22 January 2021

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

Interim results for the 26 weeks ended 25 October 2020

Robust financial performance against backdrop of COVID-19 pandemic

TheWorks.co.uk plc, the multi-channel value retailer of gifts, arts, crafts, toys, books and stationery, announces its interim results for the 26 weeks ended 25 October 2020 (the "Period" or "H1 FY21") and an update on current trading.

Financial highlights

- Group revenue was impacted by the enforced temporary closure of the Group's retail stores for the first 7 weeks of the Period, resulting in a 7.8 per cent. decline on H1 FY20.
- LFL(1) sales increased 10.6 per cent. for the 19 weeks ended 25 October 2020, significantly ahead of the Board's expectations; this excludes the 7 week period when stores were closed.
- Store LFL sales were broadly level with last year, with online sales approximately double last year's over the 19 week period.
- Pre IFRS 16 adjusted EBITDA was £1.5m compared with a loss of £3.9m during H1 FY20.
- Reported loss before tax for the period of £4.3m (H1 FY20: loss of £8.5m).
- The Group's strong financial position helps mitigate against the effect of future lockdown restrictions. Much improved year on year liquidity with net cash at Period end (excluding leases) of £11.3m(4) (H1 FY20 net bank borrowings of £14.1m).

	H1 FY21 **£m**	**H1 FY20** **Restated(2)** **£m**
Revenue	£88.9m	£96.4m
Revenue (decline)/growth	(7.8%)(5)	5.4%
LFL sales growth(1)	10.6%	(3.6%)
Pre IFRS 16 adjusted(3) EBITDA	£1.5m	(£3.9m)
Reported loss before tax	(£4.3m)	(£8.5m)
Adjusted(3) loss before tax	(£4.1m)	(£7.8m)
Reported basic loss per share (pence)	(5.2)	(10.3)
Adjusted(3) basic loss per share (pence)	(5.0)	(9.3)
Pre IFRS 16 net cash at bank/(bank debt)	£11.3m	(£14.1m)
IFRS 16 impact on profit before tax	(£1.0m)	(£0.3m)
Adjusting items before tax excluded from Adjusted2 results	(£0.2m)	(£0.7m)

Operational highlights

- When open, stores delivered LFL sales growth reflecting the ongoing appeal and relevance of our proposition to a broad range of customers, particularly during periods of social distancing restrictions. For example, we collated art, craft, jigsaws and books under a "Beat The Boredom" offer.
- Accelerated development of our online proposition, including launching a new web platform, significantly increasing fulfilment capacity and step-changing online profitability by reducing promotional activity, lowering marketing spend and driving efficiencies in our fulfilment operations.
- Continued our active store portfolio management strategy, closing a net 4 stores (2 new openings, 2 relocations and 6 closures) alongside delivering a further reduction in existing store rents, whilst retaining flexibility (just over 2 years on average to next lease exit or break).

- Continued focus on cost control, with savings being realised through driving store and supply chain efficiencies, lower store property costs and lower discretionary spend.
- Utilised Government COVID-19 support schemes (including business rates relief and Job Retention Scheme) to help reduce the net impact of COVID-19 on the business.

Trading update for the 11 weeks ended Sunday 10 January 2021

Sales during the 11 weeks since the end of H1 FY21 have been impacted by a further series of restrictions on trading(6) imposed by the Government as part of its response to the COVID-19 pandemic.

As a result of these closures, total sales declined by 24.8 per cent. for the 11 weeks compared to the corresponding period in H2 FY20. During the same period and, taking into account sales from stores that were open and online sales, the business delivered 23.8 per cent. like-for-like growth, with both stores and online showing positive growth.

Online sales remained strong throughout and were approximately 70 per cent. higher than the previous year. We believe that this performance represents a successful balance between increasing capacity to meet significantly higher demand than originally envisaged, whilst managing the additional costs.

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

"Our interim results and trading over the crucial Christmas period reflect a robust performance given the impact of store closures as a result of Government restrictions. When open, our stores have performed well and our online proposition has continued to resonate strongly, supported by the investment we made to increase online capacity. Our ability to continue to safely serve our customers and communities through these unsettling periods is thanks to the ongoing commitment and hard work of fantastic colleagues across the business, something I am incredibly proud of.

"With our stores temporarily closed, we are, once again, focussed on maximising sales through our online operations and carefully controlling costs whilst ensuring that we are able to reopen safely when restrictions allow. We are in a strong financial position to face the current challenges and we remain confident in the medium-term growth potential of the business, particularly given the evident ongoing relevance of our proposition."

Interim results presentation

A presentation for analysts will be held today at 9.30am via video conference call. If you would like to attend, please contact theworks@teneo.com. A copy of the presentation will shortly be made available on the Company's website (www.theworksplc.co.uk/investors).

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Footnotes:

[1] LFL sales are defined as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks (but excluding sales from stores closed for all or part of the relevant period or prior year comparable period), and from the Company's online store, calculated on a calendar week basis. LFL sales for H1 FY21 are for the 19 weeks ended 25 October 2020 (the period following the reopening of stores which were closed from March to mid-June 2020 due to the COVID-19 restrictions on trading).

[2] As a result of the COVID-19 pandemic and consequential UK Government restrictions on trading, the Group classified impairment charges as adjusting items for the first time in its FY20 Annual Report and Accounts. To be consistent, the FY20 interim results have been restated on a comparative basis.

The restatement of the prior year has no impact on the prior year's statutory measures of reported profit or on the Group's cash flows or financial position for the 26 weeks ended 27 October 2019. The prior year's adjusted profit measures have increased by £0.3m, being the net store impairment charge for that period.

[3] Adjusted profit figures exclude Adjusting items. See note 1 (c) and note 6 of the attached condensed unaudited financial statements for further details.

(4) This figure is higher than the £8.4m included in the trading update of 5 November 2020, which represented the cleared funds on the final banking day of the Period and therefore excluded the accrued takings from the final two days of the Period, less any uncleared payments.

(5) Please refer to the Revenue section for a reconciliation between the statutory revenue figures included in the condensed unaudited financial statements and the sales figures including VAT which are used as the basis for reporting non-statutory sales metrics. On a non-statutory basis, the sales decline for the period was 7.1 per cent..

(6) The restrictions on trading affected different parts of the country at different times, including the temporary closure of approximately 85 per cent. of the Group's retail stores during November and early December followed by approximately three weeks when most stores were permitted to trade, then a further period of temporary store closures beginning with the closure of 27 per cent. of the stores on Sunday 20 December. Progressively more stores were affected such that by 31 December, 82 per cent. of stores were temporarily closed. The remaining stores were required to close as the country re-entered full lockdown on 5 January 2021.

Notes for editors:

TheWorks.co.uk plc is one of the UK's leading multi-channel value retailers of gifts, arts & crafts, stationery, toys and books, offering customers a differentiated proposition as a value alternative to full price specialist retailers.

The Group operates a network of 532 stores in the UK & Ireland with a variety of location types including traditional high-streets, retail parks, shopping centres, factory outlets and concessions. The Works also has a significant and growing online presence that complements the store offer and enables customers to shop any time of the day, and from an extended range of products not always available in stores.

Cautionary statement

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

Chief Executive's report

The first half of the financial year has clearly been challenging for The Works, as it has for the wider retail sector, given the ongoing impact of COVID-19 and the Government's restrictions on trading. However, our proposition has been shown to be more relevant than ever, as demonstrated by our performance outside of enforced temporary store closures. That, along with the many exciting opportunities we see ahead of us, means we remain as confident as ever in our ability to deliver medium-term growth and value for all of our stakeholders once the trading environment normalises.

Overview

Our trading performance in the first half was impacted by the enforced temporary closure of our stores for the first 7 weeks of the Period, resulting in total revenue for the Period being down 7.8 per cent. on the previous year. However, excluding those first 7 weeks of enforced temporary closures, overall LFL sales increased by 10.6 per cent. (in the 19 weeks ended Sunday 25 October 2020), demonstrating the strong customer demand for our products. This performance reflected broadly flat store LFL sales, with average transaction values significantly higher than last year, offsetting a reduction in the number of transactions due to lower retail footfall, and a strong online performance, with sales approximately double last year's.

Despite the lower sales in the Period we were able to deliver an improved profit performance, including a positive H1 FY21 EBITDA, with an Adjusted loss before tax of £4.1m versus a loss of £7.8m in the previous year (the first half is typically loss-making given the seasonal nature of our business, with the key Christmas trading period occurring in the second half of the year). This improved profit performance reflects our focus on improving product margins and tight cost control, supported by utilisation of the available Government support schemes (including business rates relief and the Coronavirus Job Retention Scheme).

Strategy

At the start of 2020, we announced a refocus of our four pillar growth strategy, reducing the number of store openings with a view to driving improved performance in our existing store estate and increasing our focus on cost control whilst continuing to develop our digital channel. This action was important to ensure that the business was well-placed to deliver profitable growth in the medium term. This refocus meant that, when the COVID-19 pandemic emerged, many of the actions required to respond to its impact were already underway. As such, and towards the end of the previous financial year, we had already started to accelerate the development of our online proposition and capacity, increased our focus on cost control and halted the new store rollout programme completely (for all but a very small number of landlord-funded new store openings). We continued with that strategy during the Period and an update on each pillar of our strategy is set out below:

1. Store Estate

Whilst we continue to believe in the opportunity to make our unique proposition accessible to more communities across the UK and Republic of Ireland, we have effectively halted our new store opening programme. We continue to look at selective new store openings as part of an active portfolio management approach (e.g. taking the opportunity to relocate to a better location in the same town or to save property costs) and are focussing new store openings on sites on our priority target list where the landlord is willing to fund our upfront capital expenditure. The retail property market remains in our favour and will likely continue to do so in the medium-term.

We opened two new stores during the Period and a further two after the Period ended but prior to peak trading. These new stores have traded well and delivered payback ahead of previous rates (outside of lockdown periods) demonstrating the strong returns that remain possible from new store openings.

We also closed six loss-making stores and relocated a further two stores in the Period as part of our active portfolio management strategy. This resulted in a net four store closures during the period and an estate of 530 stores at the Period end (532 stores as at the date of this report).

Whilst we will continue to invest in accelerating our digital business, as noted below, we will remain a predominantly store-based retailer for the foreseeable future and continue to believe that our proposition will perform well in retail locations across the UK and Republic of Ireland post COVID-19. However, we are conscious that retail footfall may be significantly depressed for some time, and may never recover to previous levels in certain locations and, as such, we continue to retain flexibility within our existing portfolio with the average term to the next break or exit point of just over 2 years. This means that we can continue to lower rents, or exit locations, where lower retail footfall means stores are no longer profitable.

2. LFL sales growth

Our unique proposition continues to offer customers the experience of discovery, driven by a constantly evolving product range and seasonal offerings complementing our core everyday ranges. The element of “discovery” as well as good availability of our “core” lines continues to encourage regular, repeat customer visits.

An ongoing focus on improving our proposition means The Works has a good track-record of delivering LFL sales growth, both in stores and online. As noted above, outside periods of enforced temporary closures and despite significantly subdued retail footfall throughout the Period, we once again delivered positive LFL sales growth in stores. Alongside the very strong growth delivered online, this demonstrates the ongoing appeal and relevance of our proposition to a broad range of customers, particularly in the current environment.

During the Period, we saw strong demand for products that helped our customers to “Beat the Boredom” of lockdowns, provided support with home schooling and for their mental health and wellbeing during lockdowns and the subsequent periods of social distancing. This resulted in strong sales across our core art and craft ranges (supported by further rollout of our improved merchandising of these ranges), across a number of our book categories and in other activity-led product categories such as jigsaws. We also saw robust performance across our two key seasons – Summer “Out2Play” and “Back to School” – as well as strong early sales of our Christmas ranges towards the end of the Period driven partly by customers bringing forward their Christmas purchases. We also increased our focus on front-list book titles as we look to further enhance our book credentials and grow our book market share.

