24 January 2025

TheWorks.co.uk plc

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

Interim results, Christmas trading update and new strategy

Delivered significant improvement in H1 FY25 profitability. Maintaining full year guidance. Announcing new strategy to elevate The Works over the next five years.

TheWorks.co.uk plc, the family-friendly value retailer of arts, crafts, toys, books and stationery, announces its interim results for the 26 weeks ended 3 November 2024 (the "period" or "H1 FY25"), an update on current trading for the 11 weeks ended 19 January 2025 and a new strategy.

Summary

- H1 FY25 total revenue growth of 1.3% to £124.2m (H1 FY24: £122.6m) and total LFL [(1)] sales decline of 0.8%, which was in line with expectations and ahead of the wider non-food retail sector.[(2)]
    - Store LFL sales (over 90% of total sales) grew by 0.9%, driven by improved seasonal ranges and fiction book sales.
    - Online sales declined by 14.7%, impacted by a planned reduction in promotional activity and reduced capacity stemming from challenges at our third-party online fulfilment centre towards the end of the period.
- Pre-IFRS 16 Adjusted EBITDA loss of £2.8m (H1 FY24: £8.5m loss) and adjusted loss before tax [(3)] of £6.5m (H1 FY24: Restated [(4)] £10.4m loss). [(5)] Significant year-on-year improvement driven by:
    - Action taken to grow product margins, up +220bps compared to H1 FY24.
    - Cost saving action over the last 12 months delivering tangible results.
- The Group ended the Period with net debt [(6)] of £8.5m (H1 FY24: net debt £2.5m), reflecting higher levels of stock on water and the adverse impact of the different Period end date. [(7)]
- Current trading for the 11 weeks ended 19 January 2025 is in line with expectations:
    - Resilient store performance, with LFL sales up 1%, supported by significant operational improvements across stores and in our retail Distribution Centre. Online sales declined by 14.9% YOY.
    - Strong end to Christmas trading continued into January.
- Ongoing product margin growth and cost-saving action expected to deliver further benefits in remainder of this financial year and FY26, helping to offset significant cost headwinds.
- On track to meet market expectations of pre-IFRS16 Adjusted EBITDA of £8.5m for FY25 and further profit growth in FY26.
- New strategy announced – expect to transform the business and deliver sales in excess of £375m and an EBITDA margin of at least 6% within five years.

H1 FY25 financial highlights

	H1 FY25 £m	H1 FY24 Restated [(4)] £m
Revenue	£124.2m	£122.6m
Revenue growth %	1.3%	3.1%
Total LFL sales [(1)]	(0.8)%	1.6%
Pre-IFRS 16 Adjusted EBITDA [(3)]	(£2.8m)	(£8.5m)
Loss before tax	(£6.9m)	(£16.5m)
Adjusted loss before tax [(3)]	(£6.5m)	(£10.4m)
Adjusted Basic loss per share	(9.4p)	(12.6p)
Net debt [(6)]	(£8.5m)	(£2.5m)

H1 FY25 strategic progress

Significant progress delivered in H1, with more targeted for H2:

- Completed project to define brand positioning more clearly, which is now reflected in our external marketing and includes rollout of new #TimeWellSpent strapline.

- Continued optimisation of store portfolio with three new openings, two relocations and eight closures. Operated from 506 stores at period end, of which 98% are trading profitably.
- Significant product margin growth as a result of negotiations with suppliers, conscious control of mix and reduced promotional activity.
- Reduced cost base through improved ways of working at our retail Distribution Centre, which supported delivery of targeted annualised saving of at least £1m. Action taken in FY24 delivered further efficiencies in H1 FY25, including the removal of the customer loyalty scheme, restructuring of the Operating Board, implementation of a new store labour model and additional rent savings secured through negotiations with landlords.

New strategy

Having strengthened the Board in H1 we revisited our longer-term goals to ensure The Works has the right strategy to succeed over the long term and become the favourite destination for affordable, screen free activities for the whole family. We have now developed this strategy, 'Elevating The Works', which provides a clear plan to achieve those goals and drive a significant improvement in performance and shareholder returns. This strategy is underpinned by three strategic drivers:

- Growing Brand Fame
- Improving Customer Convenience
- Being a Lean and Efficient Operator

We are confident that delivery of this strategy will have a transformative impact on the business and will enable us to deliver sales in excess of £375m and an EBITDA margin of at least 6% within five years.

Trading update

In the 11 weeks ended 19 January 2025, total LFL sales declined by 0.9%. The performance of our store estate, accounting for over 90% of sales, was resilient over the festive period, delivering LFL sales up 1.0%. We delivered a much-improved Christmas operationally across our stores, both store standards and customer service, and in our retail Distribution Centre. We saw particularly strong growth in Adult Fiction Books and good growth in our Christmas Accessories and Stationery ranges.

In contrast, our online performance was constrained over the festive period. Our third-party operated online fulfilment centre faced challenges fulfilling volumes during peak, which affected capacity and caused disruption for customers. We took timely and decisive action to control customer demand and protect profitability, however these unforeseen issues resulted in online LFLs declining 14.9%, which pulled our total LFL sales lower and created an additional circa £1m in exceptional fulfilment costs. We are currently investigating remedial actions and are considering our options for the future of our online offering and fulfilment.

Consumers remained cost-conscious, which resulted in high levels of promotional activity across the market in November and December. Whilst still providing customers with excellent value, we limited our promotional activity and maximised full-price sales in the run up to Christmas, helping to deliver a 190bps margin improvement year-on-year over the 11-week period.

Outlook

We saw a strong end to Christmas trading in December, which continued into January, and the online capacity issues experienced during peak trading have subsided. Our cash position also improved following Christmas, with £14.7m of cash as of 19 January 2025 and we expect to end the financial year with net cash of approximately £4m.

Consumer confidence is expected to remain fragile, however we are excited about the potential of new ranges landing in the Spring and expect to deliver modest sales growth for the remainder of the financial year.

We remain mindful of significant cost headwinds, including a circa £6.5m impact in FY26 due to the rise in National Living and Minimum Wages and changes to employers' National Insurance contributions. We will mitigate this through ongoing action to reduce costs and grow margins, including carefully targeted price increases. As a result, we are on track to deliver FY25 profits in line with compiled market forecasts (Pre-IFRS16 Adjusted EBITDA of £8.5m) and further profit growth in FY26.

With a new strategy in place and progress already underway, we are optimistic that we can deliver a significant improvement in performance and shareholder returns in the medium term.

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

"We started the financial year with a clear focus on reducing our cost base and growing margins in order to offset ongoing cost headwinds. We successfully delivered on these objectives in the first half of FY25 and are pleased to report a significant improvement in profitability year-on-year.

“We faced persistently difficult market conditions this Christmas but did not let this dampen our enthusiasm, instead focusing on the factors within our control. We delivered a resilient store performance and saw strong customer demand for our festive ranges, with our giant *The Grinch* soft toy standing out as a Christmas bestseller.

“Looking ahead, we are mindful of the need to navigate fragile consumer confidence and significant cost headwinds but believe there is much to be optimistic about at The Works. We expect that our action to grow revenue, increase margins and reduce costs will deliver improved results in the remainder of this financial year and in FY26. We have laid the foundations for our new strategy, which will transform the business and deliver a significant improvement in performance and shareholder returns in the years to come.”

Interim results presentation

A copy of the H1 FY25 Interim results presentation will shortly be made available on the Company’s website (https://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 today (Friday 24 January 2025). Investors can register here: https://www.investormeetcompany.com/theworkscouk-plc/register-investor

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Footnotes:

(1) Total LFL sales is the growth/decline 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.
(2) Data from the British Retail Consortium (BRC) showed non-food retail LFL decline of 1.3% for the 26-week period.
(3) Adjusted profit figures exclude Adjusting items. See Note 5 of the attached condensed unaudited financial statements for details of Adjusting items.
(4) Prior period restatements reflect adjustments wholly related to IFRS 16 lease accounting. Further details can be found in Note 15 of the condensed unaudited financial statements included in this RNS.
(5) The seasonality of the business typically results in a loss in the first half of the financial year, with profit being generated through Christmas trading in H2.
(6) Net debt at bank excluding finance leases, on a pre-IFRS 16 basis.
(7) Due to the 53rd week at the end of FY24, the Period end was 3 November 2024 compared to 27 October in the prior year. This resulted in the timing of month end payments falling within the Period end in 2024 but after the Period end in 2023.

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. Our aim is to become the favourite destination for affordable, screen free activities for the whole family. The Group operates a network of over 500 stores in the UK & Ireland, as well as trading online at TheWorks.co.uk.

Chief Executive's Report

Overview

Our primary focus in FY25 was to reduce our cost base and grow margins to offset ongoing cost headwinds and improve our profitability. We successfully delivered on these objectives in the first half of FY25, supported by good strategic progress. Today we announce a new strategy designed to transform the business and our financial performance in the years ahead.

H1 trading performance

The retail environment was challenging in the first half of FY25. The start of the period saw improved consumer confidence, albeit this did not translate into increased consumer spend. Towards the end of the period, consumer confidence was again impacted ahead of the new government's Autumn Budget. Against this backdrop The Works' total revenue grew 1.3%, with total like-for-like (LFL) sales declining 0.8%. This performance was broadly in line with our expectations of stable sales heading into the financial year and was ahead of the wider sector. (1)

Stores, which comprise 91% of sales, delivered robust LFL sales growth of 0.9%. Although external factors tempered customer spend, our improved Back to School and Halloween ranges were well received by customers and new book releases continued to drive strong growth in fiction book sales. Online LFL sales declined by 14.7%, reflecting operational challenges experienced at our third-party operated online fulfilment facility towards the end of the period, which significantly reduced capacity and performance. The first half outcome also reflects a planned reduction in promotional activity year-on-year from September onwards, helping to improve online profitability.

