of issued share capital**	**No. of Sale Shares to be sold pursuant to the Offer**	**No. of Shares**	**% of Enlarged Share Capital**
Endless Fund II A	20,111,507	45.0%	15,083,630	5,027,877	8.0%
Endless Fund II B	4,502,154	10.1%	3,376,615	1,125,539	1.8%
Dean Hoyle	4,781,022	10.7%	334,671	4,446,351	7.1%
Janet Hoyle	4,779,598	10.7%	334,571	4,445,027	7.1%
Kevin Keaney	1,824,333	4.1%	729,733	1,094,600	1.8%
Gavin Peck	757,726	1.7%	303,090	454,636	0.7%
Andrea Bennett	1,115,945	2.5%	446,378	669,567	1.1%
Joanne Barraclough	2,540,775	5.7%	635,193	1,905,582	3.0%
Nicholas Wood	980,694	2.2%	392,277	588,417	0.9%
Paul Hughes	1,071,810	2.4%	428,724	643,086	1.0%
Geraldine Hughes	203,587	0.5%	81,434	122,153	0.2%
Simon Joseph	449,770	1.0%	179,908	269,862	0.4%
Thomas Scott	449,770	1.0%	179,908	269,862	0.4%
Victoria Norrish	1,118,792	2.5%	447,516	671,272	1.1%

7.3 Immediately following Admission:

(a) save as disclosed in paragraph 7.1 above, the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise operational control over the Company and/or its business;

(b) the Company is not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Company; and

(c) none of the Shareholders set out above has or will have different voting rights.

8. Share incentive plans

Following Admission, the Company intends to operate the LTIP and the SAYE Plan and in the future may operate the DBP (together being the "**Share Plans**").

The principal features of the Share Plans are summarised below. Certain provisions which are common to the Share Plans are summarised following the plan specific summaries.

8.1 ***LTIP***

The LTIP is a discretionary share plan which will be administered and operated by the Board or a duly authorised committee of the Board and in this paragraph 8.1 references to the "Board" include any such duly authorised committee. Decisions in relation to the participation in the LTIP by the executive directors will be taken by the proposed remuneration committee of the Board.

8.1.1 *Eligibility*

Any employee (including an executive director) of the Company or any of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Board.

8.1.2 *Timing of first grant*

As soon as reasonably practical following Admission, the Board intends to grant awards under the LTIP to the Executive Directors and other senior management in respect of FY19.

Discretion will be retained to grant awards at other times, as described below.

8.1.3 *Form of awards*

Awards under the LTIP may be in the form of:

(a) a conditional right to acquire Shares at no cost to the participant (a "**Conditional Award**");

(b) an option to acquire Shares at nominal cost, or no cost, to the participant (an "**Option**"); or

(c) a right to a cash amount related to the value of a number of Shares (a "**Cash Award**").

Awards may also be granted under the LTIP in the form of tax qualifying options ("**CSOP Options**") which are intended to satisfy the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003. A CSOP Option will have a per Share exercise price equal to the market value of a Share at the date of grant. A CSOP Option may be granted in connection with an Option on terms that the extent to which the Option may be exercised shall be reduced to take account of any gain made on the exercise of the CSOP Option; for this reason, the Shares subject to any such CSOP Option are not taken into account for the purposes of assessing the individual limit on participation in the LTIP so as to avoid double counting. The provisions of the LTIP summarised in this paragraph 8.1 apply to CSOP Options save as required to comply with the applicable tax legislation.

Conditional Awards, Options, CSOP Options and Cash Awards granted under the LTIP are together referred to as "**LTIP Awards**" and each an "**LTIP Award**", as appropriate. References in this paragraph 8.1 to Shares include notional Shares to which a Cash Award relates, where appropriate. Before Shares have been delivered, the Board may decide to pay a cash amount equal to the value of the Shares the participant would otherwise have received.

8.1.4 *Performance conditions*

Unless the Board determine otherwise, LTIP Awards will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the LTIP Award which will vest at the end of a performance period of at least three years. LTIP Awards granted to the Company's executive directors will always be subject to performance conditions, other than any such LTIP Award granted to facilitate the recruitment of that executive director.

It is intended that the first LTIP Awards will be granted with vesting subject to the satisfaction of an earnings based performance condition assessed over the three financial years ending in FY21, with 25 per cent. of those LTIP Awards vesting for achieving a threshold level of performance rising to 100 per cent. vesting for achieving or exceeding a stretch performance level.

A performance condition may be amended or substituted if an event occurs which causes the Board to consider that an amended or substituted performance condition would be appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

8.1.5 *Individual limit*

LTIP Awards (other than LTIP Awards granted to facilitate the recruitment of a participant) will not ordinarily be granted to a participant over Shares with a market value (as determined by the Board) in excess of 100 per cent. of his or her salary in respect of any financial year.

However, the Board may, in its discretion, grant LTIP Awards above this level in exceptional circumstances subject to an overall limit of 200 per cent. of salary.

As noted above, where a CSOP Option is granted in connection with an Option, the Shares subject to the CSOP Option are not taken into account for the purposes of assessing this limit.

8.1.6 *Grant of LTIP Awards*

LTIP Awards may only be granted in the six week period following Admission, the announcement of the Company's results for any period, any day on which a restriction on the grant of LTIP Awards is lifted, or on any day on which the Board determines that exceptional circumstances exist.

8.1.7 *Vesting and exercise*

LTIP Awards that are subject to a performance condition will normally vest as soon as practicable after the end of the performance period (or on such later date as the Board determines) and then only to the extent that any performance condition has been satisfied. Where LTIP Awards are granted without a performance condition, they will usually vest on the third anniversary of the grant date (or on such other date as the Board determines).

LTIP Awards may be subject to a holding period of up to two years following vesting (a "**Holding Period**"). Any LTIP Award, other than an LTIP Award granted to facilitate the recruitment of an executive director, granted to an executive director of the Company will be subject to a Holding Period of two years. An LTIP Award which is subject to a Holding Period will ordinarily be released (so that the participant is entitled to acquire the Shares) following the end of the Holding Period. Alternatively, LTIP Awards that are subject to a Holding Period may be granted on the basis that the participant is entitled to acquire Shares following vesting but that, other than as regards sales to cover tax liabilities, he is not entitled to dispose of Shares until the end of the Holding Period.