Looking ahead, in the short-term our ability to drive sales growth through our existing store estate will clearly be impacted by the level of restrictions in place as part of the Government’s response to managing the COVID-19 pandemic. However, we remain confident in our ability to drive LFL store sales growth when our stores are able to trade, and in the medium-term, through:

1) Further refinement of our proposition (supported by better customer insight and analysis).
2) Continued development of our approach to space management and merchandising.
3) Improved stock management processes, including improved stock replenishment/allocations and better availability of core lines.
4) An increased focus on improving our existing stores.

We also believe that we are well-positioned to drive further online sales growth as noted below.

3. Multi-channel proposition development

Our multi-channel offering remains one of our key differentiators in the value retail sector, with our digital channel providing customers with an extended range of products and flexibility in the way they shop.

Prior to the onset of COVID-19, online sales represented around 10 per cent. of total sales, growing at double-digit rates in recent years. The short-term impact of COVID-19, particularly the enforced lockdowns and social distancing measures put in place, has clearly driven many customers to have to shop online, a trend we expect to continue post COVID-19. As such, towards the end of the previous financial year, and during the Period, we worked with our fulfilment partners to accelerate our plans to increase online capacity. Outside of peak trading, and during the Period, we were able to increase capacity to support sales levels in excess of 4 times the same period last year. Our ability to scale up to those levels for peak trading was limited, with capacity capped at around 70 per cent. higher than the previous year. We expect online sales to be materially higher than their pre-COVID-19 levels post the pandemic and are working with our fulfilment partners to increase capacity accordingly, particularly for peak trading in the run up to Christmas 2021.

During the Period we successfully launched our new web platform, which provides enhanced functionality and an improved customer experience which will help to drive future revenue growth. We also continued to deliver a step-change in online profitability driven by a range of factors including: 1) reduced promotional offers and marketing spend; 2) continued focus on driving higher average order values and average product prices to help lower the fulfilment cost ratio; and, 3) continuing to work closely with our third party warehousing and fulfilment partner to drive improved fulfilment productivities. We continued to focus on developing our online range expansions and will continue to do so in the medium-term.

Our new web platform, increased capacity and step-change in online profitability have put the building blocks in place to drive further digital growth with confidence. As such, and with the expectation that digital growth will become an increasingly important part of our future growth, we will continue to invest in our online and multi-channel capabilities to drive growth in the medium-term. These investments will include: 1) continued web development to improve the customer experience; 2) investing in a new email service platform to help better target our customers with more relevant email content; and, 3) investing in in-store technology to enable access to our expanded range and online ordering through terminals in-store (enabled through our in-store Wi-Fi investment made during calendar year 2020).

4. Product margin and cost control

As a value retailer The Works has always kept a close control of costs, striving to provide customers with great value products, whilst also delivering returns for shareholders.

During the Period, and in light of the impact of COVID-19, we have redoubled our efforts to unlock cost savings through the business, driving efficiencies through our store labour model (e.g. by reducing the number of tasks carried out in store), limiting discretionary spend, reducing administration costs and delivering savings in distribution costs. We have also continued to deliver significant savings in property costs through reducing store rents, with these savings accelerating as a result of our discussions with landlords during periods of enforced temporary closures during the year. Property costs were further reduced during the Period by the Government's business rates relief. We also took the tough decision at the end of the previous financial year to cancel all pay reviews outside of national minimum and national living wage rises and utilised the Government Coronavirus Job Retention Scheme, particularly during the period of enforced store closures, to protect jobs and reduce salary costs. These savings were partially offset by the incremental costs associated with ensuring that our stores, distribution centres and support centre are COVID-secure, in line with Government guidelines.

We have continued to drive underlying improvements in our product margins, in particular through better sourcing from the far east and a more targeted and controlled approach to discounts and promotions, both in stores and online.

Looking forward, we continue to believe there are further opportunities to improve product margins and drive cost savings, in particular through supply chain and store efficiencies as well as further reducing our store property costs (with an average of over 100 lease expiry or break events per annum). Whilst we will continue to carefully control central costs, selective investments will be made to support our longer-term growth plans, particularly within our supply chain and IT functions.

Outlook

In light of the recent Government announcements, significant uncertainties remain in the near-term. We have taken action, informed by learnings from previous lockdowns and supported by our strong liquidity position, to ensure that we can withstand these further short-term challenges and take advantage of the opportunities they present.

In the meantime, we continue to focus on our four pillar strategy, in particular accessing the opportunities within our supply chain and driving retail efficiencies, continuing to invest in our digital business, carefully managing costs and retaining flexibility in our store property portfolio to ensure we can remain agile as the retail landscape evolves. Whilst the latest lockdowns will clearly have an adverse impact on the outturn for the current financial year, given the relevance of our proposition, we remain optimistic about our prospects once restrictions are lifted and our ability to drive medium-term growth and returns for all stakeholders.

Financial Report

Overview and update on COVID-19 impact

This report covers the 26 week period ended 25 October 2020 ("H1 FY21" or "H1" or "the Period") and refers to the comparative "H1 FY20" accounting period of the 26 weeks ended 27 October 2019.

The Group tracks a number of alternative performance measures, as it believes that these provide stakeholders with additional helpful information. Alternative performance measures used in this report include EBITDA, Adjusted EBITDA and like for like ("LFL") sales. These are described more fully in note 1(c) and 5 of the condensed unaudited financial statements which follow this section of the interim report.

The statutory result before tax ("PBT") for the Period improved by £4.2m to a loss of £4.3m from a loss of £8.5m reported in respect of H1 FY20. The Adjusted PBT was a loss of £4.1m (H1 FY20: loss of £7.8m). Costs of £0.2m have been presented on the face of the unaudited consolidated income statement as Adjusting Items (note 6), which are immaterial but have been treated as Adjusting to retain consistency with the treatment of similar or related transactions in prior periods. The pre IFRS 16 Adjusted EBITDA was £1.5m (H1 FY20: loss of £3.9m), a £5.4m improvement compared to the H1 FY20 result.

The financial performance for the Period was affected by the trading restrictions and other changes in consumer spending patterns resulting from the COVID-19 pandemic. Most of the Group's stores were temporarily closed for the first 7 weeks of the Period; although online sales were exceptionally strong during this time, this could not fully offset the loss in sales from the closure of the stores. During the subsequent 19 weeks of the Period, sales were strong and significantly ahead of the Board's expectations, mitigating part, but not all, of the sales lost during the first 7 weeks.

It has not been possible to derive a robust estimate of the total impact of COVID-19 on the result for the Period, during which the business made use of the Government reliefs available including business rates relief and relief under the Coronavirus Job Retention Scheme. These also went some way to mitigating the sales lost due to the period of enforced temporary closure of the stores. Note that these reliefs are classified as other operating income within the condensed unaudited financial statements.

The result for the Period was better than the scenarios described in the Group's FY20 Annual Report and Accounts upon which assessments were based in relation to matters including going concern, viability and impairment. The further restrictions on trading which came into effect on 5 January 2021 will have a detrimental effect on the result for H2 FY21 but will not necessarily affect the Group's modelled scenarios relating to future periods. At this stage, it has not been deemed necessary to make further impairment provisions or write downs in respect of the Period.

The Group's financial position strengthened during the Period, with net cash (excluding leases) at the balance sheet date of £11.3m (H1 FY20 net bank borrowings of £14.1m).

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

Revenue

Total statutory revenue during the Period decreased by 7.8 per cent. to £88.9 million (H1 FY20: £96.4 million) reflecting the impact of the closure of most of the Group's stores for the first 7 weeks of the financial year. Excluding the first 7 weeks, overall LFL sales increased by 10.6 per cent. in the 19 weeks ended Sunday 25 October 2020, driven by:

- Broadly flat store LFL sales, with average transaction values higher than last year, offsetting a reduction in the number of transactions.
- Strong online performance with sales levels approximately double last year's in the same 19 weeks.

The table below shows the quarterly LFL results for the 19 week period. The Q1 LFL sales figures exclude sales during the first 7 weeks when stores were temporarily closed due to lockdown. Store LFL sales during Q1 were negative, but strengthened considerably during Q2 as the "back to school" sales grew to normal levels after a delayed start. Later in Q2, there were anecdotal indications from stores and other market data that some customers were making Christmas purchases early, presumably in anticipation of further restrictions on shopping.

	H1 FY21 LFL sales inc. VAT £m	**H1 F20 LFL sales inc. VAT £m**	***LFL sales growth %***
Q1	22.1	20.9	*6.1%*
Q2	65.8	58.7	*12.2%*
H1	**87.9**	**79.5**	***10.6%***

The table below shows LFL and non LFL sales growth during the Period, and a reconciliation of sales used to calculate the LFL and gross sales, with statutory revenue. The decrease in statutory revenue was greater in percentage terms than the decrease in gross sales as reported in the trading update issued on 5 November 2020, due to a higher effective VAT rate being applicable in H1 FY21. This was due to a slight reduction compared with H1 FY20 in zero rated book sales as a proportion of total sales.

During the Period a net 4 stores closed (4 opened and 8 closed, 2 of which were relocations). The net sales effect of these openings/closures, plus the additional sales from stores opened during FY20 that are not yet classified as "like for like", less the reduction in sales from stores closed during the Period which traded throughout H1 FY20, was a year on year increase in sales of £1.3m.

	H1 FY21 £m	**H1 FY20 £m**	**Variance £m**	***Variance %***
LFL sales 7 weeks during lockdown	7.5	24.9	(17.4)	*(69.7)*
LFL sales 19 weeks post lockdown (per table above)	87.9	79.5	8.4	*10.6*
Total LFL sales for Period	**95.5**	**104.5**	**(9.0)**	***(8.6)***
Sales from new/closed stores	**6.0**	**4.7**	**1.3**	***27.6***
Total Gross Sales	**101.5**	**109.2**	**(7.7)**	***(7.1)***
VAT	(11.9)	(12.0)	0.1	*(0.9)*
Loyalty points redeemed	(0.6)	(0.7)	0.1	*(14.2)*
Revenue (per statutory accounts)	**88.9**	**96.4**	**(7.5)**	***(7.8)***

Product gross margin and adjusted cost of sales

(i) Product gross margin

	HY1 FY21 £m	**HY1 FY20 £m**	**Variance £m**	***Variance %***
Revenue	88.9	96.4	(7.5)	*(7.8%)*
Cost of goods sold	33.1	36.3	3.2	*8.8%*
Product gross margin	**55.8**	**60.1**	**(4.3)**	***(7.1%)***
Product gross margin %	62.7%	62.3%	0.4%	

Product gross margin is the difference between revenue and the cost of goods sold. The product gross margin increased by 40bps to 62.7 per cent. (H1 FY20: 62.3 per cent.), a result of reduced discounting compared with H1 FY20, particularly online, and higher postage income. There was also a small FX benefit year on year due to a slight improvement in the hedged rate achieved versus H1 FY20.

The reduced discounting was due to a combination of the strategic decision that had been taken previously to take a more controlled approach to promotions and discounting, and the unusual trading circumstances of the Period which further reduced the need for discounting to drive sales.

For the remainder of FY21, the anticipated dollar requirements have been hedged via forward contracts, at an average rate of c. $1.32, a slightly better rate than the hedged rates achieved during H1 FY21 ($1.29) and H2 FY20 ($1.24).