Group profitability improved significantly year-on-year, with pre-IFRS 16 Adjusted EBITDA loss of £2.8m (H1 FY24: £8.5m loss) and an Adjusted loss before tax of £6.5m (H1 FY24: Restated £10.4m loss).(2) This was driven by product margin improvement (+220bps on H1 FY24) and cost saving action over the last 12 months delivering tangible results. We expect to continue seeing the benefits from this activity in the second half, helping to offset the ongoing cost headwinds from changes to employers' National Insurance contributions, higher National Living and Minimum Wages, freight costs and business rates.

H1 strategic progress

Significant progress was delivered in H1, with more targeted in H2 and beyond driven by our new strategy, which is explained in the section below.

Whilst developing this new strategy we completed a project to more clearly define our brand positioning and what we want The Works to be famous for. We now have a new mission, "to become the favourite destination for affordable, screen free activities for the whole family" and branding to bring this mission to life, which is being reflected in our external marketing. This includes the introduction of our new #TimeWellSpent strapline, which was rolled out as part of our Christmas marketing campaign.

Optimising our store portfolio continues to be a key strategic focus. As part of this we perform an annual portfolio review (with more regular reviews of low-profit stores), to determine clear actions to improve performance, reduce costs and agree our approach with landlords ahead of lease expiries and breaks, including exploring potential relocation opportunities. We also continue to selectively open new stores, focused on a list of circa 100 target locations where we believe there is sufficient demand for The Works and an opportunity to drive strong payback. In the first half of FY25 we opened three new stores, relocated two stores and closed eight predominantly loss-making stores. Our new stores are performing well, with strong payback within just over a year of opening. At period end, the business operated from

506 stores, of which 98% are trading profitably. We expect a further net five store closures in H2 FY25 but are building a new store pipeline which will see us return to modest growth in the store estate, with a net five new stores being targeted in FY26.

We made good progress in growing our product margins through supplier negotiations, more conscious control of product mix and reduced promotional activity. We also reduced our cost base, with improved ways of working at our Distribution Centre driving better stock flows to stores and supporting the delivery of the targeted annualised saving of at least £1m from this initiative. Further cost savings were realised in H1 FY25 from action taken in FY24, including the removal of the customer loyalty scheme, the restructure of the Operating Board, implementation of the new store labour model and additional rent savings through negotiations with landlords. These initiatives enabled us to partially offset the significant ongoing cost headwind from National Living and Minimum Wages increases and a further headwind from temporarily higher freight costs in the first half.

We also completed the rollout of our new EPoS software across our store estate, replacing the previous end of life solution and providing a platform for improved capabilities in the future.

New strategy

Having strengthened the Board in the first half, we revisited our longer-term goals and our strategy to achieve them, recognising the need for refined plans to transform our business, drive a significantly improved operational and financial performance and thereby shareholder returns in the years ahead.

Today we announce this new strategy, focused on 'Elevating The Works' to become the favourite destination for affordable, screen free activities for the whole family. Delivering this strategy will have a transformative impact on the business, with an ambition to reach annual sales in excess of £375m and an EBITDA margin of at least 6% within five years.

The key drivers of this strategy are as follows:

Growing Brand Fame

The Works is well known and loved by our core customers, but many potential customers still don't know who we are or what we do. We have a meaningful purpose – to inspire reading, learning, creativity and play – and a much clearer brand identity, addressing a known customer need. We will grow our brand fame through aligning our marketing to our new mission and brand identity and will develop our product proposition to have more all-year-round appeal by increasing exposure to new brands and introducing a broader party offering and extended ranges in larger stores. We will also ensure we provide a fun, family friendly and inspiring experience for customers that will give them a real reason to visit and re-visit The Works and work more closely with our charity partners to help fulfil our purpose.

Improving Customer Convenience

Customer expectations regarding convenience and value continue to grow. As a multi-channel retailer with a large store estate, we can offer much greater convenience than we currently do, and that offered by many of our competitors. We will improve the convenience we offer our customers by delivering a more consistent execution of our proposition, tailoring store ranging to better meet the needs of local customers including through better use of store space, accessing new customers through new store openings, improving the shopability of our website and improving the connection between our stores and our website. This will see us better provide our customers with the ranges they want, where they want, further improving overall customer experience and satisfaction.

Being a Lean and Efficient Operator

To support offering our customers great value products and delivering sustainable profit margins, we need to be a business that is lean, simple and efficient. This will require us to review and simplify our business processes, invest in replacing our out-dated and inefficient systems, reduce operational and support costs where appropriate, further increase our product margins, grow our average selling price (to help reduce our cost to serve ratio) and continue with our store portfolio optimisation.

The step change in sales growth to in excess of £375m sales within five years will be driven by multiple levers, including:

- Winning new customers by improving brand recognition.
- Developing deeper relationships with, and increased spend from, existing customers.
- Developing a more all-year-round proposition.
- Improving availability through better execution of our proposition across our store estate.
- Increasing store sales densities through the better use of store space.
- Accessing new catchments through the opening of a net 60 new stores.
- Driving online sales growth by improving online customer experience and our multi-channel proposition.

The growth in EBITDA margins to at least 6% within five years will be driven by:

- Delivering LFL store sales growth on a largely fixed cost base.
- Growing our product margins.
- Reducing our operating costs through cost transformation, supported by new systems and processes.
- Reducing our cost to serve ratio by growing our average selling price.
- Ongoing optimisation of our store portfolio.

ESG

Underpinning these strategic drivers is our commitment to ‘Doing Business Better’, ensuring we continue inspiring current and future generations to read, learn, create and play. A process is underway to refine our plans to support our People and Planet pillars, which we will share in due course.

We were delighted to place 10th in the Best Big Companies to Work For, up from 15th place last year and 12th the year before. This is a fantastic achievement and demonstrates the special culture we have at The Works. A huge thank you to all colleagues for helping us maintain our 1* accreditation.

Leadership changes

In July 2024 Steve Bellamy succeeded Carolyn Bradley as Chair of The Works, bringing extensive strategic and operational experience across a range of businesses. He has already had an incredibly positive impact on the business, helping to drive a review of our goals and strategy, as well as operational improvements.

Simon Hathway joined the Board shortly after the Period end as an Independent Non-Executive Director, Chair of the Remuneration Committee and member of the Audit and Nomination Committees. Simon is highly experienced in value retail as both an executive and an advisor, and his counsel has already proved invaluable to the business.

Outlook

Consumer confidence has remained fragile following the Autumn Budget and this, combined with the operational challenges at our third-party operated online fulfilment centre during peak Christmas trading, had an impact on sales and profitability as we entered H2 FY25. These online capacity issues do not affect us outside of peak and, with the strong store sales we saw in December and into January, support our expectations of delivering modest sales growth for the remainder of the financial year. This, together with our ongoing action to reduce costs and grow margins, means that we remain on track to deliver an increase in profitability in FY25, in line with market expectations of pre-IFRS16 Adjusted EBITDA of £8.5m (FY24: £6m).

We are mindful of further significant cost headwinds in FY26, anticipating a circa £6.5m impact due to the rise in National Living and Minimum Wage and changes to employers’ National Insurance contributions. We continue to take proactive action to mitigate the impact of these headwinds and as part of our new strategy we are undertaking a cost transformation project, supported by external consultants, Interpath, which aims to unlock at least £5m of annualised cost savings, with £2m targeted in FY26. We are also targeting further growth in product margins, including through carefully targeted price increases, and expect to deliver at least 100bps improvement in margins in FY26. This action, together with an expectation of low single-digit sales growth, will see us deliver further profit growth in FY26.

Looking further ahead, we are excited by the potential of the new strategy to transform the business and expect to deliver a meaningful uplift in sales and profitability in the medium-term.

Gavin Peck
Chief Executive Officer

Footnotes:

(1) Data from the British Retail Consortium (BRC) showed non-food retail LFL decline of 1.3% for the 26-week period.
(2) The seasonality of the business typically results in a loss in the first half of the financial year, with profit being generated through Christmas trading in H2.

Financial Report

Overview

This report covers the 26-week period ended 3 November 2024 (“H1 FY25”, “H1” or “the Period”) and refers to the comparative “H1 FY24” period of the 26 weeks ended 29 October 2023.

	HY25	HY24 (Restated)[1]
Revenue	£124.2m	£122.6m
Revenue growth	1.3%	3.1%
LFL sales[2]	(0.8%)	1.6%
Pre-IFRS 16 Adjusted EBITDA[2]	(£2.8m)	(£8.5m)
Loss before tax [3]	(£6.9m)	(£16.5m)
Net debt	(£8.5m)	(£2.5m)

(1) Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in Note 12 of the attached condensed unaudited financial statements.
(2) The Group tracks a number of alternative performance measures (“APMs”) including pre-IFRS 16 EBITDA, pre-IFRS 16 Adjusted EBITDA and like for like (“LFL”) sales, as it believes these provide stakeholders with additional helpful information. These are described more fully in Notes 1(c) and 4 of the attached condensed unaudited financial statements.
(3) For further information on impairment refer to Note 3 of the attached condensed unaudited financial statements

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

Revenue

Total revenue increased by 1.3% to £124.2 million (H1 FY24: £122.6 million). Total LFL sales decreased by 0.8%, with store LFLs increasing by 0.9% and online sales decreasing by 14.7%.

The closure of the loyalty scheme towards the end of FY24 resulted in there being no negative adjustment to gross sales from the incentives offered through the scheme in H1 FY25 as there had been in H1 FY24. These reduced incentives result in net revenues increasing by £0.8m year on year.