LTIP Awards not subject to a Holding Period will ordinarily be released at vesting.

Options and CSOP Options will normally be exercisable from the date of release until the tenth anniversary of the grant date.

8.1.8 *Dividends*

The Board may provide additional cash or Shares to a participant in the LTIP based on the value of some or all of the dividends which would have been paid on vested Shares to which his LTIP Award relates over such period as the Board determines ending no later than the date of release. In these circumstances, the Board has the discretion to determine the basis on which this additional amount will be calculated, which may assume the reinvestment of the relevant dividends into Shares.

8.1.9 *Recovery provisions (malus and clawback)*

At any time prior to the second anniversary of the vesting of an LTIP Award, the Board may:

(i) reduce the number of Shares to which the LTIP Award relates;

(ii) cancel the LTIP Award;

(iii) impose further conditions on the LTIP Award;

(iv) require the participant to make a cash payment to the Company in respect of some or all of any Shares or cash delivered pursuant to the LTIP Award; or

(v) require the participant to transfer for nil consideration some or all of the Shares delivered to him pursuant to the LTIP Award,

in the following circumstances:

(a) a material misstatement of the Company's audited financial results;

(b) a material error in the information or assumptions on which the LTIP Award was granted or vests including an error in assessing any applicable performance condition;

(c) a material failure of risk management by the Company, any member of the Group or a relevant business unit;

(d) serious reputational damage to the Company, any Group member or a relevant business unit; or

(e) material misconduct on the part of the participant.

8.1.10 *Cessation of employment*

Unvested LTIP Awards

Ordinarily, unvested LTIP Awards will lapse on cessation of employment.

If a participant ceases to be employed as a result of his death, ill-health, injury, disability, or for any other reason at the Board's discretion (each a "**Good Leaver Reason**"), any unvested LTIP Award he holds will usually continue and be released at the originally anticipated release date, although the Board will retain discretion to vest and release the LTIP Award as soon as reasonably practicable after the cessation of employment or at some other time (such as following the end of the performance period in the case of an LTIP Award which would otherwise be subject to a Holding Period).

The extent to which an LTIP Award vests will be determined by reference to the extent to which any performance condition has been satisfied at the end of the performance period, or the date of cessation as appropriate. The extent to which the LTIP Award is released will ordinarily be reduced to take account of the proportion of the performance period that has elapsed at the date of cessation (or the proportion of the period from grant to the originally anticipated release date in the case of an LTIP Award that is not subject to a performance condition), although the Board will have discretion to vary or disapply this time based reduction.

Vested but unreleased LTIP Awards

If a participant ceases to be employed after an LTIP Award has vested but before it has been released it will ordinarily continue and be released at the originally anticipated release date (unless the participant is dismissed for gross misconduct in which case the LTIP Award will lapse), although the Board will have discretion to release the LTIP Award at the date of cessation.

8.1.11 *Corporate events*

In the event of a change of control of the Company, unvested LTIP Awards will vest and be released and vested but unreleased LTIP Awards will be released.

Unvested LTIP Awards will vest taking into account the extent to which any performance condition has been satisfied, and, unless the Board determines otherwise, the proportion of the performance period that has elapsed at the date of the relevant event (or the proportion of the period from grant to the originally anticipated release date in the case of an LTIP Award that is not subject to a performance condition).

Alternatively, the Board may permit participants to exchange LTIP Awards for equivalent awards which relate to shares in a different company. If the change of control is an internal reorganisation, participants will be required to exchange their LTIP Awards (rather than the LTIP Awards vesting), unless the Board determines otherwise.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the "Board" may determine that LTIP Awards will vest on the same basis as on a change of control.

8.2 ***DBP***

The DBP is a discretionary share plan under which the deferred part of any annual bonus may be delivered. The DBP will be administered and operated by the Board or a duly authorised committee and in this paragraph 8.2 references to the "Board" include any duly authorised committee. Decisions in relation to participation in the DBP by executive directors will be taken by the Remuneration Committee.

8.2.1 *Eligibility*

Any employee or former employee (including an executive director) of the Company or any of its subsidiaries will be eligible to participate in the DBP at the discretion of the Board.

8.2.2 *Form of awards*

Awards under the DBP ("**DBP Awards**" and each a "**DBP Award**", as appropriate) may be granted in the same form as awards under the LTIP.

8.2.3 *Grant of DBP Awards*

The Board may determine that a proportion of a participant's annual bonus will be deferred into a DBP Award, although the Board's current intention is that deferral will not be operated. The number of Shares subject to a DBP Award will be such number of Shares as have a value (as determined by the Board) equal to the deferred bonus. DBP Awards may be granted in the six week period following the announcement of the Company's results for any period, any day on which a restriction on the grant of DBP Awards is lifted, the determination of the amount of any relevant bonus, or on any day on which the Board determines that exceptional circumstances exist.

8.2.4 *Vesting and exercise*

DBP Awards will usually vest on the second anniversary of the determination of the relevant bonus (or on such other date as the Board determines). Options will then normally be exercisable until the tenth anniversary of the grant date.

8.2.5 *Dividends*

The Board may provide additional cash or Shares to a participant in the DBP based on the value of some or all of the dividends paid on vested Shares to which his DBP Award relates. In these circumstances, the Board has the discretion to determine the basis on which this additional amount will be calculated, which may assume the reinvestment of the relevant dividends into Shares.

8.2.6 *Recovery provisions (clawback)*

At any time prior to the vesting of a DBP Award, the Board may:

(i) reduce the number of Shares to which the DBP Award relates;

(ii) cancel the DBP Award; or

(iii) impose further conditions on the DBP Award,

in the following circumstances:

(a) a material misstatement of the Company's audited financial results;

(b) a material error in assessing any performance condition applying to the bonus in respect of which the DBP Award was granted;

(c) a material failure of risk management by the Company, any member of the Group or a relevant business unit;

(d) serious reputational damage to the Company, any Group member or a relevant business unit; or

(e) material misconduct on the part of the participant.