(ii) Adjusted cost of sales

	HY1 FY21		**HY1 FY20**			
Pre-IFRS 16 cost of sales analysis	**£m**	***% of revenue***	**£m**	***% of revenue***	**£m Variance**	***% Variance***
Cost of goods sold	33.1	*37.3*	36.3	*37.7*	3.2	*8.8*
Store payroll	19.2	*21.6*	20.6	*21.4*	1.4	*6.8*
Store property costs	23.2	*26.1*	21.7	*22.5*	(1.5)	*(6.9)*
Other direct costs	7.9	*8.9*	6.3	*6.5*	(1.6)	*(25.8)*
Cost of sales (per internal reporting)	**83.5**	***93.9***	**84.9**	***88.2***	**1.4**	***1.7***
Depreciation within cost of sales	2.7	*3.1*	2.2	*2.3*	(0.5)	*(22.7)*
IFRS16 impact (non adjusting element)	(1.1)	*(1.3)*	(1.4)	*(1.5)*	(0.3)	*(21.4)*
Adjusting items	(0.0)	*(0.0)*	0.7	*0.7*	0.7	*>100.0*
Cost of sales per statutory accounts	**85.1**	***95.7***	**86.4**	***89.6***	**1.3**	***1.5***

(a) Cost of goods sold

This comprises the cost of finished goods and other related costs including import duty and inward freight/carriage costs.

The cost of goods sold reduced by £3.2m compared with H1 FY20; £2.8m was due to the year on year reduction in revenue and the remainder was a result of the improved product margin as noted above.

(b) Store payroll

Store payroll costs fell by £1.4m compared with H1 FY20. During the period when the stores were trading, hours were tightly controlled, a process which was helped both by lower volumes of transactions with a higher average transaction value and by the removal of unnecessary tasks to increase efficiency. In relation to the 7 weeks when most stores were closed, there was a reduction of 20 per cent. in the rate paid whilst the colleagues were furloughed (note that Government relief received via the Coronavirus Job Retention Scheme is classified within other income; the payroll costs included within cost of sales are gross).

The year on year reduction in store payroll costs would have been greater but for the impact of the increased rates applicable to the National Living Wage and the full Period effect of stores opened during FY20 which did not incur costs for the whole of H1 FY20.

(c) Store property costs

This heading includes store rents, business rates and service charges; store utility and maintenance costs are classified within "Other direct costs", as described below.

Store property costs increased by £1.5m compared with FY20. The full Period effect of stores opened during FY20 which did not incur costs for the whole of H1 FY20 resulted in higher occupancy costs, as did inflation in the business rates multiplier (which continues to affect cost of sales due to the Government's rates relief being included within other operating income). The cost increase was mitigated by further rent reductions implemented on lease breaks or renewals, following successful negotiations with landlords.

(d) Other direct costs of sale

This classification includes payment card transaction fees, store utility costs, store maintenance costs, store point of sale material costs (window graphics, in-store promotional signage etc.), online marketing costs and, online fulfilment labour costs.

Other direct costs of sale increased by £1.6m compared with FY20. The most significant factor was the increase on online sales compared with H1 FY20 which resulted in higher fulfilment volumes. The percentage increase in fulfilment costs was lower than the increase in sales, as average order values were higher than in H1 FY20, resulting in greater efficiency in the fulfilment operation.

Online marketing costs were slightly higher than last year, but were lower in percentage terms than H1 FY20 due to a strategic decision to reduce expenditure on online marketing, which was further reduced as a consequence of the natural increase in online sales which arose as a by-product of the 7 week closure of the stores. There was a saving in other (offline) marketing expenses due to cost saving decisions taken in response to the COVID-19 pandemic.

(e) Depreciation within costs of sale

Depreciation increased by £0.5m compared with FY20 due to the full Period effect of stores opened during FY20 which did not incur costs for the whole of H1 FY20 but did during H1 FY21 and, a £0.3m net credit relating to H1 FY20 caused by reclassifying impairment charges as Adjusting, which had initially been included in costs of sale. This reclassification aligned the treatment for H1 FY20 with the approach taken at the FY20 year end.

Operating income and expenses (pre. IFRS 16 and adjusting items)

(i) Other operating income

Other operating income was £12.3m (H1 FY20: £0.0m). This all related to Government support schemes introduced in response to the COVID-19 pandemic.

From the beginning of FY21 until the re-opening of non-essential retail stores was permitted in June, the Group received £4.5m via the Government's Coronavirus Job Retention Scheme in relation to staff who had been furloughed following the closure of the Group's retail stores and head office and the reduction in operations in its distribution centre. It also received £7.1m during the Period in COVID-19 business rates relief and £0.7m in relation to the COVID-19 Retail, Hospitality and Leisure Grant Fund.

In light of the fact that the Group was prevented from operating its stores during a significant part of H1 FY21 and subsequently also during H2, it is the Board's intention that such sums will be retained to increase the financial resilience of the business, for the benefit of all stakeholders.

(ii) Expenses

Distribution costs	**H1 FY21**		**H1 FY20**			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m variance**	***% variance***
Adjusted distribution costs	6.7	*7.5*	5.7	*5.9*	(1.0)	*(14.3)*
Depreciation	0.1	*0.1*	0.2	*0.2*	0.1	*64.5*
Adjusting items	0.0	*0.0*	0.0	*0.0*	0.0	*0.0*
Distribution costs per statutory accounts	**6.8**	***7.6***	**5.9**	***6.1***	**(0.9)**	***(13.1)***

Distribution costs include the cost of picking and delivery of stock, with the exception of direct labour costs incurred in fulfilling online orders, which are included in “Other direct costs” as described above.

Distribution costs increased by £1.0m, 14.3 per cent. compared to the prior year, due to the costs of fulfilling higher online sales, less savings from the store fulfilment operation during the period when picking and deliveries to stores were suspended. The higher online fulfilment cost includes an investment made to support increased online fulfilment capacity in anticipation of higher demand during the 2020 peak trading season. This proved worthwhile, given the subsequent restrictions on trading via stores, imposed during November 2020.

Administration costs	**H1 FY21**		**H1 FY20**			
	£m	***% of revenue***	**£m**	***% of revenue***	**£m variance**	***% variance***
Pre-IFRS 16, adjusted administration costs	9.4	*10.6*	9.5	*9.9*	0.1	*1.3*
Depreciation	1.4	*1.6*	1.1	*1.1*	(0.3)	*(30.5)*
Adjusting items	0.2	*0.2*	0.0	*0.0*	(0.2)	*(100.0)*
IFRS 16 impact (non adjusting element)	(0.2)	*(0.2)*	(0.1)	*(0.1)*	0.1	*>100.0*
Administration costs per statutory accounts	**10.8**	***12.2***	**10.5**	***10.9***	**(0.4)**	***(3.3)***

Administration costs include rent and rates for the Group’s head office and distribution centre and the payroll and overhead cost of the head office and retail field support teams.

Administration costs reduced by £0.1m, 1.3 per cent. compared to the prior year. There were savings in head office salary costs, travel costs and training costs as a result of the head office being closed for part of the Period and actions taken to control costs. However, these were mostly offset by the costs of purchasing personal protective equipment required to operate in the modified circumstances dictated by the COVID-19 pandemic.

Adjusting items

Adjusting items before tax in the period amounted to a charge of £0.2m (FY20: £0.7m), analysed below. Whilst the total sum is immaterial, the items have been treated as Adjusting to retain consistency with the treatment of similar or related transactions in prior periods. Refer also to note 6 of the condensed unaudited financial statements.

	H1 FY21 £m	H1 FY20 £m
Within cost of sales		
Impairment charges (net)	0.0	0.3
Provision for previously underpaid duty	0.0	0.4
	0.0	0.7
Within administration expenses		
Salary costs relating to former director	0.3	0.0
Packaging and waste provision release	(0.1)	0.0
	0.2	0.0
Total adjusting items (before tax)	**0.2**	**0.7**

Net financing expense

Net financing costs in the Period were £2.7m (FY20: £2.1m).

Bank interest payable was £0.2m (H1 FY20: £0.2m); £2.4m of the net financing cost relates to notional interest on the calculated lease liability arising under IFRS 16 “lease liabilities” (H1 FY20: £1.9m). The year on year increase in the IFRS 16 interest calculation was due to movement in the estimated incremental borrowing rate and, an additional tranche of stores being included within the IFRS 16 definition of a lease due to changes to the terms of occupancy following the conclusion of negotiations with landlords.

Profit/loss before tax

The statutory loss before tax for H1 FY21 was £4.3 million (H1 FY20: £8.5 million). Due to the seasonality of the business the first half of the financial year is typically loss making for The Works, but the statutory loss before tax for H1 FY21 was significantly smaller than the H1 FY20 comparative.

Adjusted profit/loss before tax

Adjusted loss before tax was £4.1 million in the period (H1 FY20: £7.8 million).

Tax

The Group’s total income tax credit in respect of the Period was £1.0m (H1 FY20: £2.1m). The effective tax rate on the total loss before tax was 23.2 per cent. (H1 FY20: 24.3 per cent.) whilst the adjusted tax rate was 23.8 per cent. (H1 FY20: 25.6 per cent.).

The difference between the total effective tax rate and the adjusted tax rate for H1 FY21 and H1 FY20 related to certain non-recurring costs and depreciation charges being non-deductible for tax purposes.

At the FY20 year end, a provision of £0.8m was included in connection with a review of duty rates. During H1 FY21, HMRC concluded its review, which resulted in a charge that was in line with the provision held at the FY20 year end.

Earnings per share

The basic and the diluted losses per share for the Period were 5.2 pence (H1 FY20: 10.3 pence).

Before adjusting items, the basic and the diluted underlying losses per share for the Period were 5.0 pence (H1 FY20: 9.3 pence).

Capital expenditure

Capital expenditure amounted to £1.1 million in the Period (H1 FY20: £4.1m). This significant reduction reflects the change in strategy announced in January 2020 to reduce the number of new stores opened and secure landlord funding for the limited number of stores that are opened and, decisions taken at the beginning of this financial year to reduce capital expenditure to preserve cash in light of the COVID-19 pandemic. It is expected that net capital expenditure during FY21 will be approximately £3.0m, in line with previous estimates.

	H1 FY21	H1 FY20*	Variance
	£'m	£'m	£m
New stores and relocations	0.0	2.6	(2.6)
Store refits and maintenance	0.1	0.2	(0.1)
IT hardware and software	0.3	0.4	(0.1)
Online development expenditure	0.6	0.4	0.2
Other	0.1	0.5	(0.4)
Total capital expenditure	**1.1**	**4.1**	**(3.0)**

* The H1 FY20 figures have been restated to correctly reflect the accounting for movements in the period in relation to IFRS 16 right of use assets.

4 new stores opened during the Period (although, as noted above, 8 stores closed so there was a net reduction of 4 in the number of stores from which the Group trades). A further 2 new stores have opened since the end of the Period, and there is one further store to which the Group is legally committed and which had been expected to open during H2 FY21, but the opening date is now under review as a result of the most recent lockdown restrictions. As noted previously, the Board will consider, on a case by case basis, opportunities to open stores in strategically important locations, where the landlord is prepared to fund fit out costs, such that the store is cash generative immediately following opening.

The capex figures above include the cost of implementing a new online sales platform in July 2020; the remainder of the capex related to maintenance and minor projects.

Inventory

Inventory levels were £38.5m at the end of the Period (H1 FY20: £42.5m), a decrease of 9.4 per cent. The inventory level is normally higher at the end of the first half of the financial year than at the year end, due to the trading cycles of the business and, accordingly, the value of inventory was £11.9m higher than at the end of FY20. However, the value is £4.0m lower than at the corresponding time last year, due to stronger sales in the Period and improvements to stock management practices.

Since the Period end, the business has experienced further periods of trading restriction, creating the need to manage stock in a way that is not expected under normal trading conditions. Accordingly, management is working on mitigating actions to ensure that inventory levels remain at an acceptable level. Nevertheless, it is possible that stock levels at the end of FY21 may be higher than initially planned.

Cashflow

The table below shows an abbreviated summarised cashflow analysis to aid the description of the significant cashflow movements during the Period. "Cashflow pre-working capital" in the table is derived from management reports and the table is presented on a non IFRS 16 basis; the condensed unaudited financial statements include a statutory consolidated cashflow statement.