The number of stores trading decreased by five, from 511 at the end of FY24 to 506 at the end of the Period. Three new stores were opened, eight were closed and two stores were relocated.

LFL sales growth	Stores	Online	Total
Q1	(1.6%)	0.4%	(1.4%)
Q2	2.9%	(21.4%)	(0.3%)
H1 FY25	**0.9%**	**(14.7%)**	**(0.8%)**

- Q1 – reported a 1.4% decline in LFL sales reflecting the challenging external market (BRC reported non-food retail LFL three-month average decline of 1.7%) and poor performance in our Kids Books and Toys and Games categories, which recovered through Q2.
- Q2 – reported flat LFL sales, down 0.3% (compared to BRC reported non-food retail LFL three-month average decline of 0.8%). Store LFL sales growth was strong, up 2.9%, reflecting much improved Back to School and Halloween ranges and continued strong growth in Adult Fiction books. A planned reduction in September sale activity adversely impacted sales, particularly online, but delivered a much stronger margin rate. Online sales were also impacted by the previously mentioned challenges experienced in online fulfilment towards the end of the quarter and subsequent action taken to prioritise improving profitability.

Gross profit

	FY25		FY24 Restated(1)			
	£m	**% of revenue**	**£m**	**% of revenue**	***Variance £m***	***Variance %***
Revenue	**124.2**		**122.6**		***1.6***	*1.3*
Less: Cost of goods sold	(50.5)		(52.5)		*2.0*	*3.8*
Product gross margin	**73.7**	**59.3**	**70.1**	**57.2**	***3.6***	***5.1***
Store payroll	(24.7)	(19.9)	(24.9)	(20.2)	*0.2*	*0.8*
Store property and establishment costs	(24.4)	(19.7)	(25.4)	(20.7)	*1.0*	*4.0*
Store PoS and transaction fees	(1.2)	(1.0)	(1.2)	(1.0)	*0.0*	*0.0*
Online variable costs	(6.6)	(5.3)	(7.0)	(5.7)	*0.4*	*5.7*
Total non-product related cost of sales	(56.9)	(45.8)	(58.5)	(47.7)	*1.6*	*2.8*
Store depreciation (excluding IFRS 16)	(1.0)	(0.8)	(1.4)	(1.1)	*0.4*	*28.6*
Adjusting items (impairment charges)	(0.3)	(0.3)	(6.1)	(5.0)	*5.8*	*95.1*
IFRS16 impact (excluding Adjusting items)	0.0	0.0	2.8	2.3	*(2.8)*	*(100.0)*
Gross Profit Per Financial Statements	**15.5**	**12.5**	**6.9**	**5.6**	***8.6***	***124.7***

(1) Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in Note 15 of the attached condensed unaudited financial statements.

(2) Adjusted profit figures exclude Adjusting items. See Notes 4 (Alternative performance measures) and 5 (Adjusting items) of the attached condensed unaudited financial statements.

Product gross margin increased to 59.3% from 57.2% last year, reflecting action taken to grow margins towards the end of FY24, with notable factors as follows:

- Significant growth as a result of negotiations with suppliers, conscious control of product mix and reduced promotional activity.
- The hedged FX rate on payments made in US dollars during H1 was favourable year-on-year and continues to be a tailwind in H2. H1 FY25 hedged US dollar;GB pound rate was 1.26 versus 1.11 in H1 FY24.
- Adverse 2024 container freight rates versus 2023 rates, creating a further headwind in H2 due to the disruption in the Red Sea. Average container rates paid during H1 FY25 were $2.9k versus H1 FY24 of $1.8k.

Store payroll costs reduced by £0.2m.

- Changes to our store labour model implemented at the start of the Period, supported by an hours efficiency programme implemented towards the end of FY24, more than offset the 9.8% increase in the National Living and Minimum Wage ('NLMW') in April 2024 (and the corresponding retail management salary increases).

Store property and establishment costs reduced by £1.0m.

- Electricity costs reduced by £0.6m as a result of a reduction in the contracted rate through hedging agreements, reflecting the unwind of market-led energy price reductions.
- The renegotiation of expiring leases across the LFL store estate resulted in a reduction in rents of £0.4m.
- A £0.3m reduction in property costs due to the net five store closures.
- Partially offset by a £0.3m increase in dilapidation and property repair costs.

Online variable costs decreased by £0.4m, primarily due to lower sales volumes. Further cost savings resulted from improvements in the order profile with increases in both average order value and average ticket price reducing our cost to serve ratio. Efficiencies were delivered as a result of improvements made to the online fulfilment picking process following the move to the more automated, third-party operated, facility in January 2024. However, our third-party online fulfilment centre subsequently faced unexpected operational challenges, which affected capacity and resulted in increased costs towards the end of the Period and through peak Christmas trading.

Operating profit and pre-IFRS 16 EBITDA

	HY25		**HY24 (Restated)[1]**		***Variance***	***Variance***
	£m	***% of revenue***	**£m**	***% of revenue***	***£m***	***%***
Gross profit per financial statements	**15.5**	12.5	**6.9**	5.6	*8.6*	*124.6*
Distribution expenses	(6.2)	(5.0)	(6.8)	(5.6)	*0.6*	*8.8*
Administrative expenses	(13.7)	(11.0)	(14.2)	(11.6)	*0.5*	*3.5*
Operating profit per financial statements	**(4.4)**	(3.6)	**(14.1)**	(11.5)	*9.7*	*68.7*
Less Depreciation, amortisation and IFRS16 included in Operating profit	1.3	1.1	(0.5)	(0.4)	*1.8*	*240.0*
Adjusting items	0.3	0.3	6.1	(5.0)	*(5.8)*	*95.1*
Pre-IFRS 16 Adjusted EBITDA	**(2.8)**		**(8.5)**		*5.7*	*67.2*

[4] Prior period restatements reflect adjustments wholly related to IFRS 16 Lease accounting. Further details can be found in Note 15 of the attached condensed unaudited financial statements.

Distribution costs (before depreciation and IFRS 16) comprising picking stock and delivering it to stores decreased by £0.6m compared with the prior period. The move to a new way of working in the retail Distribution Centre, supported by a strengthened management team, drove efficiencies that more than offset the NLMW increase.

Administration costs (before depreciation and IFRS 16) increased by £0.2m compared to H1 FY24. The prior period costs were flattered by a release of the VAT provision and lower long term incentive employee share plan charges. Underlying costs in H1 FY25 reduced by £0.7m reflecting a reduction in Audit Fees (following the move to AIM) and the restructuring of the Operating Board in late FY24.

Depreciation, amortisation and IFRS16 adjustments are favourable year-on-year primarily due to lower rental charges and lower IFRS16 adjustments, in turn due to a nil gain on modification of leases in the Period, offset by lower depreciation of property, plant and equipment. Refer to Note 4 (Alternative performance measures ("APMs")) of the attached condensed unaudited financial statements for a reconciliation of re-IFRS16 EBITDA to profit/(loss) after tax.

Adjusting items were a £0.3m charge in H1 FY25 (restated H1 FY24: £6.1m charge), comprising:

- A £0.4m charge in relation to non-recurring operational costs in respect of the challenges in online fulfilment towards the end of the Period.

- £0.3m of restructuring and legal costs.
- A £0.4m credit (restated H1 FY24: £2.0m credit) resulting from profit on disposal and modification of right of use assets and lease liabilities following the requirements of the IFRS16 accounting standard.

Impairment charges are nil for the Period (H1 FY24: Net charge £8.0m) as the Directors concluded that no impairment trigger has occurred (see Note 13 of the attached condensed unaudited financial statements).

A reconciliation of statutory profit to EBITDA can be found in Note 4 of the attached condensed unaudited financial statements.

Net financing expense

Net financing costs in the Period were £2.4m (H1 FY24: £2.4m), mostly relating to IFRS 16 notional interest on the calculated lease liability.

Interest relating to bank facilities was £0.4m (H1 FY24: £0.3m) and comprised facility availability charges and amortisation of the cost of setting up the facility.

Loss before tax

The loss before tax was £6.9m (H1 FY24: £16.5m loss) which includes the £0.3m charge (H1 FY24: £6.1m charge) for Adjusting items (described above). Due to the seasonality of the business, the first half of the financial year is typically loss making.

Tax

The Group's total income tax credit in respect of the Period was £0.6m (restated H1 FY24 credit: £3.6m). The effective tax rate on the total loss before tax was 9.3% (H1 FY24: 21.9%; FY24: 7.8%), the Adjusted tax rate was 9.7% (restated H1 FY24: 24.6%).

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

Earnings per share

The basic and diluted losses per share for the Period were 9.9 pence (restated H1 FY24: 20.6 pence loss). Adjusted basic and diluted losses per share for the Period were 9.4 pence (restated H1 FY24:12.6 pence loss).

Capital expenditure

Capital expenditure in the Period was £2.2 million (H1 FY24: £3.1m).

Lower leasehold contributions from landlords resulted in similar levels of new store expenditure compared to FY24, despite fewer store openings.

There was a notable reduction in expenditure on store refits with four undertaken in the Period vs 19 in the prior period).

Capital expenditure for the full year is expected to be approximately £5.0m (FY24: £5.8m).

	H1 FY25	**H1 FY24**	***Variance***
	£'m	**£'m**	***£m***
New stores and relocations	(0.7)	(0.6)	*(0.1)*
Store refits and maintenance	(0.7)	(1.6)	*0.9*
IT hardware, software, projects	(0.8)	(0.9)	*0.1*
Total capital expenditure	**(2.2)**	**(3.1)**	***0.9***

Inventory

Stock was valued at £51.7m at the end of the Period (H1 FY24: £56.1m), a reduction of £4.4m.

