1 October 2024

TheWorks.co.uk plc

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

Preliminary results for the 53 weeks ended 5 May 2024 and trading update

Finished FY24 in line with market forecasts of pre-IFRS16 adjusted EBITDA of £6.0m. Well positioned for profit growth in FY25 and to meet market forecasts of pre-IFRS16 adjusted EBITDA of £8.5m, with a process to evolve the strategy well underway.

TheWorks.co.uk plc, the family-friendly value retailer of arts, crafts, toys, books and stationery, announces its preliminary results for the 53 weeks ended 5 May 2024 (the "period" or "FY24")(1) and an update on current trading.

Financial highlights

- Delivered total revenue growth of 0.9% to £282.6m in FY24 against a challenging backdrop characterised by cost of living pressures and softened consumer demand.
- Store sales, which represent c.90% of total sales, continued to drive growth, increasing by 0.6% on a like for like (LFL(2)) basis. Online LFL sales declined by 12.4%, resulting in an overall LFL sales decline of 0.9%.
- Pre-IFRS 16 Adjusted EBITDA of £6.0m (FY23: £9.0m). Sales were lower than originally anticipated, reflecting a tough trading environment and operational challenges in the run up to Christmas. This combined with increased cost headwinds put pressure on profitability. However, due to the decisive cost action taken and improved trading in the final quarter, the Group ended the year in line with expectations(3).
- Adjusted profit before tax(4) (PBT) of £3.2m (FY23 Restated(5): £5.3m).
- The Group ended the Period with net cash(6) of £1.6m (the 52-week period ended with net cash of £6.5m, which compares to net cash of £10.2m at the end of FY23).
- The Board is not proposing a final dividend for FY24. Future shareholder distributions will be kept under consideration as profitability improves and net cash allows.
- Sales in the first 21 weeks of FY25 have been in line with our expectations, with LFL sales up 0.2%. On track to deliver improved profitability in FY25 and meet Group compiled market forecasts of pre-IFRS16 Adjusted EBITDA of £8.5m.
- Medium term goal is to return to pre-IFRS 16 EBITDA margins of 5%.

	FY24 £m	FY23 (Restated)(5) £m
Revenue	282.6	280.1
Revenue growth %	0.9%	5.8%
Total LFL sales	(0.9)%	4.2%
Pre-IFRS16 Adjusted EBITDA(4)	6.0	9.0
Pre-IFRS16 EBITDA Margin(4)	2.1%	3.2%
Adjusted profit before tax(4)	3.2	5.3
Profit before tax	6.9	9.0
Adjusted basic EPS (pence)	4.2p	9.2p
Basic EPS (pence)	10.2p	15.0p
Dividend per share (pence)	0p	0p
Net cash(6)	1.6	10.2

FY24 business highlights

- Decisive action was taken to grow product margins, reset the cost base and scale back non-essential investments, with the aim of improving profitability. This included relocating our online fulfilment centre and changing ways of working in our retail Distribution Centre, negotiating more favourable terms with suppliers and landlords, transferring from the Main Market to AIM and ending our customer loyalty scheme to focus instead on providing customers with everyday low prices.
- Evolved our brand to fulfil our purpose – *to inspire reading, learning, creativity and play* – commencing a project to make our brand positioning clearer. This is now being rolled out in our external marketing and includes the introduction of our new #TimeWellSpent strapline.
- Refined our product proposition to more clearly align to our brand purpose through the introduction of new toys and games ranges and the relaunch of our kids' book range in Spring 2024.
- Improved the quality of our overall store portfolio through 9 openings, 24 closures (of mostly loss-making or low-profit stores), 5 relocations and 21 refits. Operated from 511 stores at the end of FY24, of which 96% are profitable. New stores on track to deliver strong payback of approximately one year.
- Leadership changes at both plc Board and Operating Board level, including streamlining the Operating Board so that it is more agile and better positioned to deliver on strategy and growth plans.
- Placed 15th in the 'Best Big Companies to Work For' and 10th in Retail Week's 'Top 50 happiest retailers to work for', demonstrating strong colleague engagement.

Trading update and outlook

Sales have been in line with our expectations in the first 21 weeks of FY25 (ended Sunday 29 September 2024), with LFL sales up 0.2%, outperforming the wider sector. This performance is encouraging, against the widely reported backdrop of improved consumer confidence having yet to translate into increased consumer spend and non-food retail sales remaining subdued(7).

We are well-positioned heading into our peak Christmas trading period having addressed the capacity issues faced in our Distribution Centre last year, our new brand strapline #TimeWellSpent launching and exciting new product ranges set to land, including our popular 2 for £12 gifts for all the family and some fantastic new book releases across our fiction and non-fiction ranges.

Strong product margin growth and cost savings are being delivered, more than offsetting ongoing cost headwinds. As such, we remain on track to deliver improved profitability in FY25 and meet Group compiled market forecasts of pre-IFRS16 Adjusted EBITDA of £8.5m.

Board change

As announced alongside our FY24 results, John Goold and Mark Kirkland, both Non-Independent Non-Executive Directors of The Works, have decided to step down from the Board with effect from today.

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

"Against a persistently challenging consumer backdrop and tough Christmas trading, we were pleased to end FY24 in line with market expectations. This was a direct result of the continued dedication and strong response of colleagues, the decisive action taken to improve product margins, reduce costs and scale back non-essential investments, supported by improved sales in the final quarter.

"Good strategic progress was made during the year and whilst we believe this continues to be the right high level strategic direction for The Works, we also believe that now is the right time to evolve the strategy. Work is therefore underway to refine our plans to transform the business and drive an improved performance and shareholder returns in the years ahead.

"Although consumer confidence remains subdued and we continue to face tough cost headwinds, the cost and operational action we have taken and the trajectory of recent trading means we are well positioned to offset these and return to profit growth in FY25. Operationally we are in a much stronger position this year as we head into the upcoming peak Christmas trading period and we look forward to supporting customers to have a Christmas well spent courtesy of The Works."

Preliminary results presentation

A copy of the FY24 Preliminary results presentation will shortly be made available on the Company's website (www.corporate.theworks.co.uk/investors).

A presentation and Q&A for all existing and potential shareholders will be held via Investor Meet Company at 1.30pm on Wednesday 2 October 2024. Investors can register here:

https://www.investormeetcompany.com/theworkscouk-plc/register-investor

Enquiries: **TheWorks.co.uk plc** Gavin Peck, CEO Rosie Fordham, CFO	via Sanctuary Counsel	
Sanctuary Counsel Ben Ullmann Rachel Miller Kitty Ryder	0207 340 0395	theworks@sanctuarycounsel.com
Singer Capital Markets (Nomad and Broker) Peter Steel Alaina Wong Jalini Kalaravy	020 7496 3000	

Footnotes:

(1) The FY24 annual report and accounts for the Group will cover the 53-week period ended 5 May 2024, compared to a 52-week period ended 30 April 2023 in FY23.
(2) 53-week LFL sales growth has been calculated with reference to the prior 53-week comparative sales period. LFL sales growth is the growth in gross sales from stores which have been trading for the full financial period (current and previous year), and from the Group's online store.
(3) In November 2023 the Group announced its revised profit forecast of pre-IFRS 16 EBITDA of £6.0m.
(4) Adjusted profit figures exclude Adjusting items. See notes 2 (Alternative performance measures) and 3 (Adjusting items) of the condensed financial statements included in this RNS.
(5) Prior period restatements reflect adjustments wholly related to IFRS 16 lease accounting. Further details can be found in note 12 of the condensed financial statements included in this RNS.
(6) Net cash at bank excluding finance leases, on a pre-IFRS 16 basis.
(7) The BRC-KPMG Retail Sales Monitor for August reported that non-food sales decreased 1.7% year-on-year over the three-months to August (link).

Notes for editors:

The Works is one of the UK's leading family-friendly value retailers of arts and crafts, stationery, toys, and books, offering customers a differentiated proposition as a value alternative to full price specialist retailers. The Group operates a network of over 500 stores in the UK & Ireland, as well as trading online at TheWorks.co.uk.

Chair Review

Introduction

I am delighted to have joined The Works as Chair in July 2024 and, on behalf of the whole Board, would like to take this opportunity to thank my predecessor, Carolyn Bradley, for her contribution to the business.

My initial, overriding impression since joining The Works is that this is a business with a clear purpose, strong value proposition, quality store portfolio, positive and healthy culture, tight-knit leadership team and passionate colleagues.

While much important progress has been made in recent years, this has not yet translated into an improved financial performance. There remains much to be done and although the business continues to face challenges, this also presents an exciting opportunity to evolve and grow. I believe there is substantial potential for increased shareholder value and I look forward to working closely with Gavin and his leadership team to realise this.

FY24 performance

The business faced difficult economic conditions in FY24, which put pressure on sales and impacted profitability. Action taken to reduce the cost base and, grow product margins, as well as improved sales in the final quarter provides a stronger foundation from which to build, as we have seen in FY25 to date. Credit must go to Gavin and his leadership team for ensuring The Works ended the year in line with market expectations and positioning the business for growth in the years ahead.

Strategy

Following several years of major externally driven operational challenges, resulting in financial underperformance and a reshaping and strengthening of both the Operating Board and the plc Board, as detailed below, now is the opportune moment to put in place a clear plan to transform the business. Strong, affirmative action is needed to drive sales growth, improve operating margins and deliver strong shareholder returns. A review of our longer-term goals, the strategy and operational plans to deliver on those goals is currently underway and we expect to be in a position to share more on this alongside our interim results in January 2025.

Our Board and leadership

The business has undergone leadership changes at both an Operating and plc Board level over the last year.

Lynne Tooms was appointed as Commercial Director in September 2023 and Rosie Fordham stepped up to the role of CFO in January 2024. Both have had a hugely positive impact on the business.

To reflect where The Works is today and to ensure that the business is best able to deliver on its strategy, Gavin restructured his leadership team in April 2024. We now have a streamlined Operating Board which has accelerated the delivery of our plans and improved cross-functional working.

We have also seen changes at a plc Board level during the year. In addition to my appointment in July 2024, John Goold and Mark Kirkland, both from one of our shareholders Kelso plc, joined as Non-Executive Directors in February 2024. They decided to step down from the Board in October 2024.

Catherine Glickman, Independent Non-Executive Director, announced her intention not to seek re-election at the AGM. The process to appoint Catherine's successor, someone that has extensive value retail experience, is expected to be completed before the end of the calendar year.

Capital distributions

The Board is not proposing a final dividend for FY24. We will continue to keep future shareholder distributions under consideration as profitability improves and net cash allows, whilst noting some of our major shareholders' preference for share buybacks over the payment of dividends. A further update will be provided alongside our interim results in January 2025.

Outlook

The Board is mindful that the consumer environment has not yet fully recovered and of continued cost headwinds. With a strengthened leadership team and Board, a good foundation for strategic progress, action taken around costs, and a solid start to sales in the new financial year, we are, however, confident that The Works will deliver profit growth in FY25.

Finally, I would like to thank our shareholders for their continued support whilst the business is undergoing a period of transition.

Steve Bellamy
Chair

CEO Report

Introduction

In FY24 we made good progress against our "better, not just bigger" strategy, whilst also shifting our focus in response to challenging trading conditions. Following a challenging second half of 2023, with particularly tough Christmas trading, stabilising profitability became our primary focus. Decisive action was taken to grow gross margins, reset the cost base and scale back non-essential investments. I am pleased to report that, as a result of this action, we finished the year in line with market expectations. We are well positioned to realise further benefits and deliver increased shareholder value in FY25 and beyond.

Trading performance and financial results

In FY24 we delivered total revenue growth of 0.9% to £282.6m and a total like-for-like (LFL) sales decline of 0.9%, which was lower than our expectations at the start of the year. Across the year our stores, which comprise c.90% of sales, saw sales increase by 0.6% on a LFL basis, whilst online LFL sales declined by 12.4%. Outlined below are the main factors that contributed to this performance:

- The backdrop to FY24 was persistently challenging, characterised by high consumer inflation, low consumer confidence and ongoing cost of living pressures. This impacted Christmas trading in particular and drove high levels of promotional activity across the market ahead of our peak Christmas season.
- We faced capacity issues at our Distribution Centre in the run up to peak trading, exacerbated by operational challenges with embedding a new picking process, which temporarily disrupted the flow of stock during our key trading period.
- We had a promising start to the year and good strategic progress was made, particularly through improvements to our product proposition. New toys and games ranges performed well in H1 and the relaunch of our kids' book, core art and stationery ranges drove improved trading in-store post-Christmas.
- As part of our ongoing focus on improving the quality of our store portfolio we closed a net 15 stores, resulting in a sales headwind. As the closed stores were mostly loss-making or low-profit stores, the profit impact was broadly neutral.
- We implemented a series of changes to our online channel to improve profitability. Although this temporarily impacted sales, it meant that our online channel broke-even in FY24 and the Board expects this channel to be profitable in FY25.