	H1 FY21 £m	H1 FY20 £m	Variance £m
Cashflow pre-working capital	0.7	(4.5)	5.2
Net movement in working capital	19.3	(7.5)	26.8
Capex (per preceding table)	(1.1)	(4.1)	3.0
Tax paid	(0.1)	(0.3)	0.2
Interest and financing costs	(0.8)	(0.1)	(0.7)
Dividends	0.0	(1.5)	1.5
Cashflow before loan movements	18.0	(17.9)	35.9
Drawdown of new CLBILS loan	7.5	0.0	7.5
Drawdown/(repayment) of RCF	(10.0)	7.0	(17.0)
Net increase/(decrease) in cash and cash equivalents[1]	**15.5**	**(10.9)**	**26.4**

[1] This total represents cash and cash equivalents, and therefore excludes exchange rate movements.

During the Period the Group drew down £7.5m from the Government "CLBILS" loan scheme and repaid £10.0m previously drawn under its revolving credit facility ("RCF"). Prior to taking account of this, the net cash inflow for the Period was £18.0m (H1 FY20: outflow of £17.9m).

The improved year on year cash position was due to the increased profitability during the Period, lower capex and improved working capital management and timing differences. The main factors affecting working capital were an increase in creditors due to the extension of payment terms with suppliers and, as noted in the 5 November 2020 trading update, the working capital balance also included approximately £4.0m of favourable short term timing differences. Most of the working capital benefit from the extended payment terms had been expected to reverse by the end of the financial year, but in light of the further restrictions on trading currently being experienced, further extensions may be implemented.

The H1 FY21 working capital movement was significantly different to that in H1 FY20. The FY20 figure was impacted by a higher closing stock figure, reflecting lower than planned sales in H1 FY20 and, short term timing differences relating to creditors, which operated in the opposite direction to that experienced in H1 FY21.

Borrowing, bank facilities and financial position

At the end of the Period the Group held net cash of £11.3m (H1 FY20: net bank debt of £14.1m). Please refer to note 17 of the condensed unaudited financial statements for further information regarding borrowings. This figure was higher than the £8.4m included in the trading update of 5 November 2020, which represented the cleared funds on the final banking day of the Period and therefore excluded the accrued takings from the final two days of the Period, less any uncleared payments.

The Group operates bank facilities which comprise:

- A revolving credit facility ("RCF") which expires in September 2022, with step downs from an initial £25.0m facility, of £2.5m in January 2021 and £2.5m in January 2022, to reflect the profile of the expected facility requirement.
- A £7.5m term facility, under the Government's CLBILS scheme, which also expires in September 2022. No repayments are due until the expiry date.

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

As a result of the COVID-19 pandemic, steps have been taken to reduce costs and increase liquidity. In addition, scenarios have been produced, to quantify the possible impacts on liquidity of applying differing assumptions about how the pandemic might affect future trading. Further details are included in note 1 (b) (i) of the condensed unaudited financial statements regarding going concern.

As a result of the strong trading performance, careful cost and cash management and utilisation of the available Government support schemes, the Group's liquidity position at the end of the Period was strong, and significantly better than at the same point last year, even allowing for the unwinding of short term timing differences. Whilst the ongoing restrictions will have an impact on the Group's ability to trade, and will unavoidably have a detrimental effect on both the profit result for the financial year and the liquidity position, based on its current forecasts, the Board is satisfied that the Group's financial resources are adequate.

Dividends

The Board's intention is to adopt a progressive Dividend Policy once the prevailing high level of uncertainty recedes and the trading outlook and financial position of the business make it appropriate to do so. However, given the continuing high level of uncertainty, and the recent announcements of further restrictions on the Group's ability to trade from its retail stores, continuing to maximise liquidity will remain a top priority and, consequently, the Board will not be proposing payment of a dividend in relation to FY21.

Gavin Peck

Director
22 January 2021

Unaudited Condensed Consolidated Income Statement
For the 26 weeks ended 25 October 2020

		26 weeks to 25 October 2020			26 weeks to 27 October 2019 (Restated – note 1b)			52 weeks to 26 April 2020		
		Adjusted	**Adjusting items**	**Total**	Adjusted	Adjusting items	Total	Adjusted	Adjusting items	Total
	Notes	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue	3	**88,930**	**-**	**88,930**	96,416	-	96,416	225,042	-	225,042
Cost of sales	6	**(85,146)**	**17**	**(85,129)**	(85,729)	(680)	(86,409)	(190,557)	(4,110)	(194,667)
Gross profit		**3,784**	**17**	**3,801**	10,687	(680)	10,007	34,485	(4,110)	30,375
Other operating income	4	**12,276**	**-**	**12,276**	4	-	4	4,677	-	4,677
Distribution expenses		**(6,797)**	**-**	**(6,797)**	(5,909)	-	(5,909)	(12,656)	-	(12,656)
Administrative expenses	6	**(10,640)**	**(199)**	**(10,839)**	(10,478)	-	(10,478)	(19,619)	(16,295)	(35,914)
Operating profit/(loss)		**(1,377)**	**(182)**	**(1,559)**	(5,696)	(680)	(6,376)	6,887	(20,405)	(13,518)
Finance income	7	**31**	**-**	**31**	-	-	-	12	-	12
Finance expenses	7	**(2,722)**	**-**	**(2,722)**	(2,099)	-	(2,099)	(4,466)	-	(4,466)
Net financing expense		**(2,691)**	**-**	**(2,691)**	(2,099)	-	(2,099)	(4,454)	-	(4,454)
Profit/(loss) before tax		**(4,068)**	**(182)**	**(4,250)**	(7,795)	(680)	(8,475)	2,433	(20,405)	(17,972)
Taxation	10	**969**	**17**	**986**	1,995	66	2,061	(529)	799	270
Profit/(loss) for the period	5	**(3,099)**	**(165)**	**(3,264)**	(5,800)	(614)	(6,414)	1,904	(19,606)	(17,702)
Profit/(loss) before tax and IFRS 16	5	**(3,032)**	**(182)**	**(3,214)**	(7,518)	(680)	(8,198)	3,338	(17,560)	(14,222)
Basic earnings per share (pence)	11	**(5.0)**		**(5.2)**	(9.3)		(10.3)	3.0		(28.3)
Diluted earnings per share (pence)	11	**(5.0)**		**(5.2)**	(9.3)		(10.3)	3.0		(28.3)

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

Unaudited Condensed Consolidated Statement of Comprehensive Income
For the period ended 25 October 2020

	26 weeks to 25 October 2020 £000	26 weeks to 27 October 2019 £000	52 weeks to 26 April 2020 £000
Loss for the year	**(3,264)**	(6,414)	(17,702)
Items that may or may not be recycled subsequently into profit and loss			
Cash flow hedges – changes in fair value	**(1,347)**	(29)	932
Cash flow hedges – reclassified to profit and loss	**131**	138	(91)
Cost of hedging reserve – changes in fair value	**(85)**	(820)	312
Cost of hedging reserve – reclassified to profit and loss	**(155)**	(9)	(197)
Tax relating to components of other comprehensive income	**-**	88	(248)
Other comprehensive income for the period, net of income tax	**(1,456)**	(632)	708
Total comprehensive income for the period attributable to equity shareholders of the Parent	**(4,720)**	(7,046)	(16,994)

Unaudited Condensed Consolidated Statement of Financial Position
As at 25 October 2020

	Note	**25 October 2020**	27 October 2019 (Restated – note 1b)	26 April 2020
		£000	£000	£000
Non-current assets				
Intangible assets	13	**2,573**	18,744	3,194
Property, plant and equipment	14	**18,763**	20,939	21,061
Right of use assets	14	**113,701**	100,569	116,763
Deferred tax assets		**1,802**	1,882	1,802
		136,839	142,134	142,820
Current assets				
Inventories	16	**38,516**	42,511	26,594
Trade and other receivables		**5,873**	9,884	8,130
Derivative financial asset	20	**134**	156	1,531
Current tax asset		**1,787**	1,967	687
Cash and cash equivalents		**18,771**	444	6,546
		65,081	54,962	43,488
Total assets		**201,920**	197,096	186,308
Current liabilities				
Bank overdraft	17	**-**	7,567	3,605
Interest bearing loans and borrowings	17	**7,214**	6,938	9,938
Lease liabilities	17	**22,423**	18,283	22,002
Trade and other payables		**54,430**	44,456	26,189
Provisions	18	**914**	495	979
Derivative financial liability	20	**294**	1,005	-
Current tax liability		**-**	-	-
		85,275	78,744	62,713
Non-current liabilities				
Interest bearing loans and borrowings	17	**(262)**	(42)	(11)
Lease liabilities	17	**107,497**	94,590	110,200
		107,235	94,548	110,189
Total liabilities		**192,510**	173,292	172,902
Net assets		**9,410**	23,804	13,406
Equity attributable to equity holders of the Parent				
Share capital	19	**625**	625	625
Share premium	19	**28,322**	28,322	28,322
Merger reserve		**(54)**	(54)	(54)
Share based payment reserve		**1,552**	1,468	1,506
Hedging reserve		**393**	(519)	1,171
Retained earnings		**(21,428)**	(6,038)	(18,164)
Total equity		**9,410**	23,804	13,406

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders						
For the 26 Weeks Ended 25 October 2020	Share capital £000	Share premium £000	Merger reserve £000	Hedging reserve[1] £000	Share based payment reserve £000	Retained earnings £000	Total equity £000
As at 26 April 2020	**625**	**28,322**	**(54)**	**1,171**	**1,506**	**(18,164)**	**13,406**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(3,264)	(3,264)
Other comprehensive expense	-	-	-	(1,456)	-	-	(1,456)
Total comprehensive income for the period	**-**	**-**	**-**	**(1,456)**	**-**	**(3,264)**	**(4,720)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	678	-	-	678
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	46	-	46
Total transactions with owners	**-**	**-**	**-**	**-**	**46**	**-**	**46**
Balance at 25 October 2020	**625**	**28,322**	**(54)**	**393**	**1,552**	**(21,428)**	**9,410**
For the 26 Weeks Ended 27 October 2019 (Restated – note 1b)							
Balance at 28 April 2019	625	28,322	(54)	144	1,373	7,927	38,337
Transition to IFRS 16	-	-	-	-	-	(6,139)	(6,139)
Restated balance at 29 April 2019	**625**	**28,322**	**(54)**	**144**	**1,373**	**1,788**	**32,198**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(6,414)	(6,414)
Other comprehensive income / (expense)	-	-	-	(720)	-	88	(632)
Total comprehensive income for the period	**-**	**-**	**-**	**(720)**	**-**	**(6,326)**	**(7,046)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	57	-	-	57
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	95	-	95
Dividend (Note 12)	-	-	-	-	-	(1,500)	(1,500)
Total transactions with owners	**-**	**-**	**-**	**-**	**95**	**(1,500)**	**(1,405)**
Balance at 27 October 2019	**625**	**28,322**	**(54)**	**(519)**	**1,468**	**(6,038)**	**23,804**
For the 52 Weeks Ended 26 April 2020							
Balance at 28 April 2019	625	28,322	(54)	144	1,373	7,927	38,337
Transition to IFRS 16	-	-	-	-	-	(6,139)	(6,139)
Restated balance at 29 April 2019	**625**	**28,322**	**(54)**	**144**	**1,373**	**1,788**	**32,198**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(17,702)	(17,702)
Other comprehensive income	-	-	-	695	13	-	708
Total comprehensive income for the period	**-**	**-**	**-**	**695**	**13**	**(17,702)**	**(16,994)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	332	-	-	332
Transactions with owners of the Company							
Share-based payment charges	-	-	-	-	120	-	120
Dividend (Note 12)	-	-	-	-	-	(2,250)	(2,250)
Total transactions with owners	**-**	**-**	**-**	**-**	**120**	**(2,250)**	**(2,130)**
Balance at 26 April 2020	**625**	**28,322**	**(54)**	**1,171**	**1,506**	**(18,164)**	**13,406**

[1] Hedging reserve includes £12,645 in relation to changes in forward points which are recognised in other comprehensive income and accumulated as a cost of hedging within the hedging reserve (52 weeks ended 26 April 2020: £137,387; 26 weeks ended 27 October 2019: £500,161).