8.2.7 *Cessation of employment*

If a participant ceases employment for any reason other than as a result of his summary dismissal (in which case his DBP Award will lapse), his DBP Award will continue and vest at the originally anticipated vesting date (although the Board will have discretion to vest the award at the date of cessation). DBP Awards will vest in full unless the Board decides that the extent of vesting should be reduced to take account of the period of time that has elapsed between the grant date and the date on which the participant ceases employment.

8.2.8 *Corporate events*

In the event of a change of control of the Company, unvested DBP Awards will vest in full. Alternatively, the Board may permit participants to exchange DBP Awards for equivalent awards which relate to shares in a different company. If the change of control is an "internal reorganisation", participants will be required to exchange their DBP Awards (rather than those DBP Awards vesting), unless the Board determines otherwise.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares, the Board may determine DBP Awards will vest.

8.3 ***SAYE Plan***

The SAYE Plan is an "all employee" share option plan, which is intended to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 and which will be administered and operated by the Board or a duly authorised committee and in this paragraph 8.3 references to the "Board" include any duly authorised committee.

8.3.1 *Eligibility*

Each time that the Board decides to operate the SAYE Plan, it must invite all employees of the Company and designated participating subsidiaries of the Company who are UK-resident taxpayers (including executive directors) to apply for options over Shares ("**SAYE Options**").

The Board may set a qualifying period of employment of up to five years, and it is anticipated that employees invited to participate will be required to have competed a minimum qualifying period of six months' service.

8.3.2 *SAYE contracts and SAYE Options*

An eligible employee who applies for an SAYE Option must enter into a contract with a savings provider under which he agrees to save up to £500 per month (or such other limit as may be permitted under the applicable tax legislation from time to time) over a period of three or five years (an "**SAYE Contract**").

SAYE Options will be granted with a per Share exercise price determined by the Board which will not be less than 80 per cent. (or such other percentage as is permitted under the applicable tax legislation from time to time) of the market value of a Share when the invitation is issued. The number of Shares subject to each SAYE Option will be such number as can be acquired at the exercise price using the proceeds of the relevant SAYE Contract.

8.3.3 *Issue of invitations*

Invitations to apply for SAYE Options may only be issued within the six week period following Admission, the announcement of the Company's results for any period, the announcement or coming into effect of changes to the legislation governing tax qualifying share option plans, any day on which a restriction on the issue of invitations is lifted, or on any day on which the Board determines that exceptional circumstances exist.

8.3.4 *Vesting and exercise*

Ordinarily, SAYE Options will become exercisable following the maturity of the SAYE Contract. SAYE Options can be exercised with the proceeds of the SAYE Contract.

However, SAYE Options may be exercised early if the participant ceases employment as a result of: death; injury; disability; redundancy; retirement; the transfer out of the Group of the company by which or business in which the participant is employed; or, provided the SAYE Option has been held for at least three years, the termination of his employment for any other reason other than where he is summarily dismissed by his employer. A participant will have six months within which to exercise his option in these circumstances, or 12 months in the event of death.

8.3.5 *Corporate events*

In the event of a change of control or a voluntary winding-up of the Company, SAYE Options may be exercised within a period of up to six months. Alternatively, SAYE Options may be exchanged (with the agreement of the acquiring company and the participant) for equivalent options over shares in the acquiring company. SAYE Options will be exchanged (or will lapse) in the event of an "internal reorganisation".

8.4 ***Common provisions of the Share Plans***

8.4.1 *Terms of LTIP Awards, DBP Awards and SAYE Options*

LTIP Awards, DBP Awards and SAYE Options may be granted over newly issued Shares, treasury Shares or Shares purchased in the market, and are not transferable (other than on death). No payment will be required for the grant of an LTIP Award, DBP Award or SAYE Option, and no such award or option will form part of pensionable earnings.

8.4.2 *Overall limits*

The Share Plans are subject to the following overall limits:

(i) In any 10 year period, the number of Shares which may be issued under the LTIP, DBP or SAYE Plan and under any other share plan adopted by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time; and

(ii) The LTIP and the DBP are subject to a further limit such that in any 10 year period, the number of Shares which may be issued under the LTIP, the DBP and under any other discretionary share plan adopted by the Company may not exceed five per cent. of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise; and

Shares issued or transferred from treasury to satisfy any awards granted prior to Admission shall not be taken into account for the purposes of these limits.

8.4.3 *Adjustments*

In the event of a variation of the Company's share capital or a rights issue or, in the case of the LTIP and DBP, a demerger, delisting, special dividend, or other event, which may, in the Board's opinion, affect the current or future value of Shares, the number of Shares subject to an LTIP Award, DBP Award or SAYE Option and the exercise price applying to any SAYE Option or CSOP Option (and/or, in respect of the LTIP, the performance condition attached to an LTIP Award), may be adjusted.

8.4.4 *Amendment and termination*

The Board may amend any of the Share Plans or the terms of any award or option granted under them at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of eligible employees or participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash comprised in an award or option and the impact of any variation of capital.

However, any minor amendment to benefit the administration of any Share Plan, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

No amendment may be made to the material disadvantage of participants in a Share Plan unless consent is sought from the affected participants and given by a majority of them.

The Share Plans will usually terminate on the tenth anniversary of Admission but the rights of existing participants will not be affected by any termination.

8.5 The Company may establish an Employee Benefit Trust to operate in conjunction with the Share Plans and any other employee share plan it adopts from time to time. Any such trust will be funded by way of loans and other contributions by the Company (or any other Group member) and will not be permitted, without prior Shareholder approval, to hold more than 5 per cent. of the issued ordinary share capital of the Company.

9. Related party transactions

Save as described in note 28 of Section B of Part XI of this Prospectus and in paragraph 12 below, there are no related party transactions between the Company or members of the Group that were entered into during FY16, FY17 and FY18 and during the period between 30 April 2018 and 12 July 2018 (being the latest practicable date prior to the publication of this Prospectus).

10. Significant subsidiaries and principal investments

10.1 The Company is the principal holding company of the Group. The principal subsidiaries of the Company (all of which are incorporated in England and Wales and either directly or indirectly wholly owned by the Company) are as follows as at 12 July 2018 (being the latest practicable date prior to the publication of this Prospectus), each of which is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the principal position and/or the profits and losses of the Group:

Name	Year of incorporation	Nature of business
The Works Investments	2014	Other retail sale in non-specialised stores
The Works Stores	2008	Other retail sale in non-specialised stores

10.2 Other than The Works Online, the Group does not currently have any other investments other than the subsidiaries and subsidiary undertakings listed above.