The operating cycle of the business causes maximum stock levels to occur prior to the Christmas sales peak, and therefore stock levels typically increase at the half year end compared with the levels at the year end. The lower stock level compared to the prior period reflects a planned reduction in stock holding and more efficient flow of peak stock due to improvements in strengthening of the merchandising function in FY24.

Stock in transit is higher year-on-year, reflecting higher stock on water because of the extra transit time from China due to the Red Sea challenges over the summer. This resulted in an extra two weeks of stock in transit recognised on the balance sheet at the period end.

Stock provisions are higher compared to the prior period due to increased shrinkage provision. This reflects an increase in the percentage of stock loss, which is derived from four wall stock counts performed in stores at FY24 year end and during the Period used to calculate an estimate of the unrecognised shrinkage at the Period end.

	H1 FY25	H1 FY24
	£m	£m
Gross stock	42.9	50.5
Less: provisions	(2.5)	(1.7)
Stock net of provisions	40.4	48.8
Stock in transit	11.3	7.3
Stock per balance sheet	51.7	56.1

Cash flow

The table below shows a summarised non IFRS 16 presentation of cash flow. The net cash outflow before loan movements for the Period was £10.2m (H1 FY24: outflow of £12.6m). The improvement in cash flows reflects the significant improvement in profitability in the Period.

	HY25	**HY24**	***Variance***
	£m	**£m**	***£m***
Operating profit	(4.4)	(14.1)	*9.7*
Other operating cashflows(1)	(0.2)	5.3	*(5.5)*
Net movement in working capital	(2.3)	(0.2)	*(2.1)*
Net Cash from Investing Activities	(2.2)	(3.1)	*0.9*
Tax paid	(0.5)	0.0	*(0.5)*
Interest and financing costs	(0.3)	(0.4)	*0.1*
Purchase of Treasury Shares	(0.3)	(0.1)	*(0.2)*
Cashflow before loan movements	(10.2)	(12.6)	*2.4*
Drawdown of RCF	9.0	5.0	*4.0*
Exchange rate movements	0.1	(0.1)	*0.1*
Net decrease in cash and cash equivalents	**(1.1)**	**(7.7)**	***6.6***
Opening net cash balance	1.6	10.2	*(8.6)*
Closing net (debt)/cash balance excluding lease liabilities	**(8.5)**	**(2.5)**	***(6.0)***

(1) Other operating cashflows relate to pre-working capital movements, excluding tax and interest. See Condensed consolidated cash flow statement in of the attached condensed unaudited financial statements.

The Group ended the Period with net debt of £8.5m (H1 FY24: £2.5m net debt). The higher net debt position is due to the lower opening cash at the start of the Period, along with a working capital outflow compared to H1 FY24 as a consequence of the timing of month end payments falling within the Period end (due to the Period end being 3 November 2024 compared to 27 October in the prior year) partially offset by improved profitability in the period.

Bank facilities and financial position

The Group continues to have a Revolving Credit Facility (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

The Board is not proposing an interim dividend. Future shareholder distributions, including share buybacks, continue to be assessed as profitability improves and funding allows.

Rosie Fordham
Chief Financial Officer
24 January 2025

Unaudited Condensed Consolidated Income Statement

For the 26 weeks ended 3 November 2024

		26 weeks to 3 November 2024			26 weeks to 29 October 2023 (Restated – Note 15)			53 weeks to 5 May 2024		
		Adjusted	**Adjusting items**	**Total**	Adjusted	Adjusting items[1]	Total	Adjusted	Adjusting items	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Revenue	3	**124,200**	**-**	**124,200**	122,575	-	122,575	282,585	-	282,585
Cost of sales	5	**(108,362)**	**(316)**	**(108,678)**	(109,615)	(6,052)	(115,667)	(234,505)	3,741	(230,764)
Gross profit		**15,838**	**(316)**	**15,522**	12,960	(6,052)	6,908	48,080	3,741	51,821
Other operating income		**4**	**-**	**4**	4	-	4	8	-	8
Distribution expenses		**(6,160)**	**-**	**(6,160)**	(6,846)	-	(6,846)	(12,725)	-	(12,725)
Administrative expenses		**(13,788)**	**-**	**(13,788)**	(14,173)	-	(14,173)	(27,685)	-	(27,685)
Operating (loss)/profit		**(4,106)**	**(316)**	**(4,422)**	(8,055)	(6,052)	(14,107)	7,678	3,741	11,419
Finance income	6	**-**	**-**	**-**	17	-	17	19	-	19
Finance expense	6	**(2,431)**	**-**	**(2,431)**	(2,411)	-	(2,411)	(4,520)	-	(4,520)
Net financing expense		**(2,431)**	**-**	**(2,431)**	(2,394)	-	(2,394)	(4,501)	-	(4,501)
(Loss) / profit before tax		**(6,537)**	**(316)**	**(6,853)**	(10,449)	(6,052)	(16,501)	3,177	3,741	6,918
Tax	9	**635**	**-**	**635**	2,573	1,034	3,607	(541)	-	(541)
(Loss) / profit for the period		**(5,902)**	**(316)**	**(6,218)**	(7,876)	(5,018)	(12,894)	2,636	3,741	6,377
(Loss) / profit before tax and IFRS 16	4	**(5,454)**	**(674)**	**(6,128)**	(11,311)	(3,281)	(14,592)	1,118	(1,022)	96
Basic (loss)/earnings per share (pence)	10	**(9.4)**		**(9.9)**	(12.6)		(20.6)	4.2		10.2
Diluted (loss)/earnings per share (pence)	10	**(9.4)**		**(9.9)**	(12.6)		(20.6)	4.2		10.2

[1] Profit on disposal and modification of right-of-use assets and lease liabilities recognised under IFRS 16 has been restated in the 26 weeks to 29 October 2023 to be shown as an Adjusting item rather than in result before Adjusting items.

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

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 3 November 2024

	26 weeks to 3 November 2024 **£000**	26 weeks to 29 October 2023 (Restated - Note 15) £000	53 weeks to 5 May 2024 £000
(Loss) / profit for the period	**(6,218)**	(12,894)	6,377
Items that may or may not be recycled subsequently into profit and loss			
Cash flow hedges - changes in fair value	**(1,058)**	2,423	1,664
Cash flow hedges - reclassified to profit and loss	**404**	(278)	134
Cost of hedging reserve - changes in fair value	**298**	(357)	(415)
Cost of hedging reserve - reclassified to profit and loss	**183**	135	182
Tax relating to components of other comprehensive income	**190**	(525)	(323)
Other comprehensive (expense)/ income for the period, net of income tax	**17**	1,398	1,242
Total comprehensive (expense) / income for the period attributable to equity shareholders of the Parent	**(6,201)**	(11,496)	7,619

Unaudited Condensed Consolidated Statement of Financial Position
As at 3 November 2024

	Note	**3 November 2024**	29 October 2023 (Restated - Note 15)	5 May 2024
		£000	£000	£000
Non-current assets				
Intangible assets	12	**2,177**	1,583	1,866
Property, plant and equipment	13	**11,936**	9,456	12,358
Right of use assets	14	**60,106**	53,779	57,703
Deferred tax assets		**4,860**	8,087	4,036
		79,079	72,905	75,963
Current assets				
Inventories	16	**51,721**	56,118	31,354
Trade and other receivables		**11,980**	9,390	8,384
Derivative financial assets	20	**90**	1,134	306
Current tax asset		**1,645**	1,020	1,189
Cash and cash equivalents		**522**	2,458	1,619
		65,958	70,120	42,852
Total assets		**145,037**	143,025	118,815
Current liabilities				
Interest bearing loans and borrowings	17	**9,000**	5,000	-
Lease liabilities	14	**20,580**	18,287	19,943
Trade and other payables		**51,712**	60,028	29,886
Provisions	18	**303**	276	543
Derivative financial liabilities	20	**605**	84	64
		82,200	83,675	50,436
Non-current liabilities				
Lease liabilities	14	**58,716**	66,713	57,817
Provisions	18	**634**	893	476
		59,350	67,606	58,293
Total liabilities		**141,550**	151,281	108,729
Net assets/ (liabilities)		**3,487**	(8,256)	10,086
Equity attributable to equity holders of the Parent				
Share capital	19	**625**	625	625
Share premium	19	**28,322**	28,322	28,322
Merger reserve		**(54)**	(54)	(54)
Share based payment reserve		**2,771**	2,782	2,583
Hedging reserve		**(139)**	1,035	129
Retained earnings		**(28,038)**	(40,966)	(21,519)
Total equity		**3,487**	(8,256)	10,086

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders						
	Share capital	Share premium	Merger reserve	Share based Payments reserve	Hedging reserve[1]	Retained earnings	Total equity
For the 26 Weeks Ended 3 November 2024	£000	£000	£000	£000	£000	£000	£000
At 5 May 2024	**625**	**28,322**	**(54)**	**2,583**	**129**	**(21,519)**	**10,086**
Total comprehensive income / (expense) for the period							
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(6,218)**	**(6,218)**
Other comprehensive income	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**-**	**17**	**(6,218)**	**(6,201)**
Hedging gains and losses and costs of hedging transferred to the cost of inventory	**-**	**-**	**-**	**-**	**(285)**	**-**	**(285)**
Transactions with owners of the Company							
Share-based payment charges	**-**	**-**	**-**	**188**	**-**	**-**	**188**
Acquisition of treasury shares	**-**	**-**	**-**	**-**	**-**	**(301)**	**(301)**
Total transactions with owners	**-**	**-**	**-**	**188**	**-**	**(301)**	**(113)**
Balance at 3 November 2024	**625**	**28,322**	**(54)**	**2,771**	**(139)**	**(28,038)**	**3,487**

For the 26 Weeks Ended 29 October 2023	£000	£000	£000	£000	£000	£000	£000
At 30 April 2023	**625**	**28,322**	**(54)**	**2,780**	**(331)**	**(29,688)**	**1,654**
Cumulative prior period adjustments	-	-	-	-	-	1,762	1,762
Balance at 30 April 2023 (restated)	625	28,322	(54)	2,780	(331)	(27,926)	3,416
Total comprehensive income / (expense) for the period							
Loss for the period (restated, see note 15)	-	-	-	-	-	(12,894)	(12,894)
Other comprehensive income	-	-	-	-	1,398	-	1,398
Total comprehensive income / (expense) for the period	-	-	-	-	1,398	(12,894)	(11,496)
Hedging gains and losses and costs of hedging transferred to the cost of inventory	-	-	-	-	(32)	-	(32)
Transactions with owners of the Company							
Share-based payment charges	-	-	-	2	-	-	2
Acquisition of treasury shares	-	-	-	-	-	(146)	(146)
Total transactions with owners	-	-	-	2	-	(146)	(144)
Balance at 29 October 2023	**625**	**28,322**	**(54)**	**2,782**	**1,035**	**(40,966)**	**(8,256)**

[1] Hedging reserve includes £(61)k 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 (£391k for the 26 weeks ended 29 October 2023, £410k for the 53 weeks ended 5 May 2024).