Pre-IFRS16 EBITDA for FY24 was £6.0m (FY23: £9.0m), which was lower than our expectations at the start of the year. We faced increased cost headwinds in FY24, both those that we had anticipated (e.g. higher business rates, increases to the National Living and Minimum Wages and investment in our merchandising team) and those we could not have foreseen (e.g. substantial increases in freight costs due to supply chain disruption). Faced with constrained profitability and uncertainty regarding a recovery in consumer confidence, in the second half of the year we implemented a programme to stabilise profitability. Action taken included:

- Transferring The Works from its Main Market listing to AIM which will result in lower corporate costs and a more flexible regulatory environment.
- Moving our online fulfilment centre, operated by third-party provider iForce, to a more efficient facility in early January, which is expected to deliver a c.£1.0m per year reduction in operating costs.
- Ending our Together Rewards loyalty scheme to focus instead on maintaining everyday affordable prices. The scheme had c.2 million active members and although loyalty members typically spent more, it did not deliver adequate returns on the annual investment of over £2m.
- Improving product margins through negotiations with suppliers and more targeted promotional activity.

- Introducing changes to ways of working in our Distribution Centre and store labour models, which are expected to drive significant efficiencies.
- Negotiating rent savings with landlords, particularly for low-profit and loss-making stores with leases up for renewal.
- Restructuring our Operating Board to give us a more agile, streamlined and focused leadership team.

We expect to realise most of the benefits from this activity in FY25, however were encouraged to see improved margins and lower costs coming through towards the end of FY24. This action, coupled with improving store sales in the final quarter, meant that we finished the year in line with expectations, delivering pre-IFRS 16 Adjusted EBITDA of £6.0m (FY23: £9.0m) and Adjusted profit before tax of £3.2m (FY23 restated: £5.3m).

Overall, whilst it is disappointing that our performance in the year was lower than anticipated at the outset, I am pleased that the decisive action taken in the second half has started to deliver positive results. This, combined with the good strategic progress outlined below, means we are confident that The Works now has a solid foundation on which to return to growth in FY25 and beyond.

Strategy

Despite the challenges faced, our teams rallied together and delivered good progress against our 'better, not just bigger' strategy in FY24. Whilst we believe that this continues to be the right high level strategic direction for the business, we feel that that now is the right time to evolve the strategy and set out a clear plan to transform the business, with the ambition to drive sales growth, improve operating margins and deliver strong shareholder returns. A review of the strategy is currently underway and we expect to update shareholders on our goals and priority focus areas in early 2025.

Strategic progress in FY24 includes:

Developing our brand and increasing our customer engagement

- Recruited a new Commercial Director to lead our product, sourcing and quality strategy, and to ensure our brand and product proposition continues to evolve and is aligned with our purpose, with good progress made.
- Continued to evolve our brand to fulfil our purpose to inspire reading, learning, creativity and play. We commenced a project to make our brand positioning clearer, which is being rolled out this Christmas and includes the introduction of our new #TimeWellSpent strapline. This captures the important role that we play in supporting families with affordable, feel good ways to spend their time and connecting people with screen-free things to do.
- Improved our product proposition through the introduction of new toys and games ranges, which performed particularly well in H1. We relaunched our kids' book range during Spring 2024, with a much clearer offer from baby and toddler through to fiction books for young adults, including the introduction of more fun-learning books and a broader range of kids' fiction titles.

Enhancing our online proposition

- Delivered improvements to the retail website to enhance the customer experience, supported by new analytical tools including revamping our homepage, optimising product pages and improving navigation across the site. These changes have seen an improvement on all key metrics, including conversion, and have laid the foundation for further improvements in FY25.
- Actively tested new trading mechanics to determine the most effective strategies for engaging our customers, testing a mix of limited-time discounts, web exclusives and bundles, as well as delivery initiatives to give better choice on delivery. Early results indicate that targeted promotions have not only increased sales but also enhanced key KPIs such as average order value (AOV) and profit per order.

- As part of our broader efforts to improve profitability across the business, we implemented changes to our online channel in H2, for example increasing the free delivery threshold and increasing delivery charges. This impacted sales but improved profitability.

Optimising our store estate

- Focused on maintaining the overall quality of our store portfolio, ensuring we have the right stores in the right locations for our customers. This included 9 openings, 24 closures, 5 relocations and 21 refits. The business traded from 511 stores at the year end, of which 96% are profitable.
- The majority of closures were of loss-making or low-profit stores where we were unable to agree suitable terms with the landlord. New stores performed in line with internal forecasts and should deliver strong payback of approximately one year.
- Successfully negotiated with landlords on FY24 lease renewals, delivering £0.8m in annual rent savings.

Driving operational improvements

- Moved our online fulfilment centre, operated by a third-party provider, iForce, to a more efficient facility in early January, which is expected to save c.£1m per year in operating costs.
- Strengthened Distribution Centre management to help embed improved ways of working and deliver benefits and efficiencies in the 2024 calendar year and beyond.
- Following a successful pilot in 2023, began rollout of new EPOS software (completed in July 2024) that, in time, will enable improved functionality on our tills in stores, enabling colleagues to spend more time on the shop floor and respond to customer's requests quickly and efficiently.

Leadership and Operating Board changes

There have been a number of changes in leadership during the year, at both an Operating and plc Board level. I would like to take this opportunity to thank those who have departed and to welcome our new leadership team and Board members, who all bring a wealth of experience.

After the period end we announced that Carolyn Bradley would be stepping down as Chair and Steve Bellamy had been appointed as her successor. I would like to thank Carolyn for her support over the last few years, which has been hugely valuable during a period of significant change at The Works. I look forward to working with Steve and am confident that, together with our streamlined Operating Board, the business has the right leadership structure and experience to set a clear plan to transform our business and deliver against it, to ensure we return to growth and deliver increased value for shareholders.

Colleagues

I am proud that The Works maintained such strong colleague engagement scores in FY24, placing 15th in the 'Best Big Companies to Work For' and 10th in Retail Week's 'Top 50 happiest retailers to work for'. I am hugely grateful to our team of fantastic colleagues for adapting and going above and beyond when faced with challenging trading conditions and such extensive change across the business. It is testament to their hard work and dedication, as well as the supportive, positive culture at The Works that we ended the year on a more positive trajectory.

ESG

As a business, we remain committed to "Doing Business Better" and to making positive and sustainable changes which will enable us to continue to inspire reading, learning, creativity and play for generations to come.

We are taking steps to progress our ambition to be “Net Zero” in Scope 1 by 2035, Scope 2 by 2030, and Scope 3 by 2045, with an ambition to achieve Scope 3 by 2040 to align with the BRC’s climate action roadmap. We also made good progress in the year to support both People and Planet as outlined in the Annual report and accounts.

Outlook

Although not where we had hoped to be going into the year, we are pleased to have finished FY24 in line with revised market expectations. This reflects the actions taken to reset our cost base and improve margins, supported by improving sales in the final quarter and the business is in a much stronger position as a result.

Despite inflation falling and interest rates beginning to ease, the consumer environment remains subdued and we are yet to see a tangible improvement in consumer spend. We expect trading conditions to continue to be tough in FY25, with cost headwinds such as the higher National Living Wage, freight and business rates remaining. However, I am confident that the changes we have implemented across the business make us well placed to offset these factors and am encouraged both by the solid sales performance since the year end and the fact that that we are well placed operationally to maximise sales during our peak Christmas trading period. We expect to deliver stable sales and an improved EBITDA in FY25 and over the medium term our ambition is to return to pre-IFRS 16 EBITDA margins of 5%.

Gavin Peck
Chief Executive Officer

Financial review

Overview

The result for FY24 was in line with the revised forecast announced by the Group in November 2023 and reflects the refocus on tighter cost control and improving gross margins.

	FY24[1]	FY23 (Restated)[2]
Revenue	£282.6m	£280.1m
Revenue growth	0.9%	5.8%
LFL sales[3]	(0.9)%	4.2%
Pre-IFRS 16 Adjusted EBITDA[4]	£6.0m	£9.0m
Profit before tax	£6.9m	£9.0m
Net cash at bank[5]	£1.6m	£10.2m

(1) The FY24 accounting period relates to the 53 weeks ended 5 May 2024 (also referred to as the period) and the comparative FY23 accounting period relates to the 52 weeks ended 30 April 2023.

(2) Prior period restatements reflect adjustment wholly related to IFRS 16 Lease accounting. Further details can be found in note 12 of the condensed financial statements included in this RNS.

(3) 53 week LFL sales growth has been calculated with reference to the prior 53 week comparative sales period. LFL sales growth is the growth in gross sales from stores which have been trading for the full financial period (current and previous year), and from the Group's online store.

(4) Adjusted profit figures exclude Adjusting items. See notes 2 (Alternative performance measures) and 3 (Adjusting items) of the condensed financial statements included in this RNS.

(5) Net cash at bank excluding finance leases, on a pre-IFRS 16 basis.

- Revenue increased by £2.5m (+0.9%) compared with the prior period due, in part, to an extra week of trading and LFL store sales growth of 0.6%, along with the effect of closing a net 15 stores in the period. Online sales declined by 12.4%, as we focussed on improving profitability, pulling total LFL sales growth lower.
- Pre-IFRS16 Adjusted EBITDA of £6.0m, compared to £9.0m in the prior period, reflects lower than anticipated sales and significant cost headwinds. We partially offset some of these headwinds through proactive operational changes at the start of the period. In light of lower sales ahead of and during the peak trading period, we took further action to re-focus on improving gross margins and further reduce costs post-Christmas. This helped us to achieve the forecast for FY24.
- Group profit before tax includes a credit of £3.7m (restated FY23: £3.6m credit) of Adjusting items, comprising of a £1.4m reversal of impairment charges (as a result of following the requirements of the IFRS16 accounting standard), (restated FY23: charge £1.1m) and £3.5m (FY23: £4.7m) profit on disposal of right of use assets and lease liabilities. These were partially offset by other non-recurring costs of £1.2m relating to the Group's move to AIM (£0.5m) and restructuring costs (£0.7m).
- The Group ended the period with net cash of £1.6m. The comparable 52-week period to 28 April 2024 ended with net cash of £6.5m, which compares to net cash of £10.2m at the end of FY23. The Group continues to have access to, and utilises, a revolving credit facility (RCF) of £20.0m to support the build of stock prior to peak trading.
- As part of the Company's move to AIM, the fixed charge covenant was successfully renegotiated under the Group's banking facility, thereby creating additional headroom when modelling the various scenarios in the Board's going concern assessment. The accounts have therefore been prepared on a going concern basis with no inclusion of a material uncertainty. Refer to note 1 in the condensed financial statements included in this RNS for further detail.
- In light of the lower profit delivered in FY24, the Board will not be proposing a final dividend in relation to FY24. Future shareholder distributions will be kept under consideration as profitability improves and net cash allows.

The Group refers to alternative performance measures (APMs) in this report as it believes these provide management and other stakeholders with helpful additional information. These measures are used by management in running the business, including pre-IFRS 16 Adjusted EBITDA ("EBITDA") and like for like ("LFL"[1]) sales.

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 analysis

Total revenue grew 0.9% to £282.6m in FY24 (FY23: £280.1m). LFL[1] sales were down 0.9%, with stores +0.6% and online -12.4%.

LFL sales growth	Stores	Online	Total
Q1	6.4%	(13.1%)	4.5%
Q2	1.2%	(11.8%)	(0.5%)
H1	**3.5%**	**(12.2%)**	**1.6%**
Q3	(3.4%)	(11.0%)	(4.4%)
Q4	1.6%	(14.0%)	0.2%
H2	**(1.5%)**	**(11.8%)**	**(2.8%)**
Full year	**0.6%**	**(12.4%)**	**(0.9%)**

(1) 53 week LFL sales growth has been calculated with reference to the prior 53 week comparative sales period. LFL sales growth is the growth in gross sales from stores which have been trading for the full financial period (current and previous year), and from the Group's online store.

- H1 headlines
  - Group revenue performed well against an increasingly challenging economic environment. Total LFL sales increased by 1.6% with stores +3.5%
  - Early summer trading was particularly strong, with performance supported by the launch of our new summer 'out to play' ranges, and expansion of our toys and games offering. Annualising against the residual impact of our late FY22 cyber-attack also supported comparatives.
  - Towards the end of the half, our new and extended Halloween range performed well, however overall performance was suppressed against a wider back drop of increasing inflationary pressures and cost of living challenges, which resulted in an increased level of discounting across the wider retail market.