11. Auditors

The auditors of the Company for the period covered by the historical financial information set out in Part XI of this Prospectus have been KPMG, whose registered address is at 15 Canada Square, London E14 5GL. KPMG is a member firm of the Institute of Chartered Accountants in England and Wales.

12. Material contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of Group within the two years immediately preceding the date of this Prospectus and/or have been entered into by members of the Group and contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

12.1 *2014 Facilities*

On 25 June 2014, The Works Investments and The Works Stores entered into an agreement with Proventus Capital Partners III KB and HSBC Bank plc in their capacities as arranger and original lender, respectively, Elavon Financial Services DAC, UK Branch (previously known as Elavon Financial Services Limited) in its capacity as agent and U.S. Bank Trustees Limited in its capacity as security agent (the "**2014 Facilities Agreement**"). The 2014 Facilities Agreement was amended and restated on 24 August 2015, 15 September 2015 and 12 June 2017. Under the 2014 Facilities Agreement, the following facilities were made available to The Works Investments and The Works Stores:

(a) a term loan of up to £33.7 million made up of three tranches, being a term loan of up to £28.7 million ("**Facility A1**"); a term loan of up to £2.5 million ("**Facility A2**"); and a term loan of up to £2.5 million ("**Facility A3**"), each terminating five years following the first utilisation (together "**Facility A**"); and

(b) a revolving facility of up to £10 million which terminates four years following the first utilisation (the "**Revolving Facility**").

Under the 2014 Facilities Agreement, a Lender (as defined in the 2014 Facilities Agreement) can allocate part or the whole of its commitment under the Revolving Facility as an ancillary facility. HSBC Bank plc entered into an ancillary facility with The Works Stores on 12 July 2017 regarding the provision of a sterling net overdraft and other facilities of up to £9,850,000 (the "**Ancillary Overdraft Facility**") which will terminate upon termination of the Revolving Facility (together the "**Facilities**").

Upon the occurrence of a flotation of any member of the Group, all amounts outstanding under the 2014 Facilities Agreement will be mandatorily cancelled and together with accrued interest shall become immediately due and payable.

The 2014 Facilities Agreement is secured by an all monies debenture dated 15 July 2014 between the security agent (being the U.S. Bank Trustees Limited) and The Works Investments and The Works Stores. In addition, The Works Investments, The Works Stores, Proventus Capital Partners III KB, HSBC Bank plc, Elavon Financial Services DAC, UK Branch (previously known as Elavon Financial Services Limited) and U.S. Bank Trustees Limited are party to an intercreditor agreement dated 25 June 2014 (the "**Intercreditor Deed**") which ranks liabilities under the 2014 Facilities Agreement ahead of the liabilities related to any intra-group lending.

Both Facilities are to be replaced and repaid in full out of the net proceeds receivable by the Company pursuant to the Offer and the New Debt Facility. The security obligations will be released under a deed of release and the Intercreditor Deed terminated as part of the proposed refinancing. Summary details of the New Debt Facility are set out at paragraph 12.2 below.

12.2 *New Debt Facility*

On 15 June 2018, The Works Investments and The Works Stores entered into an agreement with HSBC Bank plc for a new debt facility (the "**New Debt Facility Agreement**"). The Company is required to accede to the New Debt Facility Agreement as a borrower and guarantor on or before the date of first utilisation of any funds under the New Debt Facility.

The New Debt Facility comprises a multicurrency revolving facility of £25 million, which terminates three years from the date of first utilisation. The availability of the New Debt Facility is conditional upon, amongst other things, Admission.

The New Debt Facility may be used for the following purposes:

(a) the general corporate and working capital purposes of the Group;

(b) the refinancing any existing financial indebtedness outstanding under the 2014 Facilities Agreement; and

(c) the payment of the costs associated with the Admission.

Drawings under the New Debt Facility bear interest at the aggregate of LIBOR or, in relation to any loan in Euro, EURIBOR plus a margin initially set at 1.75 per cent. per annum, but subject to the following ratchet:

(a) if the leverage ratio is greater than or equal to 2.00:1, the applicable margin will be 2.50 per cent. per annum;

(b) if the leverage ratio is less than or equal to 2.00:1 but greater than 1.50:1, the applicable margin will be 2.00 per cent. per annum;

(c) if the leverage ratio is less than or equal to 1.50:1 but greater than 1.00:1, the applicable margin will be 1.75 per cent. per annum; and

(d) if the leverage ratio is less than or equal to 1.00:1, the applicable margin will be 1.50 per cent. per annum.

The New Debt Facility Agreement contains customary representations and warranties.

Under the terms of the New Debt Facility Agreement, the Group may not incur financial indebtedness unless it is incurred in certain permitted circumstances, which include, but are not limited to:

(a) under any ancillary facilities issued under the New Debt Facility;

(b) foreign exchange transactions to protect against currency fluctuations;

(c) certain permitted loan transactions detailed in the New Debt Facility Agreement;

(d) the 2014 Facilities Agreement (provided that all outstanding amounts are prepaid in full and such facilities are irrevocably cancelled in full on or before the first utilisation of the New Debt Facility);

(e) any finance leases for vehicles, plant, equipment or computers (provided the aggregate capital value of all such items does not exceed £3 million at any time); and

(f) if not otherwise permitted, where the outstanding principal amount of financial indebtedness does not exceed in aggregate £4 million for the Group at any time.

The New Debt Facility Agreement also contains a negative pledge which, subject to certain exceptions, restricts each borrower or guarantor from creating or granting any security over its assets, and includes other customary affirmative, financial and negative covenants.

Such other negative covenants include, but are not limited to: limitations on mergers, changes of business, disposal of assets and certain specific acquisitions and joint ventures.

The financial covenants, which are tested quarterly on or around 31 January, 30 April, 31 July and 31 October, with the first testing date being 31 October 2018, are the following: maintaining a ratio of EBITDAR to net finance charges and rent above an agreed level and maintaining the ratio of total net debt on the last day of each relevant period to Adjusted EBITDA for such period below an agreed level.