Unaudited Condensed Consolidated Cash Flow Statement

For the 26 weeks ended 25 October 2020

	25 October 2020	27 October 2019 (Restated – Note 1b)	26 April 2020
	£000	£000	£000
Cash Flows From Operating Activities			
Loss for the period	**(3,264)**	(6,414)	(17,702)
Adjustments for:			
Depreciation of property, plant and equipment	**2,594**	2,608	5,261
Impairment of property, plant and equipment	**-**	165	509
Reversal of impairment of property, plant and equipment	**-**	(176)	(176)
Depreciation of right-of-use assets	**11,635**	9,940	20,611
Impairment of right-of-use assets	**-**	341	2,991
Amortisation of intangible assets	**563**	560	1,170
Impairment of intangible assets	**-**	-	16,180
Derivative exchange (gain) / loss	**(68)**	25	(290)
Financial expense	**318**	195	425
Financial income	**(31)**	-	(12)
Interest on lease liabilities	**2,404**	1,904	4,041
Loss on sale of property, plant and equipment	**218**	68	299
Loss on disposal of right-to-use asset	**373**	574	795
Loss on disposal of intangible assets	**620**	-	-
Profit on disposal of lease liability	**(463)**	(648)	(870)
Share based payment charges	**46**	95	120
Taxation	**(986)**	(2,061)	(270)
Operating cash flows before changes in working capital	**13,959**	**7,176**	**33,082**
Decrease in trade and other receivables	**2,257**	4,629	6,336
Increase in inventories	**(11,228)**	(17,324)	(1,410)
Increase / (decrease) in trade and other payables	**28,314**	4,861	(13,822)
Increase / (decrease) in provisions	**(65)**	308	792
Cash inflows from operating activities	**33,237**	**(350)**	**24,978**
Corporation tax paid	**(114)**	(272)	(1,039)
Net cash from operating activities	**33,123**	**(622)**	**23,939**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(514)**	(3,275)	(6,625)
Acquisition of intangible assets	**(562)**	(810)	(2,050)
Interest received	**31**	-	12
Net cash from investing activities	**(1,045)**	**(4,085)**	**(8,663)**
Cash flows from financing activities			
Interest paid	**(219)**	(97)	(230)
Payment of lease liabilities (capital)	**(10,848)**	(9,732)	(19,829)
Payment of lease liabilities (interest)	**(2,404)**	(1,904)	(4,041)
Dividends paid	**-**	(1,500)	(2,250)
Issue of bank loan	**7,500**	7,000	10,000
Repayment of bank borrowings	**(10,000)**	-	-
Payment of RCF costs	**(619)**	-	-
Net cash from financing activities	**(16,590)**	**(6,233)**	**(16,350)**
Net increase / (decrease) in cash and cash equivalents	15,488	(10,940)	(1,074)
Exchange rate movements	342	130	328
Cash and cash equivalents at beginning of Period	2,941	3,687	3,687
Cash and cash equivalents at end of Period	**18,771**	**(7,123)**	**2,941**

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the 26 weeks ended 25 October 2020

1 Accounting Policies

(a) General Information

TheWorks.co.uk plc ('the Company') is a public limited company domiciled in the United Kingdom and its registered office is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, B46 1AL. These unaudited condensed consolidated interim financial statements ('interim financial statements') as at and for the 26 weeks ended 25 October 2020 comprise the Company and its subsidiaries (together referred to as 'the Group').

(b) Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with TheWorks.co.uk plc financial statements for the 52 weeks ended 26 April 2020. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

(i) Going concern

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

The Directors have assessed the prospects of the Group, taking into account its current position and the potential impact of the principal risks identified as being relevant to it. The Directors consider that the risks described in the Group's FY20 Annual Report and Accounts ("ARA") are still broadly applicable; a table summarising the key risks is set out in the section following these interim financial statements, and includes brief notes explaining how the risks are perceived to have evolved. The Directors have assessed that the overall level of risk to the business from the COVID-19 pandemic may have decreased marginally since the ARA was published, but remains high. The risk relating to Brexit is considered to have reduced due to the recent announcement of a trade agreement.

At the date of publishing the ARA, there was a high degree of uncertainty concerning the possible impact of COVID-19 on the critical peak trading months of November and December 2020, but this uncertainty is now removed due to the effluxion of time. A vaccination programme has also been introduced since the publication of the FY20 ARA which is expected, in due course, to reduce the risk level. However, notwithstanding these positive factors, the recent imposition of a further U.K. national lockdown indicates that the risk from this pandemic remains high, particularly in the short term.

The Group operates a plan within which scenario planning and stress testing has been carried out.

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

- The external environment.
- The Group's financial position and bank facilities.
- Measures taken to increase and maintain liquidity.
- The potential impact on the financial performance of the business of the principal risks.
- The output of a "Base Case" scenario financial model, which uses assumptions designed to reflect the most likely expected effect on trading of the COVID-19 situation.
- The resilience of the Group to worsened trading conditions, evaluated via a revised model referred to as the "Reasonable Worst Case" ("RWC") scenario financial model.
- The availability and expected effectiveness of any mitigating actions that would be taken in response to circumstances arising such as those modelled under the RWC.
- The Board has considered the impact on the Group's cash flows, headroom and covenants.

The Base Case and RWC scenario models have been used to make a judgement regarding using the going concern basis of preparation of the financial statements.

External environment

As noted above, there continues to be significant uncertainty as to the future impact on the Group of the COVID-19 global pandemic and the Directors' assessment is that whilst the level of uncertainty has marginally reduced, it remains high in the short term.

The level of uncertainty arising from the UK leaving the European Union has decreased since the publication of the FY20 ARA, due to the recent completion of a trade agreement with the EU.

Financial position and bank facilities

The Group operates banking facilities comprising an RCF with a current limit of £22.5m and a £7.5m term facility, under the Government's CLBILS scheme. The RCF limit reduces to £20.0m in January 2022 for the remaining term of the agreement, which expires in September 2022. The facilities include financial covenants in relation to the level of EBITDA, net debt and capital expenditure.

The Group repaid the full amount previously drawn down under its RCF on 25 September 2020. At the Period end, the Group held net cash (excluding leases) of £11.3m (FY20: net debt of £14.1m). The Group has not made any drawdowns from its RCF facility since making the repayment on 25 September, but the £7.5m CLBILS term loan has remained fully drawn since its inception in August 2020.

The Group's cash position was strong on entering the lockdown affecting England in November 2020 which forced it to close most of its stores. This period coincided with the second most important trading month of the year, yet it has not been necessary to make further use of the RCF. However, the recent imposition of another national lockdown makes it likely that the Group will need to draw on its RCF facility in the coming months.

Measures to maintain liquidity

The Directors have continued to employ appropriate measures to maintain or improve liquidity and, in response to the national lockdown in the UK announced on 4 January 2021, will be intensifying the measures taken. This will include seeking additional cooperation from suppliers and landlords. In addition, the Government's support schemes have partially offset the loss of sales during the periods when stores have been forced to close and the Board intends to continue to make full use of these.

Evaluation of Base Case and RWC financial scenarios

To assist the Board in confirming the continued appropriateness of using the going concern basis in the preparation of the interim financial statements, two financial scenarios have been used to quantify the possible impacts on liquidity of applying differing assumptions. These scenarios cover the FY21 to FY23 financial years.

These models were first used as the basis for evaluating similar scenarios in respect of the FY20 year end accounts, and the Board considers that, taking into account developments since the publication of the FY20 ARA, the assumptions and sensitivities applied at that time continue to be relevant and appropriate. Broadly speaking, the recent UK lockdown represents a worse situation in relation to post Christmas trading than the models assumed, but the Group's financial position on entering this phase of restrictions was significantly better and, on balance, it is expected that these factors will offset one another.

Under the central Base Case scenario, which represents the Board's estimate of the most likely level of risk impact, the Group expects to have sufficient financial resources and the going concern basis of preparation of the financial statements is therefore considered appropriate.

Under the more severe RWC scenario, taking into account the mitigating actions which would be taken in the event of further impact from COVID-19, and the assumption that the Group would continue to be able to access the liquidity from its bank facilities, in the opinion of the Board, there are sufficient financial resources for the Group to continue to be viable under this scenario, albeit with reduced headroom compared with the Base Case.

Conclusion regarding basis of preparation

In addition to the foregoing, in considering the appropriateness of adopting the going concern basis of preparation, the Directors also took account of the fact that it is difficult, even now, to predict with confidence the final impact of COVID-19 on the Group's profitability in this financial year and, whether there may be further impacts in the next financial year and, if so, the impact that these may have.

In light of this level of uncertainty over the duration and severity of any further disruption, there are scenarios under which the Group would breach its EBITDA covenant at certain points during FY22, which represents a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Based on all of the above considerations, and having carefully considered the material uncertainty and mitigating actions available, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

(ii) Accounting policies

The interim financial statements for the 26 weeks ended 25 October 2020 have been prepared on a basis consistent with the accounting policies published in the Group's financial statements for the 52 weeks ended 26 April 2020.

(iii) Restatement of figures previously reported in the interim financial statements for H1 FY20

Adjusted measures

As a result of the COVID-19 pandemic and subsequent UK Government restrictions, the Group classified impairment charges as adjusting items for the first time in its FY20 Annual Report and Accounts. The corresponding items in the FY20 interim comparatives have, therefore, been restated to make them consistent with this treatment.

The restatement of the prior year comparatives has no impact on the prior year's statutory measures of reported profit or on the Group's cash flows or financial position for the 26 week period ended 27 October 2019. The prior period's adjusted profit measure has increased by £0.3m, due to the classification of the net store impairment charge as an Adjusting item.

IFRS 16 Right of use assets
In the FY20 interim accounts, the IFRS 16 right of use assets were grouped together with property, plant and equipment on the face of the balance sheet. The comparatives have been split out in these interim financial statements.

IFRS 16 balances arising on adoption
In the preparation of the Group's FY20 Annual Report and Accounts, certain leases and lease related assets and liabilities were identified, which had, incorrectly, not been identified as leases subject to IFRS 16 in the October 2019 interim financial statements. The comparative figures have been restated for these items, resulting in the following changes to the reported numbers:

	As at 27 October 2019 (reported)	Adjustment	As at 27 October 2019 (restated)
	£000	£000	£000
Property, plant and equipment	**21,397**	(458)	20,939
Deferred tax assets	**2,494**	(612)	1,882
Trade and other payables	**(45,711)**	760	(44,951)
Retained earnings	**5,728**	310	6,038

Capitalised loan costs
In the FY20 interim accounts, unamortised capital loan costs of £104k were disclosed within "Trade and other receivables" rather than within "Interest bearing loans and borrowings". The comparatives have been adjusted to ensure consistency.

Bank overdraft
As at 27 October 2019 the entire cash balance was shown within "bank overdraft", however only the GBP account was in an overdraft position. The comparatives have been restated to correctly show the cash vs. overdraft split.

Duty provision
A provision relating to an estimate of duty due to HMRC was disclosed within accruals rather than provisions in the FY20 interim accounts. The comparatives have been amended to show this item as a provision.

(c) Alternative Performance Measures and Adjusting items

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

The Group believes that the use of APMs, which are not considered to be a substitute for or superior to IFRS measures, can provide stakeholders with additional helpful information on the performance of the business. The business uses APMs in its operational planning and reporting and within internal management reporting to the Board. Some APMs are also used for setting remuneration targets.

APMs should be viewed as supplemental to measures presented in the Group's consolidated financial statements, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance.