- H2 headlines
  - H2 LFL sales declined by 2.8%, reflecting a 4.4% reduction in Q3 and a more stable Q4 increase of 0.2%.
  - Performance remained challenging through peak Christmas trading. Family finances were under increasing pressure, meaning many customers shifted spend to essentials rather than discretionary gifting. We maintained a level of promotional discounting across Q3 to echo the wider market and remain competitive, whilst also executing a more prominent January sale.
  - We also faced temporary operational efficiency challenges as we ran out of space in our Distribution Centre, which created short term disruption to the flow of stock in the run up to peak trading. This challenge eased post-Christmas which, along with range improvements, supported the improvement in LFLs in Q4.

Store numbers

Store numbers	FY24	FY23
Stores at beginning of period	526	525
Opened in the period	9	17
Closed in the period	(24)	(16)
Relocated *(excluded from opened/closed above, **NIL** net effect on store numbers)*	5	3
Stores at end of period	**511**	**526**

We were trading from 511 stores at the period end, of which over 96% are profitable on an annual basis. Our store estate represents c.90% of sales and delivered positive LFLs in the period. The number of stores trading reduced by 15 during the period. The change in store estate was heavily weighted towards the second half of the financial period, with 12 net closures post-Christmas. We continued to optimise the portfolio and close low-profit and loss-making stores where we were not able to agree a commercial rent with landlords whilst continuing to look to add new stores that fit our profile.

The 14 new stores opened in the period (including relocations) performed well overall and in line with their internal forecasts, which should see payback of around 1 year.

Product gross margin and gross profit

	FY24		FY23 (Restated)[1]		Variance	Variance
	£m	*% of revenue*	£m	*% of revenue*	£m	%
Revenue	282.6		280.1		2.5	0.9
Less: Cost of goods sold	(120.5)		(118.8)		(1.7)	(1.4)
Product gross margin	162.1	57.3	161.3	57.6	0.8	0.5
Store payroll	(50.2)	(17.8)	(46.8)	(16.7)	(3.4)	(7.3)
Store property and establishment costs	(49.3)	(17.4)	(51.8)	(18.5)	2.5	4.8
Store PoS & transaction fees	(2.7)	(1.0)	(2.3)	(0.8)	(0.4)	(17.4)
Online variable costs	(15.8)	(5.6)	(18.4)	(6.6)	2.6	14.1
Total non-product related cost of sales	(118.0)	(41.8)	(119.4)	(42.6)	1.4	1.2
Store depreciation	(1.9)	(0.7)	(3.7)	(1.3)	1.8	49.0
Adjusting items[2]	3.7	13.1	3.6	1.3	(0.1)	(2.8)
IFRS16 impact	5.9	2.1	6.1	2.8	(0.2)	(3.3)
Gross profit per financial statements	51.8	18.3	47.9	17.1	3.9	8.1

(1) Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in note 12 of the condensed financial statements included in the RNS.

(2) Adjusted profit figures exclude Adjusting items. See notes 2 (Alternative performance measures) and 3 (Adjusting items) of the condensed financial statements included in this RNS.

The product gross margin rate decreased by 30bps to 57.3% (FY23: 57.6%). Notable factors influencing year on year comparisons are as follows:

- Evolving product mix: Our new toys and games ranges drove incremental sales and saw double digit growth in the period, however these attract a lower margin percentage. The continued growth in front-list adult fiction books also pulled the rate lower.
- The additional promotional activity across peak reduced the gross margin percentage.
- The hedged FX rate on payments made in US dollars remained a headwind through the period. FY24 hedged US dollar;GB pound rate was 1.22 versus 1.36 in FY23.
- A reduction in container freight rates versus 2022 rates: Average container rates paid during FY24 were $2k versus FY23 of $6k.
- Q4 margin improved versus FY23, supported by reduced promotional activity and the impact of a focus on stronger negotiations with suppliers. This activity supports the expected improvement in margin rates in FY25, despite the higher freight rates currently being experienced.

Non product related costs of sales decreased by £1.4m in FY24, made up of:

Store payroll costs increased by £3.4m, in part due to the additional week of trading which increased costs by £0.9m. Underlying costs increased due to:

- Changes to our store labour structure, implemented at the start of the period, partially mitigated the impact of the 9.7% increase in the National Living and Minimum Wage ('NLMW') in April 2023 and the corresponding retail management increases.
- A further hours efficiency programme implemented towards the end of the financial period is expected to deliver significant savings across FY25, helping to mitigate further NLMW related cost headwinds.

Store property and establishment costs reduced by £2.5m. The additional week of trading increased costs by £1.0m, whilst underlying costs reduced by £3.5m.

- The majority of the reduction was driven by business rates. £2.8m related to the 2023 business rates revaluation and a further £0.6m of credits were received from historic backdated rate reductions.
- The renegotiation of expiring leases across the LFL store estate resulted in a reduction in rents which was further supported by the release of rent accruals established where the effective date of the rent decrease

was back dated to a prior period (in these situations, we continue to accrue for the higher rent level until the reduction is confirmed in writing).

- Full period electricity costs increased £1.6m as previously contracted hedging agreements resulted in a slower unwind of market led energy price reductions.

Online variable costs decreased by £2.6m. This was primarily due to lower sales volumes, however ongoing work to improve the overall profitability of the online business further supported the cost reduction and helped mitigate inflationary increases. Annualised cost savings of c.£1.0m are on track to be delivered through FY25 following the move of our online fulfilment centre operated by a third-party provider, iForce, to a more efficient facility in January 2024.

Operating profit and pre-IFRS 16 EBITDA

	FY24		FY23 (Restated)[1]		Variance	Variance
	£m	***% of revenue***	**£m**	***% of revenue***	**£m**	**%**
Gross profit per financial statements	51.8	18.3	47.9	17.1	*3.9*	***8***
Distribution expenses	(12.7)	4.5	(10.3)	3.7	*(2.4)*	***23***
Administrative expenses	(27.7)	*9.8*	(24.2)	*8.6*	*(3.5)*	***14***
Operating profit per financial statements	11.4	*4.0*	13.4	*4.8*	*(2.0)*	***15***
Less Depreciation, amortisation and IFRS16 included in Operating profit	(1.7)	*0.6*	(0.8)	*0.3*	0.9	***113***
Adjusting items	(3.7)	1.3	(3.6)	1.3	0.1	**3**
Pre-IFRS 16 Adjusted EBITDA	**6.0**	2.1%	**9.0**	3.2%	**(3.0)**	**33**

(1) Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in note 12 of the condensed financial statements included in the RNS.

Distribution costs (before depreciation and IFRS 16) comprising picking stock and delivering it to stores increased by £2.4m compared with FY23. 52-week distribution labour costs increased by £1.8m, due to wage rate inflation from the increase in the NLMW. Costs were further impacted by a reduction in efficiencies resulting from the Distribution Centre capacity issues experienced in the run up to peak as previously outlined. Increased outbound pallet volumes resulted in £0.4m increase in third party pallet delivery costs. The movement to a new way of working in the Distribution Centre, supported by strengthened management, is expected to drive efficiencies to offset the further increase in NLMW in April 2024.

Administration costs (before depreciation and IFRS 16) increased by £2.8m compared to FY23. 52-week Support Centre salary and related costs increased by £1.3m due to inflationary increases experienced at the start of the financial period and the annualising of structural changes implemented in late FY23. The benefit of the structural changes made in late FY24, related to the restructure of the Operating Board, had limited benefit to FY24, but will support a lowering of our ongoing cost base from FY25. IT infrastructure costs increased by £0.8m as we continued to roll out our new EPOS system and invest in the strengthening of our IT security.

Adjusting items were £3.7m credit in FY24 (restated FY23: £3.6m credit) and include other non-recurring costs of £1.2m relating to the Group's move to AIM (£0.5m) and restructuring costs (£0.7m). These costs are more than offset by a credit of £1.4m (restated FY23: impairment charge £1.1m), resulting from the reversal of impairment charges relating to the notional right of use asset created as a result of following the requirements of the IFRS16 accounting standard and £3.5m (restated FY23: £4.7m) profit on disposal of right of use assets and lease liabilities. This is described in note 11 of the condensed financial statements included in this RNS.

A reconciliation of statutory profit to EBITDA can be found in note 2 of the condensed financial statements included in this RNS.

Net financing expense

Net financing costs in the period were £4.5m (FY23: £4.4m), £4.0m (FY23: £4.1m) of which related to IFRS 16 notional interest.

Gross cash interest payable was £0.4m, in relation to facility availability charges (FY23: £0.3m).

Tax

	FY24 £m	FY23 (Restated)[1] £m
Current tax expense/(credit)	-	(0.4)
Deferred tax expense	0.5	-
Total tax expense/(credit)	**0.5**	**(0.4)**

[1] Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in note 12 of the condensed financial statements included in this RNS.

The impairment charges and reversals reduced the taxable profits of prior periods and created available brought forward tax losses, which significantly reduced the effective tax rate and overall tax charge for FY24 and FY23. As a result, there was a net tax charge of £0.5m (restated FY23: £0.4m credit) consisting of a £nil current tax credit and a £0.5m deferred tax charge. The £0.5m overall tax charge equated to an effective tax rate of 7.8% (restated FY23: minus 4.4%).

The average headline corporation tax rate for FY24 was 25.0% (FY23: 19.5%). Deferred tax has been calculated at a rate of 25.0% in both periods.

Earnings per share

Adjusted basic EPS for the period was 4.2 pence (restated FY23: 9.2 pence). Adjusted diluted EPS was 4.2 pence (restated FY23: 9.1 pence).

The difference between the Adjusted basic and Adjusted diluted EPS figures is due to the inclusion within the diluted EPS calculation of outstanding, potentially dilutive, share options.

Other items

Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in note 12 to the condensed financial statements included in this RNS.

Capital expenditure

Capital expenditure in the Period was £5.8m (FY23: £6.7m). It predominantly relates to;

- ***New stores and relocations* £1.6m (FY23: £1.1m):** the net investment in new stores and relocations increased by £0.5m compared with FY23. 9 new stores were opened and 5 stores relocated to new units (FY23: 14 new stores, 3 relocations). Costs increased despite the reduction in new stores due to reduced landlord contributions and cost inflation.
- ***Store refits, maintenance and lease renewal costs* £2.3m (FY23: £3.0m):** the net investment in store refits reduced by £0.7m compared with FY23. The quantity of refits was lower in FY24 (20) vs FY23 (36), reflecting the impact of the decision taken to reduce refits to conserve cash, offset, in part, with wider construction industry inflation increasing the relative cost per refit.
- ***IT hardware and software* £1.7m (FY23 £2.4m):** the net investment in IT hardware and software reduced by £0.7m compared with FY23. The prior period included incremental expenditure relating to the configuration and testing of the new store EPOS software prior to its implementation in stores during FY24.

FY25 capex is expected to be approximately £5.0m.

Inventory

Stock was valued at £31.4m at the end of the period (FY23: £33.4m), a decrease of £2.0m. Tighter stock management supported a planned reduction in our period end closing forward cover and supports lower markdown activity in FY25. The stock value reflects higher stock on water than we would have expected because of the extra transit time from China due to the Red Sea challenges.

Cash flow

The table below shows a summarised non IFRS 16 presentation of cash flow. On this basis, the net cash outflow for the period was £8.6m (FY23: outflow of £6.1m).

	FY24 £m	FY23 £m	*Variance £m*
Operating profit	11.4	13.4	2.0
Other operating cashflows	(8.3)	(6.8)	(1.5)
Net movement in working capital	(4.3)	(2.8)	(1.5)
Capital expenditure	(5.8)	(6.5)	0.7
Tax paid	(0.1)	(1.5)	1.4
Interest and financing costs	(0.5)	(0.7)	0.2
Dividends	-	(1.5)	1.5
Purchase of treasury shares	(0.3)	(0.5)	0.2
Cash flow before Exchange rate movements	(7.9)	(6.7)	(1.2)
Exchange rate movements	(0.7)	0.6	(1.3)
Net decrease in cash and cash equivalents	(8.6)	(6.1)	(2.5)
Opening net cash balance excluding IAS 17 leases	**10.2**	**16.3**	
Closing net cash balance excluding IAS 17 leases	**1.6**	**10.2**	

The Group ended the period with net cash of £1.6m. Our movement in period-end date, resulting from the 53rd week, meant an additional payment run of approximately £5.0m fell due before period end compared to the prior financial period. The 52-week period ended with net cash of £6.5m, which compares to net cash of £10.2m at the end of FY23.

Bank facilities and financial position

The Group continues to have an RCF of £20.0m, which provides ample liquidity and is utilised to support the build of stock prior to peak trading. The terms of this financing agreement expire on 30 November 2026.