The New Debt Facility will be required to be repaid in full if any person or group of persons acting in concert beneficially owns (directly or indirectly) issued share capital in the Company that carries the right to cast more than 30 per cent. of the votes capable of being cast at a general meeting of the Company (either before or after the date of Admission), or if the Company is delisted following Admission and HSBC Bank plc so requires repayment.

The following events, amongst others, trigger an event of default under the New Debt Facility Agreement:

(a) a cross-default on any financial indebtedness of any member of the Group equal to or above £2 million;

(b) a member of the Group is unable to or admits inability to pay its debts as they fall due; or

(c) any member of the Group ceases all or a material part of their business.

The sums owed pursuant to the New Debt Facility Agreement are to be secured by way of mortgage debenture in the bank standard form including fixed and floating charges over all of the assets and undertaking of each member of the Group.

12.3 ***Extension of the 2014 Facilities Agreement***

A waiver and extension letter dated 22 June 2018 in respect of the 2014 Facilities Agreement, from Elavon Financial Services DAC, UK Branch (acting as agent) to The Works Investments and The Works Stores which, amongst other things, extends the termination date in respect of both Facility A and the Revolving Facility to 31 August 2019 and 31 July 2019, respectively, amends the level and timescale under which the Revolving Facility is required to be reduced to specific levels in each calendar year and waives the obligation for The Works Investments to provide an annual budget to Elavon Financial Services DAC.

In order to extend the Ancillary Overdraft Facility, a further ancillary facility was provided by HSBC Bank plc to The Works Stores dated 22 June 2018 providing an agreement for the provision of a sterling net overdraft and other facilities of up to £9,850,000 in replacement of the Ancillary Overdraft Facility which will again terminate upon termination of the Revolving Facility.

12.4 ***Exchange Agreement***

On 10 July 2018, the Company and the former shareholders of The Works Investments entered into the Exchange Agreement pursuant to which the former shareholders of The Works Investments exchanged all of their shares in The Works Investments for shares in the capital of the Company. Pursuant to the Exchange Agreement, the Company became the sole shareholder of The Works Investments.

12.5 ***Placing agreement***

On 13 July 2018, the Company, the Directors, the Selling Shareholders and Investec entered into the Placing Agreement. Pursuant to the Placing Agreement:

(a) Investec has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Subscription Shares and purchasers for the Sale Shares, in each case, at the Offer Price;

(b) Investec has agreed to underwrite the offer of the Subscription Shares by the Company;

(c) the Selling Shareholders have agreed, subject to certain conditions, to sell their Sale Shares at the Offer Price;

(d) the Company has agreed that Investec may deduct from the proceeds of the Offer payable to the Company a commission of 2 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Subscription Shares to be issued by the Company pursuant to the Offer plus a discretionary commission of up to 1 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Subscription Shares to be issued by the Company pursuant to the Offer;

(e) each Selling Shareholder has agreed that Investec may deduct from the proceeds of the Offer payable to such Selling Shareholder a commission of 2 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Sale Shares to be sold by the relevant Selling Shareholder pursuant to the Offer plus a discretionary commission of up to 1 per cent. of the amount equal to the Offer Price multiplied by the aggregate number of Sale Shares to be sold by the relevant Selling Shareholder pursuant to the Offer;

(f) the obligations of Investec to use its reasonable endeavours to procure subscribers and purchasers at the Offer Price for the Offer Shares are subject to certain conditions. These conditions include, among other things, the absence of any breach of warranty under the Placing Agreement and Admission occurring at or before 8.00 a.m. on 19 July 2018 (or such later time and/or date as Investec and the Company may agree in writing, being not later than 8.30 a.m. on 2 August 2018).

(g) Investec has the right to terminate the Placing Agreement, exercisable in certain customary circumstances, prior to Admission (such circumstances including (amongst others) for material breach of the Placing Agreement and where a condition of the Placing Agreement has not been satisfied);

(h) each of the Company, the Directors and the Selling Shareholders have given certain warranties and undertakings, subject to customary exceptions, to Investec;

(i) the Company has given an indemnity to Investec;

(j) the Company has agreed to pay or cause to be paid (together with any related VAT) a fee of £250,000 to Investec (conditional on Admission) as well as certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the Offer and/or Admission; and

(k) the Company has appointed Investec as its sole sponsor (subject to and in accordance with the terms of the Placing Agreement).

12.6 ***Lock-in Deeds***

(a) On 13 July 2018, the Principal Selling Shareholders, Investec and the Company entered into a lock-in deed pursuant to which each Principal Selling Shareholder has agreed to the following lock-up arrangements:

(i) for a six month lock-up period from the date of the Placing Agreement, each Principal Selling Shareholder has agreed that, subject to certain customary exceptions, it will not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by it immediately after Admission (or any Shares which may accrue to it as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing; and

(ii) for a further six months after the initial lock-up period ends, each Principal Selling Shareholder has undertaken that, subject to certain customary exceptions, it will not directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by it immediately after Admission (or any Shares which may accrue to it as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing otherwise than through Investec (subject to certain customary exceptions).

(b) On 13 July 2018, the Selling Shareholders (other than the Principal Selling Shareholders), Investec and the Company entered into a lock-in deed pursuant to which each such Selling Shareholder has agreed to the following lock-up arrangements:

(i) for a 12 month lock-up period from the date of the Placing Agreement, each such Selling Shareholder has agreed that, subject to certain customary exceptions, he or she will not (and shall procure that none of his or her connected persons shall) directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by him or her immediately after Admission (or any Shares which may accrue to him or her as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing; and

(ii) for a further 12 months after the initial lock-up period ends, each such Selling Shareholder has undertaken that, subject to certain customary exceptions, he or she will not (and shall procure that none of his or her connected persons shall) directly or indirectly transfer the legal and/or beneficial ownership (or any interest therein or in respect thereof) of any Shares held by him or her immediately after Admission (or any Shares which may accrue to him or her as a result of such holding) or enter into any transaction with the same economic effect as any of the foregoing, otherwise than through Investec (subject to certain customary exceptions).