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

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

On this basis the following items were included in Adjusting Items in the Period (see also Note 6):

- Release of part of a provision relating to estimate of duty believed to be due to HMRC.
- Payments made to former director.
- Release of packaging waste provision.

None of these items were material in the Period, but each has been classified as an adjusting item because a related transaction had been similarly treated in one or more prior period.

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

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

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

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

Critical accounting judgements

Adjusting items

The directors believe that the Adjusted profit and earnings per share measures provide additional useful information to shareholders on the performance of the business. These measures are consistent with how business performance is measured internally by the Board and management. The Adjusted profit measures are not recognised under IFRS and may not be directly comparable with Adjusted profit measures used by other companies. The classification of Adjusting items may require significant management judgement. The Group’s definitions of Adjusting items are outlined within both the Group accounting policies and Note 6. These definitions have been applied consistently year on year. Each of the Adjusting items included in these interim financial statements has had a related or similar transaction in prior periods that has also been treated as Adjusting.

Note 6 provides further details of items classified as Adjusting in the Period.

Hedge accounting

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

The Group has applied judgement in assessing whether the forecast purchases remain “highly probable”, particularly in light of the decline in expected sales resulting from the COVID-19 pandemic and the related temporary store closures.

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

Key sources of estimation uncertainty

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

Property, plant and equipment, right-of-use assets and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The Directors consider an individual retail store to be a cash-generating unit (‘CGU’). The trade restrictions implemented by the Government during 2020 as a result of the COVID-19 pandemic are considered an impairment trigger and as a result all stores have been tested for impairment.

Significant impairment charges were made in FY20 relating to property, plant and equipment and right of use assets. The Board has concluded that no further impairment charges were required as at the Period end date.

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

2 Segmental reporting

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

The Group has two revenue streams, in store and online, the results of which are aggregated into one reportable segment. This reflects the Group's management and reporting structure as viewed by the Board of Directors, which is considered to be the Group's Chief Operating Decision Maker. Aggregation is deemed appropriate due to store and online channels having significant economic interdependencies, similar products on offer and a similar customer base.

3 Revenue

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

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
Sale of goods			
– UK	**87,057**	94,454	220,581
– EU	**1,873**	1,962	4,461
Total revenues	**88,930**	96,416	225,042

Seasonality of operations

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

The figures above reflect the impact of COVID-19, which required the stores to be closed from the beginning of the Period until mid June, when the majority of them were permitted to reopen.

4 Other operating income

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
COVID-19 Job Retention Scheme grants receivable	**4,472**	-	3,650
COVID-19 Business Rates Relief	**7,125**	-	1,020
COVID-19 Retail, Hospitality and Leisure Grant Fund	**675**	-	-
Rent receivable	**4**	4	7
	12,276	4	4,677

The Group has used the financial support packages made available by the UK Government to businesses that have been adversely affected by trading restrictions imposed as a consequence of COVID-19, including the Coronavirus Jobs Retention Scheme, Business Rates Relief Scheme and the Retail, Hospitality and Leisure Grant Fund. The above table shows the sums derived from these support packages.

5 Alternative performance measures ("APMs")

Like-for-like sales

These are defined as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks (but excluding sales from stores closed for all or part of the relevant period or prior year comparable period), and from its e-commerce platform, calculated on a calendar week basis. The measure is used widely in the retail industry as an indicator of sales performance. A reconciliation of revenue to sales on a like-for-like basis is set out below. "Total Like-for-like sales" includes a full 26 weeks of trading for the comparative period ended 27 October 2019; the reconciliation below shows H1 FY21 LFL sales pre lockdown and post lockdown to aid comparisons:

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
LFL sales during lockdown	7,545	24,933	4,873
LFL sales post lockdown	87,931	79,533	218,583
Total Like-for-like sales	**95,476**	104,466	223,456
Sales from new / closed stores	**5,974**	4,681	31,178
Total gross sales	**101,450**	109,147	254,634
VAT	**(11,920)**	(12,032)	(27,931)
Loyalty points redeemed	**(600)**	(699)	(1,661)
Turnover per consolidated income statement	**88,930**	96,416	225,042

EBITDA, Adjusted EBIDTA and Adjusted profit after tax

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

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

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
Non IFRS 16 Adjusted EBITDA	**1,483**	**(3,920)**	**10,809**
IAS17 income statement charges not recognised under IFRS 16	12,762	11,464	23,433
Foreign exchange differences on euro leases	(82)	(130)	(89)
Post IFRS 16 Adjusted EBITDA	**14,163**	**7,414**	**34,153**
Loss on disposal of right-of-use assets	(373)	(574)	(795)
Profit on disposal of lease liability	463	648	870
Loss on disposal of property, plant and equipment	(218)	(76)	(299)
Loss on disposal of intangible assets	(620)	-	-
Depreciation	(14,229)	(12,548)	(25,872)
Amortisation	(563)	(560)	(1,170)
Finance expenses	(2,722)	(2,099)	(4,466)
Finance income	31	-	12
Tax (charge) / credit	969	1,995	(529)
Adjusted profit / (loss) after tax	**(3,099)**	**(5,800)**	**1,904**
Adjusting items	(182)	(680)	(20,405)
Tax (charge) / credit	17	66	799
Loss after tax	**(3,264)**	**(6,414)**	**(17,702)**

Profit before tax and IFRS 16

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

	26 weeks to 25 October 2020			26 weeks to 27 October 2019			52 weeks to 26 April 2020		
	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000
Profit / (loss) before tax before IFRS 16 adjustments	**(3,032)**	**(182)**	**(3,214)**	**(7,518)**	**(680)**	**(8,198)**	**3,338**	**(17,560)**	**(14,222)**
Remove IAS 17 rental charge	12,717	-	12,717	11,393	-	11,393	23,292	-	23,292
Remove hire costs from hire of equipment	45	-	45	71	-	71	141	-	141
Remove depreciation charged on the existing assets	214	-	214	146	-	146	298	-	298
Remove interest charged on the existing liability	19	-	19	14	-	14	30	-	30
Depreciation charge on right of use asset	(11,635)	-	(11,635)	(9,941)	-	(9,941)	(20,611)	-	(20,611)
Interest cost on lease liability	(2,404)	-	(2,404)	(1,904)	-	(1,904)	(4,041)	-	(4,041)
Loss on disposal of right of use asset	(373)	-	(373)	(574)	-	(574)	(795)	-	(795)
Profit on disposal of lease liability	463	-	463	648	-	648	870	-	870
Foreign exchange difference on euro leases	(82)	-	(82)	(130)	-	(130)	(89)	-	(89)
Additional impairment charge under IAS 36	-	-	-	-	(101)	(101)	-	(2,991)	(2,991)
Onerous lease provision not applicable under IFRS 16	-	-	-	-	101	101	-	146	146
Net Impact on profit / (loss) before tax	(1,036)	-	(1,036)	(277)	-	(277)	(905)	(2,845)	(3,750)
Profit / (loss) before tax	**(4,068)**	**(182)**	**(4,250)**	**(7,795)**	**(680)**	**(8,475)**	**2,433**	**(20,405)**	**(17,972)**

Other adjusted profit metrics

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

6 Adjusting items

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

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
Cost of sales			
Impairment charges[1]	**-**	506	3,500
Impairment reversals[1]	**-**	(176)	(176)
Duty Provision[2]	**(17)**	350	786
Total cost of sales	**(17)**	680	4,110
Administrative expenses			
Goodwill Impairment[3]	**-**	-	16,180
Salary costs[4]	**322**	-	115
Packaging and waste costs penalty[5]	**(123)**	-	-
Total administrative expenses	**199**	-	16,295
Total adjusting items	**182**	680	20,405

[1] These relate to fixed asset impairment charges and reversals of prior year impairment charges.
[2] Due to reduction in a provision previously recognised regarding a review of the Group's duty rates, which has subsequently been concluded.
[3] This relates to the impairment of goodwill during FY20.
[4] Salary costs relate to payments to a former Director.
[5] This relates to the release of an excess provision held regarding a historical packaging and waste cost penalty.

7 Finance income and expense

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
Finance income			
Bank interest receivable	**31**	-	12
Total finance income	**31**	**-**	12
Finance expense			
Bank interest payable	**173**	164	363
Other interest payable	**145**	31	62
Interest payable on lease liabilities	**2,404**	1,904	4,041
Total finance expense	**2,722**	**2,099**	**4,466**

8 Share based payment arrangements

No additional share options were awarded under TheWorks.co.uk 2018 Long Term Incentive Plan or Save As You Earn Scheme ('SAYE') during the period (26 weeks ended 27 October 2019 and 52 weeks ended 26 April 2020: 1,044,915 and 2,622,411 respectively).

During the period, 714,286 restricted stock awards were granted to key management and senior employees, with a two year vesting period (26 weeks ended 27 October 2019 and 52 weeks ended 26 April 2020: 79,188).

Expense recognised in the income statement

The IFRS 2 charge recognised during the period can be summarised as follows:

	26 weeks ended 25 October 2020 £000	26 weeks ended 27 October 2019 £000	52 weeks ended 26 April 2020 £000
LTIP - Share based payment expense	**28**	94	14
SAYE - Share based payment expense	**18**	-	106
Total IFRS 2 charges	**46**	**94**	**120**

9 Employee Benefits

The group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £313k (26 weeks ended 27 October 2019: £400k; 52 weeks ended 26 April 2020: £782k).

10 Taxation

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

The Group's total income tax credit in respect of the 26 weeks ended 25 October 2020 was £0.986 million (26 weeks ended 27 October 2019: £2.061 million). The effective tax rate on total loss before tax was 23.2 per cent. (26 weeks ended 27 October 2019: 24.3 per cent.) whilst the Adjusted tax rate was 23.8 per cent. (26 weeks ended 27 October 2019: 25.6 per cent.). The difference between the total effective tax rate and the Adjusted tax rate for the 26 weeks ended 25 October 2020 and the 26 weeks ended 27 October 2019 relates to certain underlying costs and depreciation charges being non-deductible for tax purposes.

11 Earnings per share

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

Diluted earnings per share is based on the weighted average number of shares in issue for the period, adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares represent employee share incentive awards.

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

	25 October 2020 Number	27 October 2019 Number	26 April 2020 Number
Number of shares in issue	**62,500,000**	62,500,000	62,500,000
Number of dilutive share options	**-**	3,885	-
Number of shares for diluted earnings per share	**62,500,000**	62,503,885	62,500,000

	£000	£000	£000
Loss for the financial period	**(3,264)**	(6,414)	(17,702)
Adjusting items	**165**	614	19,606
Total adjusted profit / (loss) for adjusted earnings per share	**(3,099)**	(5,800)	1,904

	Pence	Pence	Pence
Basic earnings per share	**(5.2)**	(10.3)	(28.3)
Diluted earnings per share	**(5.2)**	(10.3)	(28.3)
Adjusted basic earnings per share	**(5.0)**	(9.3)	3.0
Adjusted diluted earnings per share	**(5.0)**	(9.3)	3.0

12 Dividends

	Pence per share	**25 October 2020 £000**	27 October 2019 £000	26 April 2020 £000
Final dividend for the year ended 28 April 2019	2.4p	**-**	1,500	1,500
Interim dividend for the year ended 26 April 2020	1.2p	**-**	-	750
Total dividend paid to shareholders in the period		**-**	1,500	2,250

No dividend has been declared by the Company in respect of the period ended 25 October 2020.

13 Intangible assets

	Goodwill £000	**Software £000**	**Total £000**
Cost			
Balance at 26 April 2020	16,180	8,415	**24,595**
Additions	-	562	**562**
Disposals	-	(1,208)	**(1,208)**
Balance at 25 October 2020	16,180	7,769	**23,949**
Amortisation/Impairment			
Balance at 26 April 2020	16,180	5,221	**21,401**
Amortisation charge for the year	-	563	**563**
Disposals	-	(588)	**(588)**
Balance at 25 October 2020	**16,180**	**5,196**	**21,376**
Net book value			
At 26 April 2020	-	3,194	**3,194**
At 25 October 2020	**-**	**2,573**	**2,573**

Goodwill impairment testing

Goodwill of £16.2 million arose in 2015 when The Works.co.uk plc acquired The Works Stores Limited (TWSL) in a share for share transaction. As such, all of the goodwill has been allocated to one cash generating unit (CGU) being TWSL. A full impairment provision was made against this balance in the FY20 accounts and no further impairment assessment is required.