Capital distributions

Considering the reduced profit in FY24, the Board is not proposing a dividend for FY24.

We will continue to keep future shareholder distributions under consideration as profitability improves and note some of our major shareholders' preference for share buybacks over the payment of dividends. A further update will be made alongside our interim results in January 2025 and a new capital allocation policy will be set out alongside our new strategy in the first half of 2025.

Employee Benefit Trust funding for the purposes of share schemes

To avoid dilution of existing shareholder interests, the Board's intention is to consider purchasing shares in the market to re-issue under employee share schemes as it has done in each of the last two financial years.

Rosie Fordham
Chief Financial Officer

Consolidated income statement

For the period ended 5 May 2024

		53 weeks to 5 May 2024			52 weeks to 30 April 2023 (Restated – Note 12)		
	Note	**Result before Adjusting items £000**	**Adjusting items £000**	**Total £000**	Result before Adjusting items £000	Adjusting Items[1] £000	Total £000
Revenue		**282,585**	**-**	**282,585**	280,102	-	280,102
Cost of sales	3	**(234,505)**	**3,741**	**(230,764)**	(235,867)	3,628	(232,239)
Gross profit		**48,080**	**3,741**	**51,821**	44,235	3,628	47,863
Other operating income		**8**	**-**	**8**	8	-	8
Distribution expenses		**(12,725)**	**-**	**(12,725)**	(10,284)	-	(10,284)
Administrative expenses		**(27,685)**	**-**	**(27,685)**	(24,197)	-	(24,197)
Operating profit	4	**7,678**	**3,741**	**11,419**	9,762	3,628	13,390
Finance income		**19**	**-**	**19**	227	-	227
Finance expenses		**(4,520)**	**-**	**(4,520)**	(4,648)	-	(4,648)
Net financing expense		**(4,501)**	**-**	**(4,501)**	(4,421)	-	(4,421)
Profit before tax		**3,177**	**3,741**	**6,918**	5,341	3,628	8,969
Taxation	6	**(541)**	**-**	**(541)**	395	-	395
Profit for the period		**2,636**	**3,741**	**6,377**	5,736	3,628	9,364
Alternative performance measures							
Profit before tax and IFRS 16	2	**1,118**	**(1,022)**	**96**	3,603	(1,488)	2,115
Basic earnings per share (pence)	8	**4.2**		**10.2**	**9.2**		**15.0**
Diluted earnings per share (pence)	8	**4.2**		**10.2**	**9.1**		**14.8**

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

[1] Profit on disposal of right-of-use assets and lease liability recognised under IFRS 16 has been restated in the prior period to be shown as an Adjusting item rather than in the result before Adjusting items.

Consolidated statement of comprehensive income

For the period ended 5 May 2024

	FY24 £000	FY23 (Restated - Note 12) £000
Profit for the period	6,377	9,364
Items that may be recycled subsequently into profit and loss		
Cash flow hedges - changes in fair value	1,664	(2,861)
Cash flow hedges - reclassified to profit and loss	134	(62)
Cost of hedging - changes in fair value	(415)	(162)
Cost of hedging - reclassified to profit and loss	182	91
Tax relating to components of other comprehensive income	(323)	262
Other comprehensive income/(expense) for the period, net of income tax	1,242	(2,732)
Total comprehensive income for the period attributable to equity shareholders of the Parent	7,619	6,632

Consolidated statement of financial position

As at 5 May 2024

	Note	**FY24 £000**	FY23 (Restated - Note 12) £000
Non-current assets			
Intangible assets	9	**1,866**	916
Property, plant and equipment	10	**12,358**	11,773
Right-of-use assets	11	**57,703**	65,372
Deferred tax assets	13	**4,036**	4,844
		75,963	82,905
Current assets			
Inventories	14	**31,354**	33,441
Trade and other receivables	15	**8,384**	7,507
Derivative financial assets		**306**	-
Current tax asset	6	**1,189**	1,149
Cash and cash equivalents	16	**1,619**	10,196
		42,852	52,293
Total assets		**118,815**	135,198
Current liabilities			
Lease liabilities	11, 17	**19,943**	19,626
Trade and other payables	18	**29,886**	34,479
Provisions	19	**543**	565
Derivative financial liabilities		**64**	1,048
		50,436	55,718
Non-current liabilities			
Lease liabilities	11, 17	**57,817**	74,766
Provisions	19	**476**	1,298
		58,293	76,064
Total liabilities		**108,729**	131,782
Net assets		**10,086**	3,416
Equity attributable to equity holders of the Parent			
Share capital		**625**	625
Share premium		**28,322**	28,322
Merger reserve		**(54)**	(54)
Share based payment reserve		**2,583**	2,780
Hedging reserve		**129**	(331)
Retained earnings		**(21,519)**	(27,926)
Total equity		**10,086**	3,416

These financial statements were approved by the Board of Directors on 1 October 2024 and were signed on its behalf by:

Rosie Fordham
Chief Financial Officer

Company registered number: 11325534

Consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Hedging reserve[1,2] £000	Retained earnings £000	Total equity £000
Reported balance at 01 May 2022	625	28,322	(54)	2,252	2,227	(32,994)	378
Cumulative adjustment to opening balance (Note 12)	-	-	-	-	-	(2,332)	(2,332)
Restated balance at 01 May 2022 (Note 12)	625	28,322	(54)	2,252	2,227	(35,326)	(1,954)
Total comprehensive income for the period							
Profit for the period (Restated - Note 12)	-	-	-	-	-	9,364	9,364
Other comprehensive expense	-	-	-	-	(2,732)	-	(2,732)
Total comprehensive (expense)/ income for the period	-	-	-	-	(2,732)	9,364	6,632
Hedging gains and losses and costs of hedging transferred to the cost of inventory (Note 12)	-	-	-	-	174	-	174
Transactions with owners of the Company							
Share-based payment charges	-	-	-	528	-	-	528
Dividend	-	-	-	-	-	(1,492)	(1,492)
Own shares purchased by Employee Benefit Trust	-	-	-	-	-	(472)	(472)
Total transactions with owners of the Company	-	-	-	528	-	(1,964)	(1,436)
Balance at 30 April 2023 (Restated - Note 12)	625	28,322	(54)	2,780	(331)	(27,926)	3,416
Total comprehensive income for the period							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**6,377**	**6,377**
Other comprehensive income	**-**	**-**	**-**	**-**	**1,242**	**-**	**1,242**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**1,242**	**6,377**	**7,619**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	**-**	**-**	**-**	**-**	**(492)**	**-**	**(492)**
Transfer	**-**	**-**	**-**	**-**	**(290)**	**290**	**-**
Transactions with owners of the Company							
Reversal of share-based payment charges	**-**	**-**	**-**	**(197)**	**-**	**-**	**(197)**
Dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Own shares purchased by Employee Benefit Trust	**-**	**-**	**-**	**-**	**-**	**(260)**	**(260)**
Total transactions with owners of the Company	**-**	**-**	**-**	**(197)**	**-**	**(260)**	**(457)**
Balance at 5 May 2024	**625**	**28,322**	**(54)**	**2,583**	**129**	**(21,519)**	**10,086**

1 Hedging reserve includes £410k (FY23: £150k) 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.

2 Hedging reserve includes a £290k (FY23: £nil) transfer from retained earnings in relation to a historical tax charge for our financial derivatives that had previously been recognised in the consolidated income statement.

Consolidated cash flow statement

For the period ended 5 May 2024

	Note	FY24 £000	FY23 (Restated - Note 12) £000
Profit for the period (including Adjusting items)		**6,377**	9,364
Adjustments for:			
Depreciation of property, plant and equipment	10	**3,663**	5,147
Impairment of property, plant and equipment	10	**1,589**	775
Reversal of impairment of property, plant and equipment	10	**(1,272)**	(574)
Depreciation of right-of-use assets	11	**18,224**	18,451
Impairment of right-of-use assets	11	**3,394**	2,173
Reversal of impairment of right-of-use assets	11	**(4,620)**	(2,562)
Amortisation of intangible assets	9	**632**	997
Impairment of intangible assets	9	**442**	1,048
Reversal of impairment of intangible assets	9	**(850)**	-
Derivative exchange loss/ (gain)		**494**	(721)
Financial income		**(19)**	(227)
Financial expense		**536**	518
Interest on lease liabilities	11	**3,984**	4,130
Loss on disposal of property, plant and equipment and intangibles	9, 10	**202**	163
Profit on disposal of right-of-use asset and lease liability	11	**(3,537)**	(4,717)
Share-based payment charges		**(197)**	528
Taxation	6	**541**	(395)
Operating cash flows before changes in working capital		**29,583**	34,098
(Increase)/decrease in trade and other receivables		**(963)**	1,033
Decrease/(increase) in inventories		**1,149**	(3,129)
Decrease in trade and other payables		**(3,672)**	(1,443)
(Decrease)/increase in provisions	19	**(844)**	746
Cash flows from operating activities		**25,253**	31,305
Corporation tax paid	6	**(97)**	(1,508)
Net cash inflow from operating activities		**25,156**	29,797
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	**(6,078)**	(7,296)
Capital contributions received from landlords		**1,460**	1,928
Acquisition of intangible assets	9	**(1,208)**	(1,309)
Interest received		**19**	227
Net cash outflow from investing activities		**(5,807)**	(6,450)
Cash flows from financing activities			
Payment of lease liabilities (capital)	17	**(22,471)**	(23,250)
Payment of lease liabilities (interest)	17	**(3,984)**	(4,130)
Payment of fees from loans and borrowings		**(60)**	(336)
Interest paid		**(434)**	(321)
Repayment of bank borrowings		**(6,000)**	(4,000)
Proceeds from bank borrowings		**6,000**	4,000
Dividend paid	7	**-**	(1,492)
Own shares purchased by Employee Benefit Trust		**(260)**	(473)
Net cash outflow from financing activities		**(27,209)**	(30,002)
Net decrease in cash and cash equivalents		**(7,860)**	(6,655)
Exchange rate movements		**(717)**	571
Cash and cash equivalents at beginning of period	16	**10,196**	16,280
Cash and cash equivalents at end of period	16	**1,619**	10,196

Notes to the consolidated financial statements

(Forming part of the financial statements)

1. Accounting policies

Where accounting policies are particular to an individual note, narrative regarding the policy is included with the relevant note; for example, the accounting policy in relation to inventory is detailed in Note 14 (Inventories).

(a) General information

TheWorks.co.uk plc is a leading UK multi-channel value retailer of arts and crafts, stationery, toys, games and books, offering customers a differentiated proposition as a value alternative to full price specialist retailers. The Group operates a network of over 500 stores in the UK & Ireland and online.

TheWorks.co.uk plc (the Company) is a UK-based public limited company (11325534) with its registered office at Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL.

These consolidated financial statements for the 53 weeks ended 5 May 2024 (FY24 or the Period) comprise the results of the Company and its subsidiaries (together referred to as the Group) and are presented in pounds sterling. All values are rounded to the nearest thousand (£'000), except when otherwise indicated.

(b) Basis of preparation

The Group financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit and loss including derivatives. The financial statements are prepared in accordance with UK-adopted International Accounting Standards.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies, and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, future budgets and forecasts, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Group's significant judgements and estimates relate to going concern and fixed asset impairment; these are described in Note 1(e).

(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 documented in the Strategic report on pages 38 to 43 of the Annual Report and Accounts. The financial statements have been prepared on a going concern basis, which the Directors consider appropriate having made this assessment.

The Group has prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements (the going concern assessment period), based on the Board's forecast for FY25 and its three-year plan, referred to as the 'Base Case' scenario. In addition, a 'severe but plausible' 'Downside Case' sensitivity has been prepared to support the Board's conclusion regarding going concern, by stress testing the Base Case to indicate the financial headroom resulting from applying more pessimistic assumptions.

In assessing the basis of preparation the Directors have considered:

- The external environment;
- The Group's financial position including the quantum and expectations regarding availability of bank facilities;
- The potential impact on financial performance of the risks described in the Strategic report;
- The output of the Base Case scenario, which mirrors the Group's three-year plan and therefore represents its estimate of the most likely financial performance over the forecast period;
- Measures to maintain or increase liquidity in the event of a significant downturn in trading;
- The resilience of the Group to these risks having a more severe impact, evaluated via the Downside Case which shows the impact on the Group's cash flows, bank facility headroom and covenants.