12.7 ***Broker agreement***

On 13 July 2018, the Company and Investec entered into a broker agreement under which the Company appointed Investec to act as the Company's broker (the "**Broker Agreement**").

The Broker Agreement, which is to be effective from the date of Admission, provides for the Company to pay Investec an annual fee of £75,000 and can be terminated by either party on one month's written notice. The Broker Agreement also contains an indemnity from the Company in favour of Investec, such indemnity being in a form which is customary for an agreement of this kind.

13. Litigation

There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

14. Intellectual property

For summary details in respect of the Group's intellectual property, please refer to paragraph 9 of Part VII of this Prospectus.

15. Property/facilities

In addition to the Group's head office and central distribution and warehousing centre at Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL, as at the date of the Prospectus, the Group occupies a further 448 properties in the United Kingdom, 398 of which are leasehold and 50 of which are occupied under concessions, and also occupies a further 9 leasehold properties in the RoI.

16. Environmental issues

As far as the Directors are aware, other than as disclosed in Part II of this Prospectus (being the ongoing correspondence with the Environment Agency regarding the Group's failure to register under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007), there are no material environmental issues that may affect the Group or the Group's utilisation of its tangible fixed assets.

17. Working capital

The Company is of the opinion that, taking into account the bank facilities available to the Group and the net proceeds of the Offer receivable by the Company (which have been underwritten by Investec), the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months from the date of this Prospectus.

18. No significant change

There has been no significant change in the financial or trading position of the Operating Group since 29 April 2018, the date to which the last audited consolidated financial information of the Operating Group was prepared.

19. Disclosure Guidance and Transparency Rules

From Admission and for so long as the Company has any of its share capital admitted to trading on the main market of the London Stock Exchange, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure Guidance and Transparency Rules.

Under the Disclosure Guidance and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which it holds (directly or indirectly) reaches, exceeds or falls below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.

20. Mandatory bids, squeeze out and sell out rules relating to the Shares

Other than as provided by the Takeover Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Shares.

"Interests in shares" is defined broadly in the Takeover Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons "acting in concert" (and "concert parties") comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the Takeover Code to be acting in concert with each other unless the contrary is established.

20.1 *Mandatory bid*

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if an acquisition of shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Takeover Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights in the Company.

20.2 *Squeeze out*

Under the Companies Act, if an offeror were to acquire 90 per cent. of the shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act would in general be the same as the consideration that was available under the takeover offer.

20.3 *Sell out*

The Companies Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of the shareholder's right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

20.4 ***Rule 9 disclosures***

Under the Takeover Code, shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies (such as the Company) will generally be presumed to be acting in concert with each other.

On the basis of information provided to the Takeover Panel by the Company, the Takeover Panel has agreed that, notwithstanding such presumption, the Principal Selling Shareholders (or either of them) on the one hand, and the Selling Shareholders (or any of them), on the other hand, will not be presumed to be acting in concert with each other. However, the Takeover Panel has ruled that each of Dean Hoyle, Janet Hoyle, Joanne Barraclough and Kevin Keaney are to be treated as acting in concert with each other.

20.5 ***Company redeeming or purchasing its own shares***

When a company redeems or purchases its own voting shares, under Rule 37 of the Takeover Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code. Rule 37 of the Takeover Code provides that, subject to prior consultation, the Takeover Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the Takeover Code is followed. Appendix 1 to the Takeover Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the Takeover Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company's purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, concert parties with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are concert parties solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders' authority for any such purchase.

Under Note 2 on Rule 37 of the Takeover Code, the exception in Note 1 on Rule 37 described above will not apply, and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when they had reason to believe that such a purchase of its own shares by the company would take place. Note 2 will not normally be relevant unless the relevant person knows that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

20.6 ***Other disclosures relating to Shareholders***

The Company is not aware of any persons who, as at the date of this Prospectus and immediately following Admission, directly or indirectly, jointly or severally, will exercise or could exercise operational control over the business of Company.

As of Admission, the Shares will be the only class of share capital of the Company. All Shareholders will have equal voting rights and none of the Existing Shareholders will have different voting rights.

21. General

21.1 The expenses relating to the Admission and Offer, including the UK Listing Authority listing fee, professional fees and expenses and the costs of publication and distribution of documents are estimated to amount to £3.7 million (excluding VAT) and are payable by the Company. The Selling Shareholders have agreed to pay their expenses in connection with the Offer, including Investec's commissions, which are approximately £1.3 million, as well as any stamp duty or SDRT chargeable on the sale of their Sale Shares.

21.2 Investec has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its name and references to it in the form and context in which they appear.

21.3 Pragma has given and has not withdrawn its written consent to the inclusion in this Prospectus of its name and references to the Pragma Report and the inclusion of information therefrom in Part II, Part III and Part VII of this Prospectus in the form and context in which they are included.

21.4 CACI has given and has not withdrawn its written consent to the inclusion in this Prospectus of its name and references to the CACI Report and the inclusion of information therefrom in Part VII of this Prospectus in the form and context in which they are included and has authorised the inclusion of its name and such references and information for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules. CACI accepts responsibility for the information from the CACI Report included in this document.

21.5 KPMG has given and has not withdrawn its written consent to the inclusion of the report in Section A of Part XI of this Prospectus and the report in Section B of Part XII of this Prospectus, in the form and context in which they each appear and has authorised the contents of those reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

21.6 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Companies Act.

21.7 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

21.8 The Company confirms that where information in this Prospectus has been sourced from a third-party, the source of such information has been provided, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading as at the date of this Prospectus.

22. Documents available for inspection

Copies of the following documents are available for inspection at the offices of Walker Morris LLP at Kings Court, 12 King Street, Leeds LS1 2HL, the offices of Investec at 30 Gresham Street, London EC2V 7QP and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and English public holidays excepted) for a period of 12 months following Admission:

22.1 the Articles;

22.2 the written consents referred to in paragraphs 21.2, 21.3, 21.4 and 21.5 above;

22.3 the reports from KPMG set out in Part XI and Part XII of this Prospectus; and

22.4 this Prospectus.

In addition, copies of this Prospectus are available on the Company's website www.theworks.co.uk, or through the National Storage Mechanism (NSM) website located at www.morningstar.co.uk/uk/nsm.