Unaudited Condensed Consolidated Cash Flow Statement
For the 26 weeks ended 3 November 2024

	26 weeks to 3 November 2024	26 weeks to 29 October 2023 (Restated – Note 15)	53 weeks to 5 May 2024
	£000	£000	£000
Cash Flows From Operating Activities			
(Loss) / profit for the period	**(6,218)**	(12,894)	6,377
Adjustments for:			
Depreciation of property, plant and equipment	**1,399**	2,420	3,663
Impairment of property, plant and equipment	**-**	2,787	1,589
Reversal of impairment of property, plant and equipment	**-**	(293)	(1,272)
Depreciation of right-of-use assets	**10,203**	10,240	18,224
Impairment of right-of-use assets	**-**	6,874	3,394
Reversal of impairment of right-of-use assets	**-**	(537)	(4,620)
Amortisation of intangible assets	**390**	374	632
Impairment of intangible assets	**-**	450	442
Reversal of impairment of intangible assets	**-**	(729)	(850)
Derivative exchange loss / (gain)	**285**	344	494
Financial income	**-**	(17)	(19)
Financial expense	**388**	275	536
Interest on lease liabilities	**2,043**	2,136	3,984
(Profit) / loss on disposal of property, plant and equipment	**492**	(174)	202
Profit on disposal of right of use assets and lease liability	**(358)**	(1,517)	(3,537)
Profit relating to lease modifications and amortisation of capital contributions	**(320)**	(984)	-
(Profit) / loss on disposal of intangible assets	**-**	(66)	-
Share based payment charges	**188**	2	(197)
Taxation	**(635)**	(3,607)	541
Operating cash flows before changes in working capital	**7,857**	5,084	29,583
(Increase) / decrease in trade and other receivables	**(3,512)**	(1,823)	(963)
(Increase)/ decrease in inventories	**(20,255)**	(23,217)	1,149
Increase / (decrease) in trade and other payables	**21,527**	25,559	(3,672)
Decrease in provisions	**(82)**	(694)	(844)
Cash inflows from operating activities	**5,535**	4,909	25,253
Corporation tax paid	**(457)**	-	(97)
Net cash from operating activities	**5,078**	4,909	25,156
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(1,985)**	(3,092)	(6,078)
Capital contributions received from landlords	**516**	659	1,460
Acquisition of intangible assets	**(702)**	(695)	(1,208)
Interest received	**-**	17	19
Net cash outflows from investing activities	**(2,171)**	(3,111)	(5,807)
Cash flows from financing activities			
Payment of finance lease liabilities (capital element)	**(10,402)**	(11,788)	(22,471)
Payment of finance lease liabilities (interest)	**(2,043)**	(2,136)	(3,984)
Payment of long term borrowing costs	**-**	(60)	(60)
Other interest paid	**(341)**	(349)	(434)
Proceeds from bank borrowings	**9,000**	5,000	(6,000)
Repayment of bank borrowings	**-**	-	6,000
Dividend paid	**-**	-	-
Purchase of treasury shares	**(301)**	(146)	(260)
Net cash from financing activities	**(4,087)**	(9,479)	(27,209)
Net decrease in cash and cash equivalents	**(1,180)**	(7,681)	(7,860)
Exchange rate movements	**83**	(57)	(717)
Cash and cash equivalents at beginning of Period	**1,619**	10,196	10,196
Cash and cash equivalents at end of Period	**522**	2,458	1,619

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the 26 weeks ended 3 November 2024

1 Accounting Policies

(a) General Information

TheWorks.co.uk plc ('the Company') is a public limited company domiciled in the United Kingdom and its registered office is Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham, B46 1AL. These unaudited condensed consolidated interim financial statements ('interim financial statements') as at and for the 26 weeks ended 3 November 2024 comprise the results of the Company and its subsidiaries (together referred to as 'the Group').

(b) Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with TheWorks.co.uk plc financial statements for the 53 weeks ended 5 May 2024. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

(i) Going concern

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

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

In preparing its FY24 Annual Report and financial statements (which were approved on 1 October 2024), the Group prepared a cash flow forecast. The revised forecast covers a period of 18 months from the date of approval of these unaudited condensed financial statements (the going concern assessment period), based on the Board's forecast for FY25 and its three-year plan, referred to the 'Base Case' scenario. In addition, a 'severe but plausible' 'Downside Case' sensitivity was 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 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 principal risks.
- 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.

These factors are described below.

External environment

The risks which are considered the most significant to this evaluation relate to the economy and the market, specifically their effect on the strength of trading conditions, and the Group's ability to successfully execute its strategy. The risk of weaker consumer demand is considered to be the greater of these risks, due to higher interest rates and years of high level inflation, and its potential effect on economic growth and consumer spending.

An emerging risk has been noted in relation to the possible effects of climate change, but this is not expected to have a material financial impact on the Group during the forecast period.

Financial position and bank facilities

At the Period end the Group held net debt (excluding lease liabilities) of £8.5m (HY24: £2.5m) (Note 17).

The Group's bank facilities comprise a £20.0m revolving credit facility (RCF) which terminates at the end of November 2026. The facility includes two financial covenants which are structured in a way that is typical for a retail business of this size and are tested quarterly:

1. The level of net debt to LTM (last twelve months') EBITDA must not exceed 2.5 times during the life of the facility.
2. The "Fixed Charge Cover" or ratio of LTM EBITDA prior to deducting rent and interest, to LTM rent and interest. In March 2024, the Group agreed an amendment to the facility agreement which resulted in in a reset of the fixed charge cover; until October 2025, the ratio must be at least 1.05 times and thereafter 1.20 times.

The Group expects to be able to operate and have sufficient headroom within these covenants during the forecast period.

Potential impact of risks on financial scenarios

The 'Principal risks and uncertainties' section of the Strategic report on pages 38 to 43 of the Group's FY24 Annual Report, sets out the main risks that the Board considers relevant.

It is considered unlikely that all the risks would manifest themselves to adversely affect the business at the same time. The Base Case scenario/ the Group's three-year financial plan implicitly already takes into accounts the risks described and assumes that they manifest themselves in a way or to an extent that might be considered 'neutral'.

The Downside Case scenario assumes that there are more severely negative effects than the Base Case. In particular, the Downside Case assumptions are that macroeconomic conditions are significantly worse, resulting in reduced consumer spending and lower sales. It should be noted that the Base Case already teaks into account the current subdued consumer market conditions. The Downside Case assumes conditions become worse still from the second half of the FY25 financial year.

Base Case scenario

The Base Case scenario assumptions reflect the following factors:

- The macroeconomic environment remains challenging resulting in only marginal total sales growth in the second half of FY25 with sales in the outer years reflecting a slightly improving external environment.
- The FY25 product margin percentage is exceeding the expected performance in the Base Case and has increased significantly compared to the prior year. It reflects the expected full year effect of targeted cost price reductions, along with a slightly favourable hedged FX rate; these are partly offset by the increased ocean container freight costs that have been in place since the beginning of 2024.
- The anticipated further inflationary effects, in particular the increase in the National Living Wage and reduction in the threshold applied to National Insurance. In respect of other costs, notably property occupancy costs, it is not expected that there will be further significant inflationary effects in the forecast period following the significant increases (for example in electricity costs) already experienced during FY24.
- Capital expenditure levels are in line with the Group's strategic plan. A significant proportion of the Group's capital expenditure is discretionary, particularly over a short-term time period. As a result, if required, it can therefore be reduced substantially, for example, in the event of the Group needing to preserve cash.
- The anticipated costs of the Group's net zero climate change commitments have been incorporated within the Base Case model. As set out in the climate related disclosures in the annual report, the impact on the Group's financial performance and position is not expected to be material in the short term.
- The plan makes provision for capital distribution payments in the form of buy backs or dividends.

Under the Base Case scenario, the Group expects to make routine operational use of its bank facility each year as stock levels are increased in September-October, prior to peak sales occurring.

The output of the Base Case model scenario indicates that the Group has sufficient financial resources to continue to operate as a going concern and for the financial statements to be prepared on this basis.

Measures to maintain or increase liquidity in the event of a significant downturn in trading

If necessary, mitigating actions can and would be taken in response to a significant downturn in trading such as is described below, which would increase liquidity.