Going concern and basis of preparation conclusion

The current economic environment remains challenging with the cost-of-living crisis continuing to impact much of the UK particularly low-income households, however the rate of inflation is slowing and interest rates are at the lowest since July 2023. There is sufficient cash headroom and headroom within both covenants under both scenarios and therefore the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

(ii) New accounting standards

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 1 May 2023:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12

The adoption of the standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

As at the date of approval of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

- Non-Current Liabilities with Covenants – Amendments to IAS 1 and Classifications of Liabilities as Current or Non-Current – Amendments to IAS 1[1]
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16[1]
- Supplier Finance Agreements – Amendments to IAS 7 and IFRS 7[1]

[1] Effective for annual periods starting on or after 1 January 2024

The adoption of the standards and interpretations listed above is not expected to have a material impact on the financial position or performance of the Group.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to direct the activities that affect those returns through its power over the entity. Consolidation of a subsidiary begins from the date control commences and continues until control ceases. The Company reassesses whether or not it controls an investee if circumstances indicate that there are changes to the elements of control detailed above.

An Employee Benefit Trust operated on the Group's behalf (EBT) is acting as an agent of the Company; therefore, the assets and liabilities of the EBT are aggregated into the Company balance sheet and shares held by the EBT in the Company are presented as a deduction from reserves.

(d) 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 the Group's accounting policies. Where a significant risk of materially different outcomes exists, this will represent a key source of estimation uncertainty.

Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key sources of estimation uncertainty which are material to the financial statements are described in the context of the matters to which they relate, in the following notes:

Description	Note
Going concern	1(b)(i)
Impairment of intangible assets, property, plant and equipment and right-of-use assets	9, 10, 11
Inventory provisions	14

2. Alternative performance measures (APMs)

Accounting policy

In the reporting of financial information, the Group tracks a number of APMs in managing its business. APMs should be considered in addition to IFRS measurements. The Group's definitions of APMs may not be comparable with similarly titled performance measures and disclosures by other entities.

The Group believes that these APMs provide stakeholders with additional helpful information on the performance of the business. They are consistent with how business performance is planned and reported internally and are also consistent with how these measures have been reported historically. Some of the APMs are also used for the purpose of setting remuneration targets.

Like-for-like (LFL) sales

LFL sales are defined by the Group as the year-on-year growth in gross sales from stores which have been trading for a full financial year prior to the current year and have been trading throughout the current financial period being reported on, and from the Company's online store, calculated on a calendar week basis. The measure is used widely in the retail industry as an indicator of sales performance. LFL sales are calculated on a gross basis to ensure that fluctuations in the VAT rates of products sold are excluded from the like-for-like sales growth percentage figure.

A reconciliation of IFRS revenue to sales on an LFL basis is set out below:

	FY24 **£000**	FY23 £000
Total LFL sales	**294,072**	296,818
Non-LFL store sales[1]	**26,426**	19,817
Total gross sales	**320,498**	316,635
VAT	**(36,599)**	(35,149)
Loyalty points	**(1,314)**	(1,384)
Revenue per consolidated income statement	**282,585**	280,102

[1]FY24 is a 53-week period; therefore, the LFL sales APM compares 53 weeks of FY24 to the equivalent 53 weeks of FY23. Non-LFL store sales for FY23 include the impact of the 53rd week which is removed to reconcile to the reported sales number.

Pre-IFRS 16 Adjusted EBITDA and Adjusted profit after tax

EBITDA is defined by the Group as pre-IFRS 16 earnings before interest, tax, depreciation, amortisation and profit/loss on the disposal of fixed assets, after adding back or deducting Adjusting items. See Note 3 for a description of Adjusting items. Pre-IFRS 16 EBITDA is used for the bank facility LTM EBITDA covenant calculations.

The table below provides a reconciliation of pre-IFRS 16 EBITDA to profit after tax and the impact of IFRS 16:

	FY24 **£000**	FY23 (Restated - Note 12) £000
Pre-IFRS 16 Adjusted EBITDA	**6,042**	9,000
Income statement rental charges not recognised under IFRS 16	**24,288**	25,672
Foreign exchange difference on euro leases	**69**	(152)
Post-IFRS 16 Adjusted EBITDA	**30,399**	34,520
Loss on disposal of property, plant and equipment	**(168)**	(149)
Loss on disposal of intangible assets	**(34)**	(14)
Depreciation of property, plant and equipment	**(3,663)**	(5,147)
Depreciation of right-of-use assets	**(18,224)**	(18,451)
Amortisation	**(632)**	(997)
Finance expenses	**(4,520)**	(4,648)
Finance income	**19**	227
Tax credit/(charge)	**(541)**	395
Adjusted profit after tax	**2,636**	5,736
Adjusting items (including impairment charges and reversals)	**3,741**	3,628
Tax charge	**-**	-
Profit after tax	**6,377**	9,364

Profit before tax and IFRS 16

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

	FY24			FY23 (Restated - Note 12)		
	Adjusted £000	**Adjusting items £000**	**Total £000**	Adjusted £000	Adjusting items £000	Total £000
Profit/(loss) before tax and IFRS 16 adjustments	**1,118**	**(1,022)**	**96**	3,603	(1,488)	2,115
Remove rental charges not recognised under IFRS 16	**24,166**	**-**	**24,166**	25,545	-	25,545
Remove hire costs from hire of equipment	**122**	**-**	**122**	128	-	128
Remove depreciation charged on the existing assets	**(94)**	**-**	**(94)**	(1,236)	-	(1,236)
Remove interest charged on the existing liability	**4**	**-**	**4**	34	-	34
Depreciation charge on right-of-use assets	**(18,224)**	**-**	**(18,224)**	(18,451)	-	(18,451)
Interest cost on lease liability	**(3,984)**	**-**	**(3,984)**	(4,130)	-	(4,130)
Profit on disposal of lease liability	**-**	**3,537**	**3,537**	-	4,717	4,717
Foreign exchange difference on euro leases	**69**	**-**	**69**	(152)	-	(152)
Additional impairment charge under IAS 36	**-**	**1,226**	**1,226**	-	399	399
Net impact on profit/(loss)	**2,059**	**4,763**	**6,822**	1,738	5,116	6,854
Profit/(loss) before tax	**3,177**	**3,741**	**6,918**	5,341	3,628	8,969

Adjusted profit metrics

Profit measures including operating profit, profit before tax, profit for the period and earnings per share are calculated on an Adjusted basis by adding back or deducting Adjusting items. These adjusted metrics are included within the consolidated income statement and consolidated statement of other comprehensive income, with further details of Adjusting items included in Note 3.

3. Adjusting items

Adjusting items are unusual in nature or incidence and sufficiently material in size that in the judgement of the Directors they merit disclosure separately on the face of the financial statements to ensure that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

The Directors believe that the Adjusted profit and earnings per share measures included in this report provide additional useful information to users of the accounts. These measures are consistent with how business performance is measured internally. The profit before tax and Adjusting items measure is not a recognised profit measure under IFRS and may not be directly comparable with Adjusted profit measures used by other companies.

If a transaction or related series of transactions has been treated as Adjusting in one accounting period, the same treatment will be applied consistently year on year.

In relation to FY24, the items classified as Adjusting, as shown below, were related to transactions that had been treated as Adjusting in prior periods.

	FY24 £000	FY23 (Restated - Note 12) £000
Cost of sales		
Impairment charges	**5,333**	5,702
Impairment reversals	**(6,742)**	(4,613)
Profit on disposal of right of use assets and lease liabilities[1]	**(3,537)**	(4,717)
Other exceptional items	**1,205**	-
Total Adjusting items	**(3,741)**	(3,628)

[1] In FY23, profit on disposal of right of use assets and leases liabilities includes a gain on modification of right of use assets of £3.6m

Impairment charges and reversals of prior year impairment charges relate to fixed assets (see Notes 9, 10 and 11).

Profit on disposal of right-of-use assets and lease liabilities relate to leases (see Note 11).

Other exceptional items comprise £0.5m (FY23: £nil) of professional fees and other costs related to the listing of the Company on AIM and £0.7m (FY23: £nil) of redundancy costs related to the restructure of the Operating Board.

4. Operating profit

Operating profit before Adjusting items is stated after charging the following items:

	FY24 **£000**	FY23 (Restated - Note 12) £000
Loss on disposal of property, plant and equipment	**168**	149
Loss on disposal of intangible assets	**34**	14
Depreciation	**21,887**	23,598
Amortisation	**632**	997
Net foreign exchange loss	**170**	392
Cost of inventories recognised as an expense	**120,530**	119,085
Staff costs	**67,855**	62,235

Auditor's remuneration:

	FY24 **£000**	FY23 (Restated) £000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	**300**	850
Amounts payable in respect of other services to the Company and its subsidiaries		
Audit of the accounts of subsidiaries	**42**	40
Audit related assurance services (provision of turnover certificates required under certain leases)	**5**	1
Total	**347**	891

5. Staff numbers and costs

The average number of people employed by the Group (including Directors) during the period, analysed by category, were as follows:

	Number of employees	
	FY24	FY23
Store Support Centre colleagues	**280**	243
Store colleagues	**3,590**	3,564
Warehouse and distribution colleagues	**156**	147
	4,026	3,954

The corresponding aggregate payroll costs were as follows:

	FY24 **£000**	FY23 £000
Wages and salaries	**62,367**	57,189
Social security costs	**4,422**	4,156
Contributions to defined contribution pension schemes	**1,066**	890
Total employee costs	**67,855**	62,235
Agency labour costs	**2,977**	2,035
Total staff costs	**70,832**	64,270

The Directors' remuneration for the period was as follows:

	FY24 £000	FY23 £000
Directors' remuneration	**791**	759
Contributions to defined contribution plans	**16**	15
	807	774

The following number of Directors were members of:

	FY24	FY23 (Restated)
Company defined contribution scheme	**2**	2
	2	2

The highest paid Director's remuneration and contributions to defined contribution plans during the year were as follows:

	FY24 £000	FY23 £000
Directors' remuneration	**337**	322
Contributions to defined contribution plans	**10**	9
	347	331

6. Taxation

Accounting policy

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from

the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Recognised in consolidated income statement

	FY24 £000	FY23 (Restated[1]) £000
Current tax expense / (credit)		
Current year	**22**	230
Adjustments for prior years	**33**	(611)
Current tax expense / (credit)	**55**	(381)
Deferred tax expense/ (credit)		
Origination and reversal of temporary differences	**1,286**	(212)
Change in tax rate	**-**	(172)
Adjustments for prior years	**(800)**	370
Deferred tax expense / (credit)	**486**	(14)
Total tax expense / (credit)	**541**	(395)

[1] The FY23 corporation tax charge has been restated to reflect the tax impact of the restatements documented in Note 12.

The UK corporation tax rate for FY24 was 25.0% (FY23: 19.5%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

As the deferred tax assets and liabilities should be recognised based on the corporation tax rate applicable when they are anticipated to unwind, the assets and liabilities on UK operations have been recognised at a rate of 25.0% (FY23: 25.0%). Assets and liabilities arising on foreign operations have been recognised at the applicable overseas tax rates.

Reconciliation of effective tax rate

	FY24 £000	FY23 (Restated – see above) £000
Profit for the year	**6,918**	8,969
Tax using the UK corporation tax rate of 25.0% (FY23: 19.5%)	**1,730**	1,749
Non-deductible expenses	**195**	147
Effect of tax rates in foreign jurisdictions	**14**	(13)
Tax over provided in prior periods	**(767)**	(111)
Utilisation of unrecognised tax losses brought forward	**(751)**	(2,114)
Deferred tax not recognised	**-**	(18)
Losses carried forwards	**120**	137
Change in tax rate	**-**	(172)
Total tax expense / (credit)	**541**	(395)
Effective tax rate	***7.8%***	*(4.4%)*

The Group's total income tax charge in respect of the period was £541k (FY23: credit of £395k). The effective tax rate on the total profit before tax was 7.8% (FY23: (4.4)%) whilst the effective tax rate on the total profit before Adjusting items was 17.0% (FY23: (7.4)%). The difference between the total effective tax rate and the Adjusting tax rate relates to fixed asset impairment charges and reversals within Adjusting items being non-deductible for tax purposes.

The current year tax expense recognised above is predominantly driven by deferred tax movements on our fixed assets and leases.

There is also a tax charge of £323k (FY23: credit £262k) shown in the statement of comprehensive income for fair value movements on derivatives which impacts the deferred tax balance (Note 13).

Consolidated statement of financial position

Included in the consolidated statement of financial position is a current tax debtor of £1,189k (FY23: £1,149k), resulting from the overpayment of tax in prior years arising from the prior year restatement (Note 12).

7. Dividends

Accounting policy

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

	Pence per share	**FY24 £000**	FY23 £000
Final dividend for the period ended 1 May 2022 paid in FY23	2.4p	**-**	1,492
Total dividend paid to shareholders during the period		**-**	1,492

The Board has not recommended the payment of a dividend in respect of FY24 (FY23: 1.6 pence). At the FY23 Annual General Meeting the resolution to approve the payment of the FY23 dividend was not approved and consequently the dividend declared in the FY23 Annual Report was not distributed to shareholders.