Dated: 13 July 2018.

PART XVI

DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires or unless defined in Part XI or Part XII of this Prospectus, for the purposes of those parts (or either of them, as the case may be) only:

"**2010 PD Amending Directive**"	EU Directive 2010/73/EU, as amended from time to time
"**2014 Facilities Agreement**"	has the meaning given in paragraph 12.1 of Part XV of this Prospectus
"**Admission**"	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"**AGM**"	annual general meeting
"**Articles**" or "**Articles of Association**"	the articles of association of the Company adopted (conditional on Admission) on 12 July 2018, a summary of which is set out in paragraph 5 of Part XV of this Prospectus
"**Audit Committee**"	the audit committee of the Company, as constituted from time to time
"**Auditors**"	KPMG, being the Company's auditors
"**Board**" or "**Directors**"	the board of directors of the Company as at the date of this Prospectus
"**Business Days**"	a day (other than a Saturday, Sunday or a public holiday in England) on which banks in the City of London are generally open for business
"**CACI**"	CACI Limited, a private limited company incorporated in England and Wales with registered number 01649776
"**CACI Report**"	the report prepared by CACI as part of a programme of strategic support for The Works Investments and its business in connection with Admission, dated 4 May 2018
"**certificated**" or "**certificated form**"	recorded on the relevant register of the share or security concerned as being held in certificated form in physical paper (that is, not in CREST)
"**Companies Act**"	the Companies Act 2006, as amended from time to time
"**Company**" or "**Issuer**" or "**TheWorks.co.uk**"	TheWorks.co.uk plc, a public limited company incorporated in England and Wales with registered number 11325534
	"**CREST**" the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland is the operator
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended from time to time
"**Criminal Justice Act**"	the Criminal Justice Act 1993, as amended from time to time
"**DBP**"	TheWorks.co.uk 2018 Deferred Bonus Plan, the principal terms of which are summarised in paragraph 8.2 of Part XV of this Prospectus.

"**Disclosure Guidance and Transparency Rules**"	the disclosure guidance and transparency rules of the FCA made under sections 73A(3) and 73A(6) of FSMA, as amended from time to time
"**Endless**"	Endless LLP, a limited liability partnership incorporated in England and Wales with registered number OC316569
"**Enlarged Share Capital**"	the Shares in issue immediately following the Placing and Admission, comprising the Existing Ordinary Shares and the Subscription Shares
"**EU**"	the European Union
"**Euroclear UK & Ireland**"	Euroclear UK & Ireland Limited, a private limited company incorporated in England and Wales with registered number 2878738 and the operator of CREST
"**Exchange Agreement**"	the agreement dated 10 July 2018 between the Company and the former shareholders of The Works Investments, further details of which are set out in paragraph 3 of Part XV of this Prospectus
"**Executive Directors**"	the executive Directors, being Kevin Keaney and Gavin Peck
"**Existing Ordinary Shares**"	the Shares in issue immediately prior to the allotment and sale of the Offer Shares
"**Existing Shareholders**"	the holders of the Shares in issue immediately prior to the allotment and sale of the Offer Shares
"**Far East**"	Eastern Asia, in particular, China
"**FCA**"	the UK Financial Conduct Authority
"**FSMA**"	the Financial Services and Markets Act 2000, as amended from time to time
"**FY16**"	the financial period ended 1 May 2016
"**FY17**"	the financial period ended 30 April 2017
"**FY18**"	the financial period ended 29 April 2018
"**FY19**"	the financial period ending 28 April 2019
"**FY21**"	the financial period ending 25 April 2021
"**Group**"	the Company and its consolidated subsidiaries and subsidiary undertakings from time to time and "**Group Company**" refers to any one of these
"**Historical Financial Information**"	financial information for the Operating Group for FY16, FY17 and FY18 as set out in Section B of Part XI of this Prospectus
"**Historical Period**"	the period from 26 April 2015 until 29 April 2018
"**HMRC**"	HM Revenue and Customs
"**IASB**"	the International Accounting Standards Board
"**IFRS**"	the International Financial Reporting Standards, as adopted by the EU
"**Investec**"	Investec Bank plc, a public limited company incorporated in England and Wales with registered number 00489604
"**ISIN**"	International Securities Identification Number

"**KPMG**"	KPMG LLP, a limited liability partnership incorporated in England and Wales with registered number OC301540
"**LEI**"	legal entity identifier
"**Listing Rules**"	the listing rules of the FCA made under section 74(4) of FSMA, as amended from time to time
"**London Stock Exchange**"	London Stock Exchange plc, a public limited company incorporated in England and Wales with registered number 02075721
"**LTIP**"	TheWorks.co.uk 2018 Long Term Incentive Plan, the principal terms of which are summarised in paragraph 8.1 of Part XV of this Prospectus
"**Management**"	each of the Directors and Senior Managers
"**Market Abuse Regulation**"	the Market Abuse Regulation (EU) 596/2014, as amended from time to time
"**Member States**"	member states of the EU
"**New Debt Facility Agreement**"	the facility agreement dated 15 June 2018 entered into between The Works Investments, The Works Stores and HSBC Bank plc
"**New Debt Facility**"	the revolving credit facility of £25 million made available to The Works Investments, The Works Stores and the Company (following its accession to the facility as described in paragraphs 12.1 and 12.2 of Part XV of this Prospectus) pursuant to the New Debt Facility Agreement
"**Nomination Committee**"	the nomination committee of the Board, as constituted from time to time
"**Non-Executive Directors**"	the non-executive Directors being Dean Hoyle, Harry Morley and Catherine Glickman
"**Offer**" or "**Offering**"	the offer of the Offer Shares by the Company and the Selling Shareholders, as the case may be, to certain institutional and professional investors in the United Kingdom and elsewhere in offshore transactions outside the United States as defined in and made in reliance on, Regulation S, as described in Part XIII of this Prospectus
"**Offer Price**"	160 pence, being the price at which each Offer Share is to be allotted/sold under the Offer
"**Offer Shares**"	together, the Subscription Shares and the Sale Shares
"**Offeree**"	each investor who applies to subscribe for and/or purchase Offer Shares under the Offer
"**Official List**"	the Official List of the FCA
"**Operating Group**"	The Works Investments Limited and its subsidiaries
"**Overseas Shareholder**"	Shareholders with registered addresses outside the United Kingdom
"**Placees**"	the subscribers for Subscription Shares and purchasers of Sale Shares pursuant to the Offer
"**Placing Agreement**"	the sponsor and placing agreement dated 13 July 2018 entered into between the Company, the Directors, the Selling Shareholders and Investec, further details of which are set out in paragraph 12.5 of Part XV of this Prospectus