These include, for example, delaying and reducing stock purchases, stock liquidation, reductions in capital expenditure, the review of payment terms and the review of dividend levels. Some of these potential mitigations have been built into the Downside Case model, and some are additional measures that would be available in the event of that scenario, or worse, actually occurring.

Severe but plausible Downside Case scenario

The Downside Case makes the following assumptions to reflect more adverse macroeconomic conditions compared to the Base Case:

- In the second half of FY25 store and online sales are assumed to be lower than the Base case by 1.5% and 2.0% respectively reflecting a more challenging consumer environment over peak.
- Store and online sales continue to be lower than the Base Case in FY26 and FY27 and store sales are further reduced as the assumption surrounding new store growth is reduced in the Downside Case.
- The product gross margin percentage is lower in FY26 and FY27 reflecting continued higher ocean freight rates (which are already built into the FY25 Base Case) along with an assumed increase in promotional activity to allow for the clearance of stock which is assumed would have accumulated due to lower sales levels. Expected FX requirements are hedged until mid-FY26. Other gross margin inputs are relatively controllable, including via the setting of selling prices to reflect any systematic changes in the cost price of goods bought for resale.
- Volume related costs in the Downside Case are lowered where they logically alter in a direct relationship with sales levels, for example, forecast online fulfilment and marketing costs. The model also reflects certain steps which could be taken to mitigate the effect of lower sales, depending on management's assessment of the situation at the time. These include adjustments to stock purchases, reducing capital expenditure, reductions in variable labour usage and the suspension of dividend payments.
- The combined financial effect of the modified assumptions in this scenario compared with the Base Case, over the three-year period, including implementing some of the mitigating activities available, would result in:
    - A reduction in store net sales of approximately £30m.
    - A reduction in online net sales of approximately £3m.
    - A reduction to EBITDA of approximately £13m.

Under this scenario the Group will draw on its bank facility for the usual peak stock build. The bank facility financial covenants are complied with throughout the period, including during the pre-Christmas period when the facility is being used. There is sufficient headroom within both covenants and sufficient cash headroom under this scenario throughout the going concern period.

Conclusion regarding basis of preparation

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) Accounting policies

The interim financial statements have been prepared on a basis consistent with the accounting policies published in the Group's financial statements for FY24.

(c) Alternative performance measures and Adjusting items

The Group tracks a number of alternative performance measures (APMs) in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. They are consistent with how the 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.

The APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial statements prepared in accordance with IFRS. The Group believes that the APMs are useful indicators of its performance but they may not be comparable with similarly titled measures reported by other companies due to the possibility of differences in the way they are calculated.

The key APMs that the Group uses include: like-for-like sales growth (LFL); Pre-IFRS 16 Earnings before interest, tax, depreciation and amortisation (Pre-IFRS 16 EBITDA), Profit before tax and IFRS 16, Pre-IFRS 16 Adjusted EBITDA, Adjusted Profit; and Adjusted earnings per share. The APMs used by the Group and explanations of how they are calculated and how they can be reconciled to a statutory measure where relevant, are set out in Note 4.

"Adjusted" measures are calculated by adding back or deducting Adjusting Items. Adjusting items are material in size and unusual in nature or incidence and, in the judgement of the Directors, should therefore be disclosed 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.

Refer to Note 5 for information regarding items that were treated as Adjusting.

(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 interim financial statements are described in the context of the matters to which they relate, in the following notes:

Description	**Note**
Going concern	1
Impairment of intangible assets, property, plant and equipment and right-of-use assets	13

2 Segmental reporting

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

The Group has one operating segment with two revenue streams, bricks and mortar stores and online. This reflects the Group's management and reporting structure as viewed by the Board of Directors, which is considered to be the Group's Chief Operating Decision Maker. Aggregation is deemed appropriate due to both operating segments having similar economic characteristics, similar products on offer and a similar customer base.

3 Revenue

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

	26 weeks ended 3 November 2024 £000	26 weeks ended 29 October 2023 £000	53 weeks ended 5 May 2024 £000
Sale of goods			
– UK	**122,127**	120,588	277,828
– EU (Republic of Ireland)	**2,073**	1,987	4,757
Total revenues	**124,200**	122,575	282,585

Seasonality of operations

The Group's revenue is subject to seasonal fluctuations as a result of peaking during the approach to Christmas, from October to December. Therefore, the first half of the financial year, from April to October, typically produces lower revenue and profit than the second half.

4 Alternative performance measures ("APMs")

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.

Pre-IFRS 16 Adjusted EBITDA (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 and modification of fixed assets, after adding back or deducting Adjusting items. See Note 5 for a description of Adjusting items. Pre-IFRS 16 EBITDA is used for the bank facility LTM EBITDA covenant calculations.

The table provides a reconciliation of pre-IFRS 16 EBITDA to profit/(loss) after tax and the impact of IFRS 16:

	26 weeks ended 3 November 2024	26 weeks ended 29 October 2023 (Restated - Note 15)	53 weeks ended 5 May 2024
	£000	£000	£000
Pre-IFRS 16 Adjusted EBITDA	**(2,779)**	(8,486)	6,042
Income statement rental charges not recognised under IFRS 16	**10,809**	13,179	24,288
Foreign exchange differences on euro leases	**(10)**	45	69
Post-IFRS 16 Adjusted EBITDA	**8,020**	4,738	30,399
Profit / (loss) on disposal of property, plant and equipment	**(134)**	174	(168)
Profit / (loss) on disposal of intangible assets	**-**	67	(34)
Depreciation of property, plant and equipment	**(1,399)**	(2,420)	(3,663)
Depreciation of right-of-use-assets	**(10,203)**	(10,240)	(18,224)
Amortisation	**(390)**	(374)	(632)
Finance expenses	**(2,431)**	(2,411)	(4,520)
Finance income	**-**	17	19
Tax credit / (charge)	**635**	2,573	(541)
Adjusted (loss) / profit after tax	**(5,902)**	(7,876)	2,636
Adjusting items (including impairment charges and reversals)	**(316)**	(6,052)	3,741
Tax (charge) / credit in relation to Adjusting items	**-**	1,034	-
(Loss) / profit after tax	**(6,218)**	(12,894)	6,377

Profit before tax and IFRS 16

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

	26 weeks ended 3 November 2024			26 weeks ended 29 October 2023 (Restated - Note 15)			53 weeks ended 5 May 2024		
	Adjusted £000	**Adjusting items £000**	**Total £000**	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000
(Loss) / profit before tax before IFRS 16 adjustments	**(5,454)**	**(674)**	**(6,128)**	(11,311)	(3,281)	(14,592)	1,118	(1,022)	96
Remove rental charges not recognised under IFRS 16	**11,111**	**-**	**11,111**	13,117	-	13,117	24,166	-	24,166
Remove hire costs from hire of equipment	**56**	**-**	**56**	62	-	62	122	-	122
Remove depreciation charged on the existing assets	**-**	**-**	**-**	-	-	-	(94)	-	(94)
Remove interest charged on the existing liability	**6**	**-**	**6**	14	-	14	4	-	4
Depreciation charge on right of use asset	**(10,203)**	**-**	**(10,203)**	(10,240)	-	(10,240)	(18,224)	-	(18,224)
Interest cost on lease liability	**(2,043)**	**-**	**(2,043)**	(2,136)	-	(2,136)	(3,984)	-	(3,984)
Profit on disposal of right-of-use assets and lease liability	**-**	**358**	**358**	-	980	980	-	3,537	3,537
Profit on modification of leases	**-**	**-**	**-**	-	983	983	-	-	-
Foreign exchange difference on euro leases	**(10)**	**-**	**(10)**	45	-	45	69	-	69
Additional net impairment charge under IAS 36	**-**	**-**	**-**	-	(4,734)	(4,734)	-	1,226	1,226
Net Impact of IFRS 16 on (loss) / profit before tax	**(1,083)**	**358**	**(725)**	862	(2,771)	(1,909)	2,059	4,763	6,822
(Loss) / profit before tax	**(6,537)**	**(316)**	**(6,853)**	(10,449)	(6,052)	(16,501)	3,177	3,741	6,918

Other adjusted profit metrics

Other key profit measures including operating profit, profit before tax, profit for the period, and earnings per share are also calculated on an Adjusted basis by adding back or deducting Adjusting items. These adjusted metrics are included within the consolidated income statement and statement of other comprehensive income, with details of Adjusting items included below in Note 5.

5 Adjusting items

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

	26 weeks ended 3 November 2024 £000	26 weeks ended 29 October 2023 (restated) £000	53 weeks ended 5 May 2024 £000
Within cost of sales			
Impairment charges	**-**	10,110	5,333
Impairment reversals	**-**	(2,095)	(6,742)
Profit on disposal and modification of right-of-use assets and lease liabilities	**(358)**	(1,963)	(3,537)
Other exceptional items	**674**	-	1,205
Total Adjusting items before tax	**316**	6,052	(3,741)

Impairment charges and reversals of prior period impairment charges relate to fixed assets (see Notes 12, 13, 14).

Profit on disposal and modification of right-of-use assets and lease liabilities relate to leases (see Note 14).

Other exceptional items comprise of £0.1m of redundancy costs, £0.1m related to the settlement of a legal case and £0.4m related to non-recurring operational costs as a result of the challenges in online fulfilment. (26 weeks ended 29 October 2023: £nil. 53 weeks ended 5 May 2024: £0.5m of professional fees and other costs related to the listing of the Company on AIM and £0.7m of redundancy costs related to the restructure of the Operating Board.)