8. 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 shares that may be issued in connection with employee share incentive awards.

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

	FY24 Number	FY23 Number
Number of shares in issue	**62,500,000**	62,500,000
Number of dilutive share options	**-**	621,130
Number of shares for diluted earnings per share	**62,500,000**	63,121,130

	£000	£000 (Restated - Note 12)
Total profit for the financial period	**6,377**	9,364
Adjusting items	**(3,741)**	(3,628)
Adjusted profit for Adjusted earnings per share	**2,636**	5,736

	Pence	Pence (Restated - Note 12)
Basic earnings per share	**10.2**	15.0
Diluted earnings per share	**10.2**	14.8
Adjusted basic earnings per share	**4.2**	9.2
Adjusted diluted earnings per share	**4.2**	9.1

9. Intangible assets

Accounting policy

Goodwill

Goodwill arising on consolidation represents any excess of the consideration paid and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. After initial recognition, goodwill is measured ast cost less any accumulated impairment losses. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment in value is recognised within the income statement. Goodwill was fully impaired in FY20.

Software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised software costs include external direct costs of goods and services (such as consultancy), as well as internal payroll related costs for employees who are directly working on the project. Internal payroll related costs are capitalised if the recognition criteria of IAS 38 Intangible Assets are met or are expensed as incurred otherwise.

Capitalised software development costs are amortised on a straight-line basis over their expected economic lives, normally between three and seven years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within the income statement and treated as an Adjusting item.

	Goodwill £000	**Software £000**	**Total £000**
Cost			
At 30 April 2023	**16,180**	**9,310**	**25,490**
Additions	**-**	**1,208**	**1,208**
Disposals	**-**	**(219)**	**(219)**
At 5 May 2024	**16,180**	**10,299**	**26,479**
Amortisation and impairment			
At 30 April 2023 (Restated)	**16,180**	**8,394**	**24,574**
Amortisation charge	**-**	**632**	**632**
Impairment charge	**-**	**442**	**442**
Impairment reversals	**-**	**(850)**	**(850)**
Disposals[1]	**-**	**(185)**	**(185)**
At 5 May 2024	**16,180**	**8,433**	**24,613**
Net book value			
At 30 April 2023	-	916	916
At 5 May 2024	**-**	**1,866**	**1,866**

1. During FY24 the Group reviewed assets on the fixed asset register with a nil net book value. Following this review intangible assets with a cost and accumulated depreciation of £207k were deemed to no longer be in use by the Group and have therefore been disposed of.

	Goodwill £000	Software £000	Total £000
Cost			
At 1 May 2022	16,180	9,058	25,238
Additions	-	1,309	1,309
Disposals	-	(1,057)	(1,057)
At 30 April 2023	16,180	9,310	25,490
Amortisation and impairment			
At 1 May 2022 (Restated)	16,180	7,392	23,572
Amortisation charge (Restated[2])	-	997	997
Impairment charge (Restated[2])	-	1,048	1,048
Disposals	-	(1,043)	(1,043)
At 30 April 2023 (Restated)	16,180	8,394	24,574
Net book value			
At 1 May 2022 (Restated[2])	-	1,666	1,666
At 30 April 2023 (Restated[2])	-	916	916

2. These balances have been restated to reflect the impact of the prior period restatements in Note 12.

Refer to Note 10 for details of impairment of intangible assets.

10. Property, plant and equipment

Accounting policy

Items of property, plant and equipment are stated at their cost of acquisition or production, less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Impairment of tangible and intangible assets

The carrying amounts of the Group's tangible and intangible assets with a measurable useful life are reviewed at each balance sheet date to determine whether there is any indication of impairment to their value. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. The Directors consider an individual retail store to be a CGU, as well as the Company's trading website.

The recoverable amount of an asset is the greater of its fair value less disposal cost and its value in use (the present value of the future cash flows that the asset is expected to generate). In determining value in use, the present value of future cash flows is discounted using a discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned.

The carrying value represents each CGU's specific assets, as well as the right-of-use assets, plus an allocation of corporate assets where these assets can be allocated on a reasonable and consistent basis.

Where the carrying value exceeds the recoverable amount an impairment loss is established with a charge being made to the income statement. When the reasons for a write down no longer exist, the write down is reversed in the income statement up to the net book value that the relevant asset would have had if it had not been written down and if it had been depreciated.

Measuring recoverable amounts

The Group estimates the recoverable amount of each CGU based on the greater of its fair value less disposal cost and its value in use (VIU), derived from a discounted cash flow model which excludes IFRS 16 lease payments. In assessing the fair value less disposal cost the ability to sublease each store has been considered and it is concluded that this is not applicable for the majority of the store estate. Where it is deemed reasonable to assume the ability to sublet the potential cash inflows generated are insignificant; therefore, the VIU calculation is used for all stores. A proportion of click & collect sales are included in store cash flows to reflect the contribution stores make to fulfilling such orders. The key assumptions applied by management in the VIU calculations are those regarding the growth rates of sales and gross margins, medium-term growth rates, central overhead allocation and the discount rate used to discount the assumed cash flows to present value.

Projected cash flows for each store are limited to the useful life of each store as determined by its current lease term unless a lease has already expired or is due to expire within 12 months of 5 May 2024 where the intention is to remain in the store and renew the lease. For these leases, the lease term of the previously expired lease is used for cash flow projections.

Projected cash flows for the trading website are limited to 60 months as this is in line with the average useful economic life of the assets assigned to the web CGU.

Impairment triggers

Due to the challenging macroeconomic environment and the existence of a material brought forwards impairment charge, all CGUs other than stores which have been open for less than 12 months have been assessed for impairment.

Key assumptions
The key financial assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of current market conditions and future trends and have been based on historical data from external and internal sources. Management determined the values assigned to these financial assumptions as follows:

The post-tax discount rate is derived from the Group's weighted average cost of capital, which has been estimated using the capital asset pricing model, the inputs of which include a company risk-free rate, an equity risk premium, a Group size premium, a forecasting risk premium and a risk adjustment (beta). The discount rate is compared to the published discount rates of comparable businesses and relevant industry data prior to being adopted.

	FY24	FY23 (Restated)
Post-tax discount rate	**10.50%**	11.95%
Medium-term growth rate	**2.0%**	1.0%

While the online CGU is in a different stage of establishment to that of the store CGUs, the same pre-tax discount rate has been used in the impairment assessment. Given that the website is not performing in line with expectations, all assets relating to the web CGU are fully impaired; as such an increase in the pre-tax discount rate used for the web assessment would not increase the impairment charge recognised.

Cash flow forecasts are derived from the most recent Board-approved corporate plans that form the Base Case on which the VIU calculations are based. These are described in Note 1(b)(i) (Going concern).

The assumptions used in the estimation of future cash flows are:

- Rates of growth in sales and gross margins, which have been determined on the basis of the factors described in Note 1(b)(i) (Going concern).
- Central costs are reviewed to identify amounts which are necessarily incurred to generate the CGU cash flows. As a result of the analysis performed at the end of FY24, 89% (FY23: 87%) of central costs have been allocated by category using appropriate volumetrics.

Cash flows beyond the corporate plan period (FY28 and beyond) have been determined using the medium-term growth rate; this is based on management's future expectations, reflecting, amongst other things, current market conditions and expected future trends and has been based on historical data from both external and internal sources. Immediately quantifiable impacts of climate change and costs expected to be incurred in connection with our net zero commitments are included within the cash flows. The useful economic lives of store assets are short in the context of climate change scenario models; therefore, no medium to long-term effects have been considered.

Impairment charge
During FY24, an impairment charge of £5,333k was recognised against 184 stores with a recoverable amount of £23,396k, and an impairment charge of £nil was recognised against the trading website (restated FY23: an impairment charge of £5,111k was recognised against 161 stores with a recoverable amount of £17,437k , and an impairment charge of £591k was recognised against the website). An impairment reversal of £5,883k has been recognised in FY24 relating to 135 stores with a recoverable amount of £33,537k as at 5 May 2024, and an impairment reversal of £859k was recognised against the website (restated FY23: an impairment reversal of £4,613k was recognised relating to 159 stores with a recoverable amount of £35,536k, and an impairment reversal of £nil was recognised against the website).

A net impairment credit of £1,409k (restated FY23: charge of £1,089k) has therefore been shown on the face of the consolidated income statement. In line with the previously adopted treatment, impairment charges and reversals have been shown as Adjusting items.

Sensitivity analysis
Whilst the Directors believe the assumptions adopted are realistic, reasonably possible changes in key assumptions could still occur, which could cause the recoverable amount of certain stores to be lower or higher than the carrying amount. The impact on the net impairment charge recognised from reasonably possible changes in assumption are detailed below:

- A reduction in sales of 5% from the Base Case plan to reflect a potential Downside Scenario would result in an increase in the net impairment charge of £7,950k. An increase in sales of 5% from the Base Case plan would decrease the net impairment charge by £5,345k.
- A reduction in gross margin of 2% would result in an increase in the net impairment charge of £2,051k. An increase in gross margin of 2% would decrease the net impairment charge by £1,898k.

- A 200 basis point increase in the pre-tax discount rate would result in an increase in the net impairment charge of £1,245k, while a 200 basis point decrease in the pre-tax discount rate would result in a decrease in the net impairment charge of £1,233k.
- A 100 basis point decrease in the medium-term growth rate would result in an increase in the net impairment charge of £480k, while a 100 basis point increase in the medium-term growth rate would result in an decrease in the net impairment charge of £470k.
- Increasing the percentage of central costs allocated across CGUs from 89% to 99% would result in an increase in the net impairment charge of £1,886k. Decreasing the percentage of central costs allocated across CGUs from 89% to 79% would result in a decrease in the net impairment charge of £1,756k.

Whilst the Directors consider their assumptions to be realistic, should actual results be different from expectations, then it is possible that the value of property, plant and equipment included in the balance sheet could become materially different to the estimates used.

Property, plant and equipment

	Leasehold improvements £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 30 April 2023 (Restated[2])	**7,408**	**3,656**	**19,195**	**30,259**
Additions	**409**	**353**	**3,971**	**4,733**
Disposals[1]	**(1,999)**	**(246)**	**(4,094)**	**(6,339)**
At 5 May 2024	**5,818**	**3,763**	**19,072**	**28,653**
Depreciation and impairment				
At 30 April 2023 (Restated[2])	**5,682**	**3,245**	**9,559**	**18,486**
Depreciation charge	**412**	**370**	**2,881**	**3,663**
Impairment charge	**209**	**282**	**1,098**	**1,589**
Impairment reversals	**(174)**	**(618)**	**(480)**	**(1,272)**
Disposals	**(1,980)**	**(141)**	**(4,050)**	**(6,171)**
At 5 May 2024	**4,149**	**3,138**	**9,008**	**16,295**
Net book value				
At 30 April 2023 (Restated[2])	1,726	411	9,636	11,773
At 5 May 2024	**1,669**	**625**	**10,064**	**12,358**

1. During FY24 the Group reviewed assets on the fixed asset register with a nil net book value. Following this review, fixed assets with a cost and accumulated depreciation of £4,263k were deemed to no longer be in use by the Group and have therefore been disposed of. The totals disposed of by category were as follows: £570k leasehold improvements; £213k plant and equipment; and £3,274 fixtures and fittings.
2. These balances have been restated to reflect the impact of the prior period restatements (Note 12).

	Leasehold improvements £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 01 May 2022	10,729	3,818	27,259	41,806
Additions	933	1,109	4,772	6,814
Disposals	(4,254)	(1,271)	(12,836)	(18,361)
At 30 April 2023 (Restated[2])	7,408	3,656	19,195	30,259
Depreciation and impairment				
At 1 May 2022 (Restated[2])	8,577	3,426	19,347	31,350
Depreciation charge (Restated[2])	1,462	718	2,967	5,147
Impairment charge (Restated[2])	5	331	439	775
Impairment reversals (Restated[2])	(172)	-	(402)	(574)
Disposals	(4,190)	(1,230)	(12,792)	(18,212)
At 30 April 2023	5,682	3,245	9,559	18,486
Net book value				
At 1 May 2022 (Restated[2])	2,152	392	7,912	10,456
At 30 April 2023 (Restated[2])	1,726	411	9,636	11,773

1. During FY23 the Group reviewed assets on the fixed asset register with a nil net book value. Following this review, fixed assets with a cost and accumulated depreciation of £17,502k were deemed to no longer be in use by the Group and have therefore been disposed of. The totals disposed of by category were as follows: £3,995k leasehold improvements; £1,172k plant and equipment; and £12,375k fixtures and fittings.