"**Post Reporting Period**"	the period from and including 30 April 2018 to 12 July 2018 (being the latest practicable date prior to the publication of this Prospectus)
"**PRA**"	the Prudential Regulation Authority
"**Pragma**"	Pragma Consulting Limited, a private limited company incorporated in England and Wales with registered number 02184185
"**Pragma Report**"	the report prepared by Pragma as part of a programme of strategic support for The Works Investments and its business in connection with Admission, dated 24 April 2018
"**Principal Selling Shareholders**"	Endless Fund II A and Endless Fund II B
"**Prospectus**" or "**Document**"	this prospectus dated 13 July 2018
"**Prospectus Directive**"	EU Prospectus Directive (2003/71/EC), as amended from time to time, including by the 2010 PD Amending Directive
"**Prospectus Directive Regulation**"	regulation number 809/2004 of the European Commission, as amended from time to time
"**Prospectus Rules**"	the prospectus rules of the FCA made under section 73A of FSMA, as amended from time to time
"**Registrar**"	Equiniti Limited, a private limited company incorporated in England and Wales with registered number 06226088
"**Regulation S**"	Regulation S under the Securities Act
"**Relevant Member State**"	each member state of the EEA which has implemented the Prospectus Directive
"**Remuneration Committee**"	the remuneration committee of the Board, as constituted from time to time
"**Reorganisation**"	the Group reorganisation described in paragraph 3 of Part XV of this Prospectus
"**RoI**"	Republic of Ireland
"**Restricted Jurisdiction**"	means Australia, Canada, Japan, New Zealand, the Republic of South Africa, and the United States
"**RPI**"	retail price index
"**Sale Shares**"	the 22,953,648 Existing Ordinary Shares (in aggregate) being offered for sale by the Selling Shareholders pursuant to the Offer as described in Part XIII of this Prospectus
"**SAYE Plan**"	TheWorks.co.uk 2018 Save As You Earn Plan, the principal terms of which are summarised in paragraph 8.3 of Part XV of this Prospectus
"**SDRT**"	stamp duty reserve tax
"**SEC**"	the US Securities and Exchange Commission
"**Securities Act**"	the US Securities Act of 1933, as amended from time to time
"**SEDOL**"	the London Stock Exchange Daily Official List
"**Selling Shareholders**"	the Shareholders who intend to sell Sale Shares pursuant to the Offer
"**Senior Managers**" or "**Senior Management**"	those persons who are set out as senior managers at paragraph 1.2 of Part VIII of this Prospectus

"**Share Plans**"	the LTIP, the DBP and the SAYE Plan
"**Shareholders**"	the holders of the Shares in the capital of the Company from time to time
"**Shares**"	the ordinary shares of 1 pence each in the capital of the Company
"**Statutes**"	every statute (including any statutory instrument, order, regulation or subordinate legislation made under it) concerning companies that are incorporated in England and Wales to the extent that it is for the time being in force or (where the context requires) was in force at a particular time, including the Companies Act, the Insolvency Act 1986 and the CREST Regulations
"**Subscription Shares**"	the 17,812,517 new Shares being offered for subscription by the Company pursuant to the Offer as described in Part XIII of this Prospectus
"**Takeover Code**"	the UK City Code on Takeovers and Mergers
"**Takeover Panel**"	the UK Panel on Takeovers and Mergers
"**The Works**"	the Company and, as the context may require, the Operating Group
"**The Works Investments**"	The Works Investments Limited, a private limited company incorporated in England and Wales with registered number 09073458
"**The Works Online**"	The Works Online Limited, a private limited company incorporated in England and Wales with registered number 08040244
"**The Works Stores**"	The Works Stores Limited, a private limited company incorporated in England and Wales with registered number 06557400
"**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Corporate Governance Code**"	the UK Corporate Governance Code dated September 2014 issued by the Financial Reporting Council
"**UK Listing Authority**" or "**UKLA**"	the FCA acting in its capacity as the competent authority for the purposes of admissions to the Official List
"**uncertificated**" or "**uncertificated form**"	recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"**United States**", "**US**" or "**USA**"	the United States of America, its territories and possessions, or any State of the United States of America and the District of Columbia
"**US Persons**"	"US Persons" as defined in Regulation S
"**VAT**"	value added tax

PART XVII

GLOSSARY

“**Adjusted EBITDA**”	earnings before net finance expense, taxation, depreciation and amortisation, loss on disposal of property, plant and equipment and exceptional costs
“**AOV**”	average order value (that is, average value per transaction)
“**Cash Conversion**”	Underlying EBITDA less strategic/one-off capital expenditure and working capital movements divided by Underlying EBITDA
“**Cash Generation**”	EBITDA less change in net working capital
“**Cash margin**”	sales less cost of product (including duty and freight)
“**CAGR**”	compound annual growth rate
“**EBITDA**”	earnings before interest, tax, depreciation and amortisation
“**EBITDA margin**”	EBITDA as a percent of net sales
“**GDP**”	gross domestic product
“**LFL**”	like for like
“**Mega Trends**”	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 business (and where revenue and/or EBITDA is attributable to Mega Trends it is only for the period during which the relevant trend was a Mega Trend)
“**net sales**”	gross sales net of VAT
“**operating profit margin**”	operating profit divided by net sales
“**PCI**”	Payment Card Industry
“**SKU**”	stock keeping unit
“**store contribution**”	EBITDA before head office and central costs
“**Underlying EBITDA**”	EBITDA excluding the impact of Mega Trends and other one-off adjustments
“**Underlying LFL sales**”	LFL sales excluding the impact of Mega Trends
“**Underlying Revenue**”	revenue excluding the impact of Mega Trends