14 Property, plant and equipment

	RoUA - Property £000	RoUA - Plant & Equipment £000	Land and buildings £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost						
Balance at 26 April 2020	138,470	1,724	10,591	2,539	25,738	**179,062**
Additions	8,758	188	66	319	129	**9,460**
Disposals	(623)	-	(64)	(20)	(305)	**(1,012)**
Balance at 25 October 2020	**146,605**	**1,912**	**10,593**	**2,838**	**25,562**	**187,510**
Depreciation and impairment						
Balance at 26 April 2020	22,972	459	4,586	2,185	11,036	**41,238**
Depreciation charge for the year	11,367	268	499	276	1,819	**14,229**
Impairment charges	-	-	-	-	-	**-**
Impairment reversals	-	-	-	-	-	**-**
Disposals	(250)	-	(16)	(15)	(140)	**(421)**
Balance at 25 October 2020	**34,089**	**727**	**5,069**	**2,446**	**12,715**	**55,046**
Net book value						
At 26 April 2020	115,498	1,265	6,005	354	14,702	137,824
At 25 October 2020	**112,516**	**1,185**	**5,524**	**392**	**12,847**	**132,464**

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

An impairment review was conducted at 26 April 2020 whereby the Group determined that each store is a separate CGU. Each CGU was tested for impairment at that date because the UK Government trade restrictions implemented as a result of the COVID-19 pandemic were considered an impairment trigger for such a test.

At 25 October 2020 no additional indicators of impairment have been identified and no further impairment charges have been recognised during the Period (52 weeks to 26 April 2020: £3,500k; 26 weeks to 27 October 2019: £506k).

15 Capital Commitments

As at 25 October 2020, the Group had capital commitments at £249k (26 April 2020: £94k, 27 October 2019: £1,305k).

16 Inventory

	25 October 2020 £000	27 October 2019 £000	26 April 2020 £000
Goods for resale	**32,968**	36,628	25,750
Goods not for resale	**-**	982	-
Stock in transit	**5,548**	4,901	844
Inventory	**38,516**	42,511	26,594

An inventory provision of £2.2m for obsolescence and shrinkage has been recognised at the period end (27 October 2019: £1.3m, 26 April 2020, £1.9m). The provision is an estimate, which is based on stock ageing and historical trends and is reviewed by management throughout the year.

17 Borrowings

	26 weeks ended 25 October 2020	26 weeks ended 27 October 2019 (Restated – Note 1b)	52 weeks ended 26 April 2020
	£000	£000	£000
Non-current liabilities			
Lease liabilities	**107,497**	94,590	110,200
Unamortised debt issue costs	**(262)**	(42)	(11)
Non-current liabilities	**107,235**	94,548	110,189
Current liabilities			
Secured bank loans	**7,500**	7,000	10,000
Unamortised debt issue costs	**(286)**	(62)	(62)
Current interest bearing loans and borrowings	**7,214**	6,938	9,938
Bank overdraft	**-**	7,567	3,605
Lease liabilities	**22,423**	18,283	22,002
Current liabilities	**29,637**	32,788	35,545

The Group's bank facilities comprise:

- A £22.5m revolving credit facility ("RCF") which expires in September 2022, with a step down of £2.5m in January 2022, to reflect the profile of the expected facility requirement.
- A £7.5m term loan facility, under the Government's CLBILS scheme, which also expires in September 2022. No repayments are due until the expiry date.
- The facility includes financial covenants in relation to the level of EBITDA, net debt and capital expenditure.

The RCF has been undrawn since 25 September 2020.

Net debt reconciliation

	25 October 2020	27 October 2019	26 April 2020
	£000	£000	£000
Net debt (excluding unamortised debt costs)			
CLBILS/RCF	**7,500**	7,000	10,000
Bank overdraft	**-**	7,567	3,605
Cash and cash equivalents	**(18,771)**	(444)	(6,546)
Net (cash) / debt at bank	**(11,271)**	14,123	7,059
Non IFRS 16 lease liabilities	**957**	720	952
Non IFRS 16 net (cash) / debt	**(10,314)**	14,843	8,011
IFRS 16 lease liabilities	**128,963**	112,153	131,250
Net debt / (cash) including IFRS 16 lease liabilities	**118,649**	126,996	139,261

18 Provisions

	Dilapidations	**HMRC duty provision**	**Total**
	£000	**£000**	**£000**
Balance at 26 April 2020	**192**	**787**	**979**
Provisions made during the period	138	-	**138**
Provisions used during the period	(32)	(154)	**(186)**
Provisions released during the period	-	(17)	**(17)**
Balance as at 25 October 2020	298	616	**914**

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

HMRC duty provision
During the prior year HMRC initiated a review of the import duty paid by the Company. This identified that duty was underpaid in the Stationary, Canvases and Toys product categories.

HMRC's detailed review of the Toys category has been concluded since the FY20 year end, with a final underpaid duty figure of £550k which was already provided for and has been settled since the Period end. Professional fees of £36k and potential penalty interest of £30k were also provided for as at 25 October 2020. The penalty was subsequently assessed at £750, a de-minimis amount, in recognition of the Group's cooperative approach to HMRC's review.

19 Share Capital

As at the 25 October 2020 the company had the following share capital:

	£000
Share capital	625
Share premium	28,322

20 Financial Instruments

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

Contractual maturity of financial liabilities	Within 1 year £000	2-5 years £000	5+ years £000	Total £000
25 October 2020				
Non Derivative				
Interest bearing	7,500	-	-	7,500
Non-interest bearing	54,430	-	-	54,430
Finance lease liabilities	22,423	78,293	29,204	129,920
Derivative				
Forward currency contracts	294	-	-	294
	84,647	**78,293**	**29,204**	**192,144**
27 October 2019				
Non Derivative				
Interest bearing	14,567	-	-	14,567
Non-interest bearing	44,456	-	-	44,456
Finance lease liabilities	18,283	94,590	-	112,873
Derivative				
Forward currency contracts	1,005	-	-	1,005
	78,311	**94,590**	**-**	**172,901**
26 April 2020				
Non Derivative				
Interest bearing	13,605	-	-	13,605
Non-interest bearing	26,189	-	-	26,189
Finance lease liability (discounted cash flows)	22,002	76,835	33,365	132,202
Derivative				
Forward currency contracts	-	-	-	-
	61,796	**76,835**	**33,365**	**171,996**

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

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

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

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

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

	26 weeks ended 25 October 2020	26 weeks ended 27 October 2019	52 weeks ended 26 April 2020
Net Derivative Financial Instruments			
Foreign exchange contracts	**(160)**	(849)	1,531

Classification of financial instruments

The tables below shows the classification of financial assets and liabilities as at 25 October 2020. The fair values of financial instruments have been assessed as approximately their carrying value.

	Mandatorily at FVTPL £000	**Cash flow hedging instruments £000**	**Financial assets at amortised cost £000**	**Other financial liabilities £000**
Financial assets measured at fair value				
Derivative financial instruments	-	134	-	-
Financial assets not measured at fair value				
Trade and other receivables	-	-	5,873	-
Cash and cash equivalents	-	-	18,771	-
Financial liabilities measured at fair value				
Derivative financial instruments	-	(294)	-	-
Financial liabilities not measured at fair value				
Bank overdraft	-	-	-	-
Unsecured bank loans	-	-	-	(7,500)
Finance lease liability	-	-	-	(129,920)
Trade and other payables	-	-	-	(54,430)
As at 25 October 2020	-	(160)	24,644	(191,850)

	Mandatorily at FVTPL £000	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
Financial assets measured at fair value				
Derivative financial instruments	-	156	-	-
Financial assets not measured at fair value				
Trade and other receivables	-	-	9,884	-
Cash and cash equivalents	-	-	444	-
Financial liabilities measured at fair value				
Derivative financial instruments	-	(1,005)	-	-
Financial liabilities not measured at fair value				
Bank overdraft	-	-	-	(7,567)
Unsecured bank loans	-	-	-	(7,000)
Finance lease liability	-	-	-	(112,873)
Trade and other payables	-	-	-	(44,456)
As at 27 October 2019	-	(849)	10,328	(171,896)

	Mandatorily at FVTPL £000	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
Financial assets measured at fair value	-	-	-	-
Derivative financial instruments	-	1,531	-	-
Financial assets not measured at fair value				
Trade and other receivables	-	-	8,130	-
Cash and cash equivalents	-	-	6,546	-
Financial liabilities measured at fair value				
Derivative financial instruments	-	-	-	-
Financial liabilities not measured at fair value				
Bank Overdraft	-	-	-	(3,605)
Unsecured bank overdraft	-	-	-	(10,000)
Finance lease liabilities	-	-	-	(132,202)
Trade and other payables	-	-	-	(26,189)
As at 26 April 2020	-	1,531	14,676	(171,996)

21 Related parties

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

22 Contingent liabilities

There were no contingent liabilities noted during the period ending 25 October 2020.

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

We confirm that to the best of our knowledge:

- the condensed unaudited set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first half of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining half of the year; and

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

By Order of the Board

Gavin Peck

Director
22 January 2021

Principal risks and uncertainties

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

Risks and uncertainties in addition to those detailed below, not presently known to management, or deemed less material currently, may also have an adverse effect on the business. Further, the exposure to each risk will evolve as mitigating actions are taken or as new risks emerge. The principal risks and uncertainties facing the Group as at the date of this interim management report are set out below, together with details of how these are currently mitigated.

Risk	Description	Mitigation	Change in level of risk from prior year
COVID-19	COVID-19 has created an unprecedented challenge. We believe the risks to the Group posed by the COVID-19 pandemic are as follows: • Potential for significant and prolonged impact on economic conditions. • The likelihood of continuing /further Government restrictions on trading will affect the ability to trade and may affect the ability of the third party logistics provider and parcel delivery provider to service online fulfilment. • Potential increase in employee absenteeism. • Supply chain disruption, including disruption to stock availability and potential cost inflation. • Liquidity risk: the risks listed above could adversely impact liquidity.	The health and wellbeing of colleagues, customers and wider communities is the Board's overriding priority. Events are closely monitored by the Board which evaluates the potential impacts and designs appropriate response strategies. The Group maintains a prudent approach to costs, however a number of additional temporary measures were also taken to reduce costs and/or conserve cash, including; • Use of all applicable Government support schemes. • Reducing store rent payments whilst stores were closed, wherever possible, through cooperation with landlords; • Careful management of stock intake; • Suspended non-essential capital investment, including new store rollout programme (with the exception of a small number of stores which were legally committed); • Minimised discretionary operational expenditure; The Group has worked with its third party logistics partner to increase capacity safely, which worked well during peak trading in November & December 2020. The Group has implemented changes to stores, the distribution centre and store support centre (including hygiene and social distancing measures and enabling the majority of head office colleagues to be able to work remotely where practical to do so).	New risk identified in FY20 Annual Report and Accounts. At that time, the biggest potential impact was expected to be during the peak pre-Christmas sales period in FY21. Whilst sales were affected due to store closures, the business entered the period with strong financial resources and although this disruption will affect the financial result for the year, the Group's liquidity position remains sound. Whilst further disruption to trading is currently being experienced, it is hoped that the roll out of a vaccination programme during 2021 will gradually reduce the risk level.
Finance	Insufficient finance available and/or insufficient headroom in banking facilities. Potential for breach of banking covenants if financial performance is significantly worse than planned. Availability of credit insurance to suppliers may be reduced or removed resulting in an increased cash requirement.	Covenant headroom monitored and forecast covenants calculated on a monthly basis and reported to Board. Bank facilities renewed August 2020, with increased covenant headroom and expiry date extended to September 2022. Strategic emphasis now more on costs and efficiency than previous store roll out plan, reducing risk. Constructive dialogue maintained with suppliers, regarding payment terms.	Same risk level