2 These balances have been restated to reflect the impact of the prior period restatements (Note 12).

11. Leases

Accounting policy

The Group leases many assets, including properties, IT equipment and warehouse equipment.

Identification

At the inception of a contract, the Group assesses whether it is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an asset for a period of time, in exchange for consideration. Control is conveyed where the Group has both the right to direct the asset's use and to obtain substantially all the economic benefits from that use. For each lease or lease component, the Group follows the lease accounting model as per IFRS 16, unless the permitted recognition exceptions can be used.

Recognition exceptions

The Group has elected to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following types of leases:

(i) Leases with a term of 12 months or less.

(ii) Leases where the underlying asset has a low value.

(iii) Concession leases where the landlord has substantial substitution rights.

For leases where the Group has taken the short-term lease recognition exemption and there are any changes to the lease term or the lease is modified, the Group accounts for the lease as a new lease.

For leases where the Group has taken a recognition exemption as detailed above, rentals payable under these leases are charged to the income statement on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

As lessee

Upon lease commencement, the Group recognises a right-of-use asset and a lease liability.

Initial measurement

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located at the end of the lease, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the incremental borrowing rate as the rate implicit in the lease cannot be readily determined.

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the Group under residual value guarantees are also included. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs unless the costs are included in the carrying amount of another asset under another accounting standard.

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the value of lease liabilities and right-of-use assets recognised.

The payments related to leases are presented under cash flows from financing activities and cash flows from operating activities in the cash flow statement.

Subsequent measurement

After lease commencement, the Group values right-of-use assets using a cost model. Under the cost model, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured to reflect changes in the lease term (using a revised discount rate); the assessment of a purchase option (using a revised discount rate); the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); and future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The re-measurements are matched by adjustments to the right-of-use asset. Lease modifications may also prompt re-measurement of the lease liability unless they are determined to be separate leases.

Depreciation of right-of-use assets

The right-of-use asset is subsequently depreciated using the straight-line method, from the commencement date to the earlier of either the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Determining the lease term

Termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility. At the commencement date of property leases, the Group determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. Leases will be revalued if it becomes likely that a break clause is to be exercised. In determining the likelihood of the exercise of a break option, management considers all facts and circumstances that create an economic incentive to exercise the termination option. For property leases, the following factors are the most relevant:

- The profitability of the leased store and future plans for the business.
- If there are any significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend.

(i) Amounts recognised in the statement of financial position

Right-of-use assets

	Land and buildings £000	**Plant and equipment £000**	**Total £000**
2024			
At 30 April 2023 (Restated)	**64,703**	**669**	**65,372**
Depreciation charge for the year	**(17,949)**	**(275)**	**(18,224)**
Additions to right-of-use assets	**10,931**	**-**	**10,931**
Effect of modifications to right-of-use assets	**(1,059)**	**-**	**(1,059)**
Derecognition of right-of-use assets	**(543)**	**-**	**(543)**
Impairment charge	**(3,394)**	**-**	**(3,394)**
Impairment reversals	**4,620**	**-**	**4,620**
At 5 May 2024	**57,309**	**394**	**57,703**

	Land and buildings £000	Plant and equipment £000	Total £000
2023			
At 1 May 2022 (Restated)	69,563	1,013	70,576
Depreciation charge for the year	(18,094)	(357)	(18,451)
Additions to right-of-use assets	17,217	13	17,230
Effect of modifications to right-of-use assets	(4,075)	-	(4,075)
Derecognition of right-of-use assets	(297)	-	(297)
Impairment charge	(2,173)	-	(2,173)
Impairment reversals	2,562	-	2,562
At 30 April 2023 (restated)	64,703	669	65,372

The total impairment charge/ reversal is in Adjusting items.

Lease liabilities

	Land and buildings £000	Plant and equipment £000	Total £000
2024			
At 30 April 2023 (Restated)	**93,686**	**706**	**94,392**
Additions to lease liabilities	**8,929**	**-**	**8,929**
Interest expense	**3,962**	**22**	**3,984**
Effect of modifications to lease liabilities	**1,059**	**-**	**1,059**
Lease payments	**(26,151)**	**(304)**	**(26,455)**
Disposals of lease liabilities	**(4,080)**	**-**	**(4,080)**
Foreign exchange movements	**(69)**	**-**	**(69)**
At 5 May 2024	**77,336**	**424**	**77,760**

	Land and buildings £000	Plant and equipment £000	Total £000
2023			
At 1 May 2022 (Restated)	106,844	1,047	107,891
Additions to lease liabilities	15,051	15	15,066
Interest expense	4,107	33	4,140
Effect of modifications to lease liabilities	(4,075)	-	(4,075)
Lease payments	(26,991)	(389)	(27,380)
Disposals of lease liabilities	(1,402)	-	(1,402)
Foreign exchange movements	152	-	152
At 30 April 2023	93,686	706	94,392

Carrying value of leases included in the consolidated statement of financial position

	FY24 £000	FY23 £000
Current	**19,943**	19,626
Non-current	**57,817**	74,766
Total carrying value of leases	**77,760**	94,392

Maturity analysis – contractual undiscounted cash flows:

	FY24 £000	FY23 £000
Less than one year	**23,446**	27,163
One to two years	**18,787**	21,904
Two to three years	**13,738**	17,225
Three to four years	**9,968**	12,363
Four to five years	**6,574**	8,771
More than five years	**17,632**	20,727
Total undiscounted lease liabilities	**90,145**	108,153

(ii) Amounts recognised in the consolidated income statement

	FY24 £000	FY23 (Restated - Note 12) £000
Depreciation charge on right-of-use assets (RoUA)	**18,224**	18,451
Interest cost on lease liability	**3,984**	4,140
Profit on disposal of RoUA / lease liability	**(3,537)**	(1,105)
Foreign exchange difference on euro leases	**69**	(152)
Additional impairment charge under IAS 36	**(1,226)**	3,564
Operating lease rentals – hire of plant, equipment and motor vehicles		
– Low-value leases	**362**	371
Total plant, equipment and motor vehicle operating lease rentals	**362**	371
Operating lease rentals – store leases		
– Stores with variable lease rentals	**(434)**	300
– Concession leases (the landlord has substantial substitution rights)	**848**	977
– Low-value leases	**(11)**	13
– Lease is expiring within 12 months or has rolling break clauses	**63**	53
– Lease has expired	**766**	397
– Variable lease payments as a result of COVID-19 concessions	**-**	(181)
Total store operating lease rentals	**1,232**	1,559

Depreciation of right-of-use asset by class:

	FY24 £000	FY23 (Restated - Note 12) £000
Land and buildings	**17,949**	18,094
Plant and equipment	**275**	357
Total right-of-use asset depreciation	**18,224**	18,451

12. Prior period restatements

FY23 prior period restatement

The FY23 financial statements included a prior year restatement which resulted in an increase to the impairment of right-of-use assets, following a correction to the allocation of central costs to each cash generating unit, which had previously been omitted from the calculations. This also resulted in a reduction in the depreciation charge as a result of the reduced net book value of the right of use assets.

FY24 prior period restatement

There were a number of stores where the lease had expired prior to the start of the FY24 financial period. The Group recognises a right-of-use asset and lease liability for such stores where it is likely that a new lease will be entered into, based on an estimate of the new lease terms, prior to final agreement of terms with the landlord. These stores had been subject to impairment as part of the FY23 prior period restatement described above. During the current period, the Directors have considered the allocation of impairment to these stores and concluded that impairment was incorrectly calculated in light of the modification of the lease. A gain on modification of the lease of £3,612k should have been recognised in the prior period, with a corresponding increase to right of use assets of £3,612k.

As a result, the FY22 closing impairment balance relating to right-of-use assets has been increased by £2,657k, the closing impairment balance relating to property, plant and equipment has been reduced by £628k and the closing impairment balance relating to intangible assets has been reduced by £60k. The adjustment to FY22 closing reserves is therefore £1,969k.There are further impacts due to impairment disposed of variance £(1,373)k, depreciation variance £1,596k and change in NBV if PPE £140k, all of the impacts total to £2,332 which is the opening adjustment seen in the Statement of Changes in Equity.

In FY23, the net impairment charge has been reduced by £3,723k for right-of-use assets, £170k for property, plant and equipment and £70k for intangible assets. Therefore, the net increase to total profit before tax relating to FY23 impairment charges is £3,963k.

Depreciation reduction due to impairment

As a result of the adjustments to right-of-use assets and impairment above, the net book value of fixed assets was higher at the start of FY23 than previously disclosed, resulting in the depreciation charge being understated. The FY22 closing accumulated depreciation has been increased by £1,516k relating to right of use assets, £69k relating to property, plant and equipment and £11k relating to intangible assets, with a corresponding decrease in retained earnings of £1,596k.

In FY23, the depreciation charge has increased by £3,032k relating to right of use assets, £100k relating to property, plant and equipment and £18k relating to intangible assets, reducing Adjusted profit before tax by £3,150k.

Adjustment related to closed stores
There were a number of stores closed prior to FY24, where property, plant and equipment had been correctly disposed of but corresponding depreciation had not been adjusted for when calculating the prior year restatement in the FY23 financial statements.

In FY23, the depreciation charge related to property, plant and equipment has been increased by £598k and the depreciation charge related to intangible assets has been increased by £101k. Therefore, the net decrease to total profit in FY23 is £698k.

Impairment reduction as a result of depreciation adjustment on disposed assets
As a result of the adjustments to right-of-use assets and depreciation above for closed stores, the net book value of fixed assets was lower at the start of FY23 than previously disclosed, resulting in the impairment charge being overstated. The FY22 closing accumulated impairment has been decreased by £1,603k relating to right of use assets, with a corresponding increase in retained earnings of £1,603k.

In FY23, the impairment charge has decreased by £230k relating to right of use assets, increasing Adjusted profit before tax by £230k.

Adjustment to opening balances
As part of the review of IFRS 16 balances during the period, the Directors identified adjustments to opening balances that were not required. These balances related to previous adjustments to the residual rent balance in the consolidated income statement following the IFRS 16 calculations.

These adjustments resulted in an increase in the FY23 opening balances of £3,245k to the right of use assets brought forward and £3,245k decrease to the lease liability brought forward. In FY23, the depreciation charge associated with right of use assets has been increased by £578k, with a corresponding reduction in the rent charge in the consolidated income statement. The depreciation charge to the right of use asset has been reduced by £578k and the lease liability reduced by £578k in the consolidated statement of financial position.

Impact on cash flow statement
These adjustments increase the 'depreciation of property, plant and equipment', 'depreciation of right of use assets' and 'amortisation of intangible assets' balance in the consolidated cash flow statement, however there is no overall impact on 'net increase in cash and cash equivalents'.

Corporation tax restatement
The above adjustments have resulted in restatements to the corporation tax charges, current tax assets/ liabilities and the deferred tax asset. Refer to Notes 6 and 13 for restated tax disclosures.

The following tables summarise the impact of the above restatements on the Group's consolidated financial statements including the impact of current and deferred corporation tax.