6 Finance income and expense

	26 weeks ended 3 November 2024 £000	26 weeks ended 29 October 2023 £000	53 weeks ended 5 May 2024 £000
Finance income			
Bank interest receivable	**-**	17	19
Total finance income	**-**	17	19
Finance expense			
Bank interest payable	**(310)**	(210)	(389)
Amortisation of capitalised loan costs	**(78)**	(65)	(147)
Interest payable on lease liabilities	**(2,043)**	(2,136)	(3,984)
Total finance expense	**(2,431)**	(2,411)	(4,520)

7 Share based payments

During the Period, nil shares were awarded under “TheWorks.co.uk 2018 Long Term Incentive Plan” and nil awarded under the Save As You Earn Scheme. (26 weeks ended 29 October 2023: 2,716,687 and 1,416,375, 53 weeks ended 5 May 2024: 2,716,687 and 1,416,375 respectively).

During the Period, nil restricted stock awards were granted to key management and senior employees (26 weeks ended 29 October 2023: 856,250, 53 weeks ended 5 May 2024: 856,250).

Expense recognised in the income statement

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

	26 weeks ended 3 November 2024 £000	26 weeks ended 29 October 2023 £000	53 weeks ended 5 May 2024 £000
LTIP –- Share based payment (credit) / expense	**79**	(155)	(308)
RSA - Share based payment expense	**82**	121	84
SAYE - Share based payment expense	**27**	36	27
Total IFRS 2 charges/ (credit)	**188**	2	(197)

8 Employee benefits

The Group operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the scheme and amounted to £565k (26 weeks ended 29 October 2023: £484k; 53 weeks ended 5 November 2024: £1,066k).

9 Tax

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

The Group's total income tax credit in respect of the Period was £635k (26 weeks ended 29 October 2023 credit (restated): £3,607k, 53 weeks ended 5 May 2024 tax charge: £541k). The effective tax rate on the total loss before tax was 9.3% (26 weeks ended 29 October 2023 restated: 21.9%; 53 weeks ended 5 May 2024: 7.8%), the Adjusted tax rate was 9.7% (26 weeks ended 29 October 2023 restated: 24.6%, 53 weeks ended 5 May 2024: 17.0%).

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

10 Earnings per share

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

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

The Group has chosen to present an Adjusted earnings per share measure, with profit adjusted for Adjusting items (see Note 5 for further details) to reflect the Group's underlying (loss) / profit for the Period.

	3 November 2024	29 October 2023 (Restated – Note 15)	5 May 2024
	Number	Number	Number
Number of shares in issue	**62,500,000**	62,500,000	62,500,000
Number of dilutive share options (nil in the event of a loss)	**-**	-	-
Number of shares for diluted earnings per share	**62,500,000**	62,500,000	62,500,000
	£000	£000	£000
(Loss) / profit for the financial period	**(6,218)**	(12,894)	6,377
Adjusting items	**316**	5,018	(3,741)
Total Adjusted (loss) / profit for Adjusted earnings per share	**(5,902)**	(7,876)	2,636
	Pence	Pence	Pence
Basic (loss) / earnings per share	**(9.9)**	(20.6)	10.2
Diluted (loss) / earnings per share	**(9.9)**	(20,6)	10.2
Adjusted basic (loss) / earnings per share	**(9.4)**	(12.6)	4.2
Adjusted diluted (loss) / earnings per share	**(9.4)**	(12.6)	4.2

11 Dividends

The Board has not recommended the payment of a dividend in respect of FY25 interim results (FY24: nil).

12 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 5 May 2024	16,180	10,299	**26,479**
Additions	-	701	**701**
Disposals	-	(3)	**(3)**
Balance at 3 November 2024	**16,180**	**10,997**	**27,177**
Amortisation / Impairment			
Balance at 5 May 2024	16,180	8,433	**24,613**
Amortisation charge	-	390	**390**
Impairment charge	-	-	**-**
Impairment reversal	-	-	**-**
Disposals	-	(3)	**(3)**
Balance at 3 November 2024	**16,180**	**8,820**	**25,000**
Net book value			
At 5 May 2024	-	1,866	1,866
At 3 November 2024	**-**	**2,177**	**2,177**

13 Property, plant and equipment

	Leasehold improvements £000	Plant & equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 5 May 2024	5,818	3,763	19,072	**28,653**
Additions	(22)	332	1,159	**1,469**
Disposals	(115)	(23)	(368)	**(506)**
Balance at 3 November 2024	**5,681**	**4,072**	**19,863**	**29,616**
Depreciation and impairment				
Balance at 5 May 2024	4,149	3,138	9,008	**16,295**
Depreciation charge	100	49	1,250	**1,399**
Impairment charges	-	-	-	**-**
Impairment reversals	-	-	-	**-**
Disposals	262	(20)	(256)	**(14)**
Balance at 3 November 2024	**4,511**	**3,167**	**10,002**	**17,680**
Net book value				
At 5 May 2024	1,669	625	10,064	12,358
At 3 November 2024	**1,170**	**905**	**9,861**	**11,936**

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 if events or circumstances indicate that the full carrying value may not be recoverable 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 CGU to which the asset belongs. The Directors consider an individual retail store to be a cash generating unit (CGU), as well as the Company's 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 IFRS 16 right-of-use asset, 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.

An impairment review was conducted for the 53 weeks to 5 May 2024 for the Annual Report and Accounts signed on 1 October 2024. All CGU's were reviewed for impairment. An impairment charge or reversal of impairment recognised in prior periods was recognised in the 53 weeks to 5 May 2024. The Directors have reviewed the events and circumstances since 5 May 2024, and the Group's Base Case plan and do not consider it to have changed materially since the impairment review as at 5 May 2024 was completed and have therefore concluded that no impairment trigger has occurred.

As a result of no impairment triggers being present, no impairment review was completed for the the 26 weeks ended 3 November 2024, and therefore no impairment charge or reversal was recognised. An impairment charge of £5,333k was recognised for the 53 weeks ended 5 May 2024 against 184 stores with a recoverable amount of £23,396k, and an impairment charge of £591k was recognised against the trading website. An impairment reversal of £6,742k was recognised for the 53 weeks ended 5 May 2024 relating to 135 stores with a recoverable amount of £33,537k. In line with the previously adopted treatment, impairment charges and reversals have been shown as Adjusting items.

14 Leases

Amounts recognised in the statement of financial position

Right-of-use assets

	Land and buildings £000	Plant and equipment £000	Total £000
3 November 2024			
At 5 May 2024	**57,309**	**394**	**57,703**
Depreciation charge for the year	**(10,088)**	**(115)**	**(10,203)**
Additions to right-of-use assets	**4,153**	**79**	**4,232**
Effect of modifications to right-of-use assets	**8,031**	**-**	**8,031**
Derecognition of right-of-use assets	**343**	**-**	**343**
Impairment charge[1]	**-**	**-**	**-**
Impairment reversals[1]	**-**	**-**	**-**
At 3 November 2024	**59,748**	**358**	**60,106**

1 The total impairment charge/ reversal is in Adjusting items.

Lease liabilities

	Land and buildings £000	Plant and equipment £000	Total £000
3 November 2024			
At 5 May 2024	**77,336**	**424**	**77,760**
Additions to lease liabilities	**3,833**	**79**	**3,912**
Interest expense	**2,034**	**9**	**2,043**
Effect of modifications to lease liabilities	**8,031**	**-**	**8,031**
Lease payments	**(12,322)**	**(123)**	**(12,445)**
Disposals of lease liabilities	**(15)**	**-**	**(15)**
Foreign exchange movements	**10**	**-**	**10**
At 3 November 2024	**78,907**	**389**	**79,296**

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

	As at 3 November 2024	As at 5 May 2024
Current	**20,580**	19,943
Non-current	**58,716**	57,817

At 3 November 2024	**79,296**	77,760

15 Prior period restatements

The following adjustments were identified when completing the FY24 full year financial statements, and therefore adjustments have been made to the FY24 half year comparatives.

Restatement of opening balances

As part of the review of IFRS 16 balances during the 53 weeks ended 5 May 2024, 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 FY24 opening balances of £3,822k to the right of use assets brought forward and £3,822k decrease to the lease liability brought forward.

Adjustment to impairment, associated depreciation and profit on disposal of right-of-use assets

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. During the 53 weeks ended 5 May 2024, the Directors considered the allocation of impairment to these stores and concluded that impairment was incorrectly calculated in light of the modification of the lease. In the interim financial statements for the 26 weeks ended 29 October 2023, adjustments were made to correct this which have now been adjusted for as a prior period restatement in line with disclosures made in the FY24 Annual Report and Accounts.

A gain on modification of the lease of £3,613k should have been recognised in the prior period, with a corresponding increase to right of use assets of £3,613k. As a result, the FY23 closing right-of-use asset balance has been increased by £3,613k with a corresponding reduction to right-of-use assets additions recognised in FY24 interim financial statements. Gain on modification of £3,613k shown in the consolidated income statement for 26 weeks ended 29 October 2023 has been reversed and shown as an adjustment to opening retained earnings.

The FY23 closing right-of-use asset has been decreased by £1,880k as a result of the reversal of an impairment reversal of £1,603k, depreciation charge of £4,549k and profit on disposal of right-of-use assets of £1,066k previously recognised in the FY24 interim financial statements. The corresponding adjustments have been made to the consolidated income statement for the 26 weeks ended 29 October 2023, resulting in a decrease to FY24 opening retained earnings of £1,732k.