Risk	Description	Mitigation	Change in level of risk from prior year
Market	The Group generates most of its revenue from the sale of books, toys, art and craft and stationery products. Although the Group has a proven track record of understanding customers' needs within these categories, these markets are highly competitive, with increasing competition from "hard discounters" and customers' tastes and shopping habits can change quickly. Failure to effectively predict and respond to these changes could affect the Group's sales, performance and reputation. Most of the Group's sales are derived from physical shops. The challenges facing the high street could significantly impact on the Group's future strategy and growth plans.	Ongoing focus on "product discovery" and development of "own brand" offering, helps differentiate The Works, bringing unique, quality, products to market at great prices. Experienced trading team monitors emerging trends and has a track record of responding to changing consumer tastes. Competitor pricing and product offering closely monitored, with key developments discussed at weekly trading meetings and at Board level on a regular basis. Customer feedback is monitored and reported against regularly. Sales data, insight from loyalty card database and various online feedback channels are used to drive purchasing and marketing decisions. We continue to invest in online capability to ensure that this channel complements the proposition in the retail estate, and vice versa, as customers increasingly engage with both channels whilst shopping.	Same risk level
Economic environment	The Group's business is sensitive to general economic, consumer spending and business conditions. A decline in economic conditions or a reduction in consumer confidence could impact upon customer spending and subsequently have an adverse effect on the Group's revenue and profitability. This risk is currently heightened due to COVID-19 and potential concerns regarding Brexit.	The Board considers that the Group's proposition as an alternative to full price specialist retailers, offering quality good value products, positions it well for customers looking to trade-down in times of economic uncertainty. Sales trends are monitored at weekly trading meetings, attended by senior management, with mitigating actions agreed to drive sales and/or reduce costs accordingly. The senior management team has significant relevant experience.	Increased risk level due to COVID-19 pandemic but Brexit risk appears to have reduced following announcement of trade agreement.
Brand and reputation	'TheWorks.co.uk' is the Group's key brand asset. Protecting and enhancing the Group's brand and reputation is vital to the success of the Group. Failure to protect the brand, in particular regarding product quality and safety, could result in the Group's reputation, sales and future prospects being adversely affected.	Values of the business are well communicated to colleagues and the senior management team leads by example. Intellectual property guidance and education is provided to design and sourcing teams. Customer and market research focuses on understanding brand perception. Customer product reviews are monitored closely, with swift action taken to remove products from sale where quality issues are identified. The Group operates an in-house product quality assurance team to work with	Same risk level

Risk	Description	Mitigation	Change in level of risk from prior year
		suppliers to ensure product quality, safety and ethical production. Third-party technical and ethical audits are conducted and suppliers are required to deliver a valid product safety test certificate ahead of an order being fulfilled.	
Supply chain	The Group uses third parties, including many in Asia, for the supply of products. This creates a number of potential areas of risk, including the potential for supplier failures and the risks of manufacturing and importing of goods from overseas and potential disruption at various stages of the supply chain. This disruption risk may be heightened due to COVID-19. Currently, the main supply chain impact is on ocean freight rates and availability of shipping containers. The industry has suffered as a result of uneven demand and supply patterns occurring globally due to the pandemic. Brexit uncertainty remains to some extent, as import and export processes will alter, but the recent agreement of a deal should reduce the risk level. Suppliers may fail to act or operate in an ethically appropriate manner.	An experienced buying team is responsible for the sourcing of products, who maintain strong relationships with key suppliers. The supplier base is continually reviewed. Supply options are diversified and/or changed where needed, providing flexibility and reducing reliance on individual suppliers. Tighter controls have been introduced throughout the import process, supported by the freight forwarder. We maintain relationships with other freight forwarders to mitigate the risk of over-reliance on one provider. We conduct business fairly, ethically and with respect to human rights. We are committed to the prevention of slavery, forced labour or servitude, child labour and human-trafficking, in our business and supply chain. We have an established Ethical Trading Code of Conduct and Human Rights Policy for our partners, manufacturers and suppliers. All suppliers must sign our Terms and Conditions of Purchase which state the supplier has read, understood and agrees to conform to our Ethical Trading Code of Conduct. Independent monitoring of suppliers is undertaken using third-party auditors having local country knowledge and an understanding of social and ethical requirements. The audits take place directly in the factories and monitor workplace conditions, interview workers and evaluate operating conditions. These are based on the Ethical Trade Initiative (‘ETI’) Base Code. We also conduct independent product testing as part of our Product Surveillance Test Programme. We continue to develop our supply chain management procedures and supplier audit programme. Suppliers have direct contact with our in-house Quality Assurance function. Recent disruption in the ocean freight industry has caused unprecedented	Similar overall risk level re: COVID-19 and other risks, lower risk level regarding Brexit.

Risk	Description	Mitigation	Change in level of risk from prior year
		increases in the cost of shipping a standard container from the far east to the U.K., and also delays. The impact on stock availability is less critical than might otherwise be the case because the situation has occurred after the stock build ahead of the Christmas trading peak, and the recent announcements of further restrictions on trading mean that the requirement for stock is lessened in any event. We do not believe that this will be a permanent problem, and compared to the loss of sales due to trading restrictions, this is a relatively small issue.	
Loss of key personnel	The Group's strategy and long-term success is heavily dependent on the quality of the Board and senior management team. There is a risk that a lack of effective succession planning for the senior management team and development of key colleagues, could harm future prospects and result in increased costs.	Succession plans continue to be developed for each member of the senior management team and are discussed at Nomination Committee meetings. Objectives and development programmes are currently being put in place to support future leaders. Recent recruitment experience suggests that high-calibre candidates want to join a successful and growing retail business. The Group's remuneration policy is designed to ensure management incentives support the long-term success of the Group for the benefit of all stakeholders.	Same risk level
Business continuity	Significant disruption to key parts of the operation, in particular, internal IT systems, the store support centre or a distribution centre, could severely impact The Group's ability to supply stores or fulfil online sales resulting in significant financial or reputational damage.	A disaster recovery plan and strategy is in place. Disaster recovery dry run exercises are undertaken periodically. The Group maintains appropriate business interruption insurance cover. An emergency generator at the store support centre insulates it from the effect of power cuts. System recovery is captured as part of the Business Continuity plan and any part could be invoked depending on the nature of the issue with the system. An in-house development team maintains the internal systems and can be deployed immediately a problem arises.	Same risk level
Regulation and compliance	The Group is exposed to a growing number of legal and regulatory compliance requirements including: the Bribery Act, the Modern Slavery Act, tax evasion and Senior Accounting Officer rules, GDPR, Gender Pay Gap reporting, National Living and Minimum Wage, Environmental and Listing Rules.	The Group's CFO and Company Secretary oversee regulatory compliance with support from external advisers. Senior management team members are aware of the key compliance requirements within their business units and liaise with the CFO and external advisers to identify and manage issues. The Group has a number of policies and procedures governing behaviours in all key areas, some addressing mandatory requirements (e.g. anti-bribery and	Same risk level

Risk	Description	Mitigation	Change in level of risk from prior year
	Failure to comply with these regulations could lead to financial claims, penalties, damages, fines or reputational damage which, in some cases, could be material and could significantly impact the financial performance of the business.	corruption, adherence to national living wage requirements) and others adopted voluntarily. A whistle-blowing policy and procedure is in place, allowing colleagues to confidentially report any concerns or inappropriate behaviour. The Group has a GDPR policy, a data supervisor and an established GDPR governance meeting, with minutes and actions circulated to the senior management team. An out-sourced internal audit function is used as required to focus on key areas of control which are judged to warrant review.	
IT systems and cyber security	The Group is reliant on the efficiency, reliability and resilience of key IT systems. Failure to develop and maintain these systems, or any prolonged system performance problems or cyber-attack, could affect the Group's ability to trade and/or could lead to significant fines and reputational damage.	Recovery of key business systems is captured as part of the Business Continuity Plan with enhanced working from home capabilities deployed in response to COVID-19. Support contracts, with appropriate SLAs, are in place for all third-party systems with in-house systems supported by an experienced in-house development team. Operational practices for maintaining security have been reviewed with revised and more frequent patching cycles adopted. More frequent vulnerability scans and penetration tests are used to validate the robustness of security. A Design Review Group meets weekly to assess changes and design security into new systems and changes. An audit of Cyber Security was completed by the third party internal audit provider in the latter part of 2019 and all recommendations are being adopted. The IT investment strategy is reviewed regularly with the Operating Board including security and infrastructure investment programmes.	Increased risk level due to perception of external environment
Cost inflation	Increases in costs, such as raw materials, commodity and wage costs, could adversely impact the Group's ability to deliver profit growth. This risk is currently heightened due to: ● COVID-19 pandemic may cause increased costs to mitigate health and safety risks, along with unknown impacts on imports and	Budgets and forecasts prepared by the Group include the expected impact of the national living wage and other known cost inflation (e.g. in electricity prices) and, therefore, the Board's strategic planning takes these into account. Cost control remains a central focus for the business. Cost mitigation strategies are in place to offset, where possible, increases in	Potentially slightly lowered risk level due to recent securing of Brexit agreement but potential inflation risk due to wider macro-economic conditions. Assessment is that overall risk level is unchanged.

Risk	Description	Mitigation	Change in level of risk from prior year
	supply chain costs (see also supply chain risk described above). ● The current political focus on raising national living and minimum wages given most of the Group's colleagues are paid the national minimum or living wage.	national minimum and living wages (e.g. through productivity improvements). Hedging policy is in place to manage exposure to foreign exchange rate fluctuations in the short term. Flexible nature of the Group's product offering means it has the ability to adapt or change products to meet margin requirements, supported by the continued growth in own brand offering. The flexible nature of the Group's property leases, approximately three years on average to the next exit point, ensures the Group is able to benefit from the current downward trend in rental costs through the rolling renegotiation of its leases.	
Stock management	Ineffective controls over the management of stock could impact on the achievement of gross margin objectives, whilst lack of sufficient product availability could impact on sales.	Stock cover levels are set as part of an annual budget process with stock cover by product group, and at a total level, reviewed on a weekly basis against these budgeted levels. Perpetual Inventory counts are undertaken in stores and at distribution centres to monitor stock losses. 'Aged stock' is monitored closely with regular markdown action on slow-moving product lines.	Same risk level
Store expansion	At the end of FY20, new store rollout was de-emphasised as a pillar of the strategy. The ability to identify a set number of suitably profitable new store locations is therefore less critical than in previous years.	A store location modelling tool supports the new store assessment and sign-off process. UK retail vacancy rates continue to run at high levels, providing opportunities which will be pursued selectively. Each new store opening is approved by the CEO and CFO and will be subject to particularly close scrutiny in light of tighter capex constraints.	Reduced risk level
Seasonality of sales	The Group historically makes all of its profit in the second half of the financial year, with the peak Christmas trading period contributing substantially all of this profit. Interruptions to supply, adverse weather or a significant downturn in consumer confidence around this peak trading period could have a significant impact on the sales and profitability of the Group.	We continue to explore opportunities to reduce seasonality by growing the year-round appeal of the proposition. Weekly trading meetings, attended by all members of senior management, ensure action is taken to maximise sales based on current and expected trading conditions. The Group invested in increased capacity in its online fulfilment operation for the peak season of FY21, which was successful in avoiding disruptions to service experienced in the previous two years despite very high online demand due to most of the Group's stores being closed during November 2020 due to lockdown restrictions.	Risk level remains inherently high but risk mitigations in relation to the COVID-19 impact in November and December 2020 were successful.