Summarised consolidated income statement

	Per FY23 financial statements	Right-of-use asset cost variance	Depreciation variance	Impairment disposed of variance	Impairment charge variance	Disposals depreciation reduction adjustment	IFRS 16 adjustment	FY23 restated balance
Income statement								
Revenue	280,102	-	-	-	-	-	-	280,102
Cost of sales	(236,202)	3,612	(3,150)	230	3,963	(692)	-	(232,239)
Gross profit	43,900	3,612	(3,150)	230	3,963	(692)	-	47,863
Other operating income	8	-	-	-	-	-	-	8
Distribution expenses	(10,284)	-	-	-	-	-	-	(10,284)
Administrative expenses	(24,197)	-	-	-	-	-	-	(24,197)
Operating profit	9,427	3,612	(3,150)	230	3,963	(692)	-	13,390
Finance income	227	-	-	-	-	-	-	227
Finance expense	(4,648)	-	-	-	-	-	-	(4,648)
Profit before tax	5,006	3,612	(3,150)	230	3,963	(692)	-	8,969
Taxation	265	-	25	(42)	-	147	-	395
Profit after tax	5,271	3,612	(3,125)	188	3,963	(545)	-	9,364

Summarised consolidated statement of financial position

	Per FY23 financial statements	Right-of-use asset cost variance	Depreciation variance	Impairment disposed of variance	Impairment charge variance	Disposals depreciation reduction adjustment	IFRS 16 adjustment	FY23 restated balance
Non-current assets								
Intangible assets	916	-	(29)	-	130	(101)	-	916
Property, plant and equipment	11,733	-	(167)	-	798	(591)	-	11,773
Right of use assets	67,463	3,612	(4,549)	1,603	1,066	-	(3,823)	65,372
Other non-current Assets	4,854	-	40	(199)	-	149	-	4,844
	84,966	3,612	(4,705)	1,404	1,994	(543)	(3,823)	82,905
Current assets	52,293	-	-	-	-	-	-	52,293
Total assets	137,259	3,612	(4,705)	1,404	1,994 -	(543)	(3,823)	135,198
Liabilities								
Current lease liabilities	(23,449)	-	-	-	-	-	3,823	(19,626)
Other current liabilities	(36,092)	-	-	-	-	-	-	(36,092)
Non-current lease liabilities	(74,766)	-	-	-	-	-		(74,766)
Other non-current lease liabilities	(1,298)	-	-	-	-	-	-	(1,298)
Total liabilities	(135,605)	-	-	-	-	-	3,823	(131,782)
Net assets	1,654	3,612	(4,705)	1,404	1,994	(543)	**-**	3,416
Equity attributable to equity holders of the Parent								
Retained earnings	(34,959)	-	(1,579)	1,217	(1,969)	-	-	(37,290)
Retained earnings in year	5,271	3,612	(3,126)	187	3,963	(543)	-	9,364
Other reserves	31,342	-	-	-	-	-	-	31,342
Total equity	1,654	3,612	(4,705)	1,404	1,994	(543)	-	3,416

Summarised consolidated statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Hedging reserve[1] £000	Retained earnings £000	Total equity £000
Reported balance at 30 April 2023	625	28,322	(54)	2,780	(331)	(29,688)	1,654
Cumulative adjustment	-	-	-	-	-	1,762	1,762
Restated balance at 30 April 2023	**625**	**28,322**	**(54)**	**2,780**	**(331)**	**(27,926)**	**3,416**

13. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Liabilities	
	FY24 £000	FY23 (Restated[1]) £000	**FY24 £000**	FY23 (Restated[1]) £000
Property, plant and equipment	2,785	2,866	-	-
Leases	980	1,362	-	-
Temporary timing differences	332	354	-	-
Financial assets/(liabilities)	-	262	(61)	-
Tax assets/(liabilities)	4,097	4,844	(61)	-

Movement in deferred tax during the year

	Fixed assets £000	Leases £000	Temporary timing differences £000	Financial assets/ (liabilities) £000	Total £000
At 30 April 2023 (Restated[1])	2,866	1,362	354	262	4,844
Adjustment in respect of prior years	785	16	-	-	801
Deferred tax charge to profit and loss	(866)	(398)	(22)	-	(1,286)
Deferred tax credit in equity profit and loss	-	-	-	(323)	(323)
At 5 May 2024	2,785	980	332	(61)	4,036

[1] The FY23 deferred tax asset has been restated to reflect the tax impact of the restatements documented in Note 12.

Movement in deferred tax during the prior year

	Fixed assets £000	Leases £000	Temporary timing differences £000	Financial assets/ (liabilities) £000	Total £000
At 1 May 2022	2,728	1,645	195	-	4,568
Adjustment in respect of prior years	(369)	-	-	(598)	(967)
Deferred tax credit/ (charge) to profit and loss (Restated[1])	507	(283)	159	-	383
Deferred tax credit in equity profit and loss	-	-	-	860	860
At 30 April 2023	2,866	1,362	354	262	4,844

[1] The FY23 deferred tax asset has been restated to reflect the tax impact of the restatements documented in Note 12.

Tax losses carried forward for which no deferred tax asset has been recognised are £nil (FY23: £9,273k).

14. Inventories

Accounting policy

Inventories comprise stocks of finished goods for resale and are valued on a weighted average cost basis and carried at the lower of cost and net realisable value. Cost includes all direct expenditure and other attributable costs incurred in bringing inventories to their present location and condition.

The process of purchasing inventories may include the use of cash flow hedges to manage foreign exchange risk. Where hedge accounting applies, an adjustment is applied such that the cost of stock reflects the hedged exchange rate.

	FY24 £000	FY23 £000
Gross stock value	28,401	31,278
Less: stock provisions for shrinkage and obsolescence	(1,932)	(1,037)
Goods for resale net of provisions	26,469	30,241
Stock in transit	4,885	3,200
Inventory	31,354	33,441

The cost of inventories recognised as an expense during the period was £120.5m (FY23: £119.1m).

Stock was valued at £31.4m at the end of the period (FY23: £33.4m), a decrease of £2.0m. Tighter stock management supported a planned reduction in our period end closing forward cover and supports lower markdown activity in FY25. The stock value reflects higher stock on water than we would have expected because of the extra transit time from China due to the Red Sea challenges.

Stock provisions

The Group makes provisions in relation to stock quantities, due to potential stock losses not yet reflected in the accounting records, commonly referred to as unrecognised shrinkage, and in relation to stock value, where the net realisable value of an item is expected to be lower than its cost, due to obsolescence.

Shrinkage provision

During FY24, full four wall counts were performed in 518 stores during two waves of counts – 199 stores were counted between August and September with a further 335 stores counted (including 23 recounted stores) between March and May. Through these counts, the Group established that its accounting records reflected the actual quantities of stock in stores. This process also provides the Group with an indication of the typical percentage of stock loss, which is used to calculate, by extrapolation, unrecognised shrinkage at the balance sheet date. The stock records were updated to reflect the results of the stock counts, however, due to the estate being counted throughout the year compared to FY23 where all stores were counted near the year end, the unrecognised shrinkage provision has increased to £1.1m (FY23: £0.4m). The provision relates to store stock with a value of £20.6m (FY23: £20.9m).

Obsolescence provision

The Group's inventory does not comprise a large proportion of stock with a 'shelf life'. Stock lines which are slow selling because they have been less successful than planned, or which have sold successfully and become fragmented as they reach the natural end of their planned selling period, are usually discounted and sold during 'sale' events, for example the January sale. This stock is referred to as terminal stock.

During FY24 the Group held slightly more terminal stock than the prior period. Consequently, the obsolescence provision has increased to £0.8m (FY23: £0.6m).

The Group has also considered the impact of customer preferences and ESG considerations on potential stock obsolescence, and these factors are not deemed to have a material impact on the level of provision required.

15. Trade and other receivables

	FY24 £000	FY23 £000
Current		
Trade receivables	2,626	2,864
Other receivables	506	359
Prepayments	5,252	4,284
Trade and other receivables	8,384	7,507

Trade receivables are attributable to sales which have been paid for by credit card pending receipt into the Company's bank account and are classified as finance assets at amortised cost. The trade receivables balance is primarily made up of aforementioned pending credit card receipts of £2.3m (FY23: £2.4m). No credit is provided to customers. The individual value and nature of trade receivables is such that no material credit losses occur; therefore, no loss allowance has been recorded at the period end (FY23: £nil).

Other receivables relate to stock on water deposits paid and other accounts payable debit balances. Prepayments relate to prepaid property costs and other expenses.

16. Cash and cash equivalents

	FY24 £000	FY23 £000
Cash and cash equivalents	1,619	10,196
Total	1,619	10,196

The Group's cash and cash equivalents are denominated in the following currencies:

	FY24 £000	FY23 £000
Sterling	1,142	8,208
Euro	397	1,949
US dollar	80	39
Cash and cash equivalents	1,619	10,196

At 5 May 2024, the Group held net cash (excluding lease liabilities) of £1.6m (FY23: £10.2m). This comprised cash of £1.6m (FY23: £10.2m).

17. Borrowings

Accounting policy

Interest-bearing bank loans and overdrafts, loan notes and other loans are recognised in the balance sheet at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method. A summary of the Group's objectives, policies, procedures and strategies with regard to financial instruments and capital management can be found in Note 25 to the Annual Report and Accounts. At 5 May 2024 and 30 April 2023 all borrowings were denominated in Sterling.

For the period ended 5 May 2024, the Group's bank facilities comprised of a revolving credit facility of £20.0m (FY23: £30.0m) expiring on 30 November 2025. During the period, the facility was extended by a year and reduced in size by £10.0m on the request of the Directors.

The nature of the covenants associated with the facility remained consistent throughout both periods presented. The levels of the covenant measures were amended on 18 March 2024 (see Note 1).

None of the Group's cash and cash equivalents (FY23: £nil) are held by the trustee of the Group's Employee Benefit Trust in relation to the share schemes for employees.

	FY24 £000	FY23 (Restated) £000
Non-current liabilities		
Lease liabilities	**57,817**	74,766
Non-current liabilities	**57,817**	74,766
Current liabilities		
Lease liabilities	**19,943**	19,626
Current liabilities	**19,943**	19,626

Reconciliation of borrowings to cash flows arising from financing activities

	£000	FY23 (Restated) £000
Borrowings at start of the period	**94,392**	107,891
Changes from financing cash flows		
Payment of lease liabilities (capital)	**(22,471)**	(23,250)
Payment of lease liabilities (interest)	**(3,984)**	(4,130)
Proceeds from loans and borrowings[1]	**6,000**	4,000
Repayment of bank borrowings[1]	**(6,000)**	(4,000)
Total changes from financing cash flows	**(26,455)**	(27,380)
Other changes		
Addition of lease liabilities	**9,988**	10,991
Disposal of lease liabilities	**(4,080)**	(1,402)
The effect of changes in foreign exchange rates	**(69)**	152
Interest expense	**3,984**	4,140
Total other changes	**9,823**	13,881
Borrowings at end of the period (excluding overdrafts)	**77,760**	94,392

[1]£6.0m was drawn under the Group's RCF from 28 June 2023 to 29 November 2023.

Net debt reconciliation

	FY24 £000	FY23 (Restated) £000
Net debt (excluding unamortised debt costs)		
Cash and cash equivalents	**(1,619)**	(10,196)
Net bank cash	**(1,619)**	(10,196)
Non-IFRS 16 lease liabilities	**89**	268
Non-IFRS 16 net cash	**(1,530)**	(9,928)
IFRS 16 lease liabilities	**77,760**	94,392
Net debt including IFRS 16 lease liabilities	**76,230**	84,464

18. Trade and other payables

	FY24 £000	FY23 £000
Current		
Trade payables	**18,081**	22,960
Other tax and social security	**3,525**	2,610
Accrued expenses	**8,280**	8,909
Trade and other payables	**29,886**	34,479

Trade payables principally comprise amounts outstanding for trade purchases and operating costs.

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

Accrued expenses comprise various accrued property costs, payroll costs and other expenses, including £166k (FY23: £484k) of deferred income in relation to the customer loyalty scheme. The Group's loyalty scheme was closed to new members on 30 March 2024 with loyalty vouchers (and thus liability) expiring on 30 June 2024.

The Group has net US dollar denominated trade and other payables of £7.0m (FY23: £6.6m).

19. Provisions

Accounting policy

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are the best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

	HMRC VAT £000	Property £000	Total £000
At 30 April 2023	514	1,349	1,863
Released	(367)	(24)	(391)
Utilised	-	(453)	(453)
At 5 May 2024	**147**	**872**	**1,019**

Maturity analysis of cash flows:

	HMRC VAT £000	Property £000	Total £000
Due in less than one year	147	396	543
Due between one and five years	-	476	476
Due in more than five years	-	-	-
Total	**147**	**872**	**1,019**

Property provision

A dilapidation provision is recognised when there is a future obligation relating to the maintenance of leasehold property. The provision is based on management's best estimate of the obligation which forms part of the Group's unavoidable cost of meeting its obligations under the lease contracts. Key uncertainties are estimates of amounts due.

HMRC VAT provision

HMRC initiated a VAT review in August 2022 in respect of a four-year period (FY19 to FY22). The review is ongoing and therefore a provision of £147k (FY23: £514k) is recognised in respect of the potential liability.

20. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

The key management personnel of the Group comprise The Works.co.uk plc Board of Directors and the Group's Operational Board. Further details of Director's remuneration are set out in the Directors' remuneration report on pages 57 to 66 of the Annual Report and Accounts.

The compensation of key management personnel (including the Directors) is as follows:

	FY24 £000	FY23 £000
Key management remuneration - including social security costs	2,982	3,132
Pension contributions	116	184
LTIP - including social security costs	(351)	313
Total	2,747	3,629

Further details on the compensation of key management personnel who are Directors are provided in the Group's Directors' remuneration report.

21. Subsidiary undertakings

The results of all subsidiary undertakings are included in the consolidated financial statements. The principal place of business and the registered office addresses for the subsidiaries are the same as for the Company.

Company	Active/ dormant	Direct/ indirect control	Registered number	Class of shares held	Ownership
The Works Investments Limited	Active	Direct	09073458	Ordinary	100%
The Works Stores Limited	Active	Indirect	06557400	Ordinary	100%
The Works Online Limited	Active	Indirect	08040244	Ordinary	100%