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 Note 9 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 FY24 interim financial statements	Right-of-use asset cost variance	Depreciation variance	Impairment charge variance	Profit on disposal of right-of-use asset	**FY24 interim restated balance**
Income statement						
Revenue	**122,575**	**-**	-	-	-	**122,575**
Cost of sales	**(113,935)**	(3,613)	4,549	(1,602)	(1,066)	**(115,667)**
Gross profit	**8,640**	(3,613)	4,549	(1,602)	(1,066)	**6,908**

Other operating income	**4**	-	-		-	**4**
Distribution expenses	**(6,846)**	-	-	-	-	**(6,846)**
Administrative expenses	**(14,173)**	-	-	-	-	**(14,173)**
Operating profit	**(12,375)**	(3,613)	4,549	(1,602)	(1,066)	**(14,107)**
Finance income	**17**	-	-	-	-	**17**
Finance expense	**(2,411)**	-	-	-	-	**(2,411)**
Profit before tax	**(14,769)**	(3,613)	4,549	(1,602)	(1,066)	**(16,501)**
Taxation	**3,757**	-	(29)	-	(121)	**3,607**
Profit after tax	**(11,012)**	(3,613)	4,520	(1,602)	(1,187)	**(12,894)**

Summarised consolidated statement of financial position

	Per FY24 interim financial statements	Right-of-use asset cost variance	Depreciation variance	Impairment charge variance	Profit on disposal of right-of-use asset	IFRS 16 adjustment	**FY24 interim restated balance**
Non-current assets							
Intangible assets	**1,583**	**-**	-	-	-	-	**1,583**
Property, plant and equipment	**9,426**	**-**	-	30	-	-	**9,456**
Right of use assets	**57,602**	**-**	-	-	-	(3,823)	**53,779**
Other non-current Assets	**8,087**	**-**	-	-	-	-	**8,087**
	76,698	**-**	-	30	-	(3,823)	**72,905**
Current assets	**70,270**	**-**	(29)	-	(121)	-	**70,120**
Total assets	**146,968**	**-**	(29)	30	(121)	(3,823)	**143,025**
Liabilities							
Current lease liabilities	**(22,110)**	**-**	-	-	-	3,823	**(18,287)**
Other current liabilities	**(65,388)**	**-**	-	-	-	-	**(65,388)**
Non-current lease liabilities	**(66,713)**	**-**	-	-	-		**(66,713)**
Other non-current lease liabilities	**(893)**	**-**	-	-	-	-	**(893)**
Total liabilities	**(155,104)**	**-**	-	-	-	3,823	**(151,281)**
Net liabilities	**(8,136)**	**-**	(29)	30	(121)	**-**	**(8,256)**
Equity attributable to equity holders of the Parent							
Retained earnings	**(29,688)**	**3,612**	(4,549)	1,633	1,066	-	**(27,926)**
Retained earnings in year	**(11,158)**	**(3,612)**	4,520	(1,603)	(1,187)	-	**(13,040)**
Other reserves	**32,710**	**-**	-	-	-	-	**32,710**
Total equity	**(8,136)**	**-**	(29)	30	(121)	-	**(8,256)**

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**

16 Inventory

	3 November 2024 £000	29 October 2023 £000	5 May 2024 £000
Goods for resale	**42,859**	50,530	28,401
Less: stock provisions for shrinkage and obsolescence	**(2,450)**	(1,682)	(1,932)
Goods for resale net of provisions	**40,409**	48,848	26,469
Stock in transit	**11,312**	7,270	4,885
Inventory	**51,721**	56,118	31,354

A provision of £2.5m for stock obsolescence and shrinkage is included in the balance sheet at the Period end (29 October 2023: £1.7m, 5 May 2024: £1.9m). The provision is an estimate, which is based on stock ageing and historical trends and is reviewed by management during the year.

17 Borrowings and cash

	3 November 2024 £000	29 October 2023 (Restated – Note 15) £000	5 May 2024 £000
Non-current liabilities			
Lease liabilities	**58,716**	66,713	57,817
Non-current liabilities	**58,716**	66,713	57,817
Current liabilities			
Revolving credit facility (RCF)	**9,000**	5,000	-
Lease liabilities	**20,580**	18,287	19,943
Current liabilities	**29,580**	23,287	19,943

The Group's bank facilities comprise an RCF of £20.0m expiring 30 November 2026. The facility includes financial covenants in relation to the level of net debt to LTM EBITDA and 'Fixed Charge Cover' or ratio of LTM EBITDA prior to deducting rent and interest, to LTM rent and interest.

None of the Group's cash and cash equivalents (FY24: £Nil) is held by the trustee of the Group's employee benefit trust in relation to the share schemes for employees.

Net debt reconciliation

	3 November 2024 £000	29 October 2023 (Restated – Note 15) £000	5 May 2024 £000
Net debt (excluding unamortised debt costs)			
RCF	**9,000**	5,000	-
Cash and cash equivalents	**(522)**	(2,458)	(1,619)
Net debt / (cash) at bank	**8,478**	2,542	(1,619)
Non IFRS 16 lease liabilities	**11**	139	89
Non IFRS 16 net debt / (cash)	**8,489**	2,681	(1,530)
IFRS 16 lease liabilities	**79,296**	85,000	77,760
Net debt including IFRS 16 lease liabilities	**87,785**	87,681	76,230

18 Provisions

	HMRC VAT Provision £000	**Property £000**	**Total £000**
Balance at 5 May 2024	**147**	**872**	**1,019**
Provisions made during the period	-	158	158
Provisions used during the period	-	(240)	(240)
Provisions released during the period	-	-	-
Balance as at 3 November 2024	**147**	**790**	**937**

Maturity analysis of cash flows:

	HMRC VAT Provision £000	**Property £000**	**Total £000**
Due in less than one year	147	156	303

Due between one and five years	-	634	634
Due in more than five years	-	-	-
Total	**147**	**790**	**937**

Property provision

(a) 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.

(b) HMRC VAT provision

(c) 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 (FY24: £147k) is recognised in respect of the potential liability.

19 Share Capital

As at 3 November 2024, 29 October 2023 and 5 May 2024 the company had the following share capital:

	£000
Share capital	625
Share premium	28,322

20 Financial Instruments

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

Contractual maturity of financial liabilities	Within 1 year £000	2-5 years £000	5+ years £000	Total £000
3 November 2024				
Non Derivative				
Interest bearing	9,000	-	-	9,000
Non-interest bearing	46,966	634	-	47,600
Undiscounted lease liabilities	23,753	51,165	16,953	91,871
Derivative				
Forward currency contracts	605	-	-	605
	80,324	**51,799**	**16,953**	**149,076**
29 October 2023				
Non Derivative				
Interest bearing	5,000	-	-	5,000
Non-interest bearing	65,532	893	-	66,425
Undiscounted lease liabilities (restated – Note 15)	21,915	55,977	20,666	98,558
Derivative				
Forward currency contracts	84	-	-	84
	92,531	**56,870**	**20,666**	**170,067**
5 May 2024				
Non Derivative				
Interest bearing	-	-	-	-
Non-interest bearing	27,214	-	-	27,214
Undiscounted lease liabilities	23,446	49,067	17,632	90,145
Derivative				
Forward currency contracts	64	-	-	64
	50,724	**49,067**	**17,632**	**117,423**

Fair value measurements

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

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

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

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

Derivative Financial Instruments

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

	3 November 2024 £000	29 October 2023 £000	5 May 2024 £000
Net Derivative Financial Instruments			
Foreign exchange contracts	**(515)**	1,050	242

Classification of financial instruments

The tables below show the classification of financial assets and liabilities as at 3 November 2024. The fair values of financial instruments have been assessed to be approximately equivalent to their carrying values.

	Cash flow hedging instruments £000	**Financial assets at amortised cost £000**	**Other financial liabilities £000**
Financial assets measured at fair value			
Derivative financial instruments	90	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	11,980	-
Cash and cash equivalents	-	522	-
Financial liabilities measured at fair value			
Derivative financial instruments	(605)	-	-
Financial liabilities not measured at fair value			
Unsecured bank loans	-	-	(9,000)
Lease liabilities	-	-	(79,296)
Trade and other payables	-	-	(51,712)
As at 3 November 2024	**(515)**	**12,502**	**(140,008)**

	Cash flow hedging instruments £000	**Financial assets at amortised cost £000**	**Other financial liabilities £000**
Financial assets measured at fair value			
Derivative financial instruments	1,134	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	9,390	-
Cash and cash equivalents	-	2,458	-
Financial liabilities not measured at fair value			
Unsecured bank loans	(84)	-	(5,000)
Lease liabilities			(85,000)
Trade and other payables	-	-	(60,028)
As at 29 October 2023	1,050	11,848	(150,028)

	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other Financial Liabilities £000
Financial assets measured at fair value			
Derivative financial instruments	306	-	-
Financial assets not measured at fair value			
Trade and other receivables	-	8,384	-
Cash and cash equivalents	-	1,619	-
Financial liabilities measured at fair value			
Derivative financial instruments	(64)	-	-
Financial liabilities not measured at fair value			
Lease liabilities	-	-	(77,760)
Trade and other payables	-	-	(29,886)
As at 5 May 2024	**242**	**10,003**	**(107,646)**

21 Related parties

Identity of related parties with which the Group has transacted

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

22 Contingent liabilities

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

By Order of the Board

Rosie Fordham
Chief Financial Officer
24 January 2025

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material negative impact on the Group's performance over the remainder of the current financial year. These could cause actual results to differ materially from historical or expected results. The Board does not believe that these risks and uncertainties are materially different to those published in the Group's Annual Report for the period ended 5 May 2024.

These risks are associated with:

1. Economy and market
2. Design and execution of strategy
3. Supply chain
4. IT systems and cyber security
5. Brand and reputation
6. Seasonality of sales
7. People
8. Environmental (including climate change)
9. Regulation and compliance
10. Liquidity
11. Business continuity

Detailed explanations of these risks are set out on pages 38 to 43 of the FY24 Annual Report which is available at https://corporate.theworks.co.uk/application/files/9417/2833/3328/TheWorks.co.uk_plc_Annual_Report_and_Accounts_2024.pdf