Inspiring people to do

Annual Report and Accounts 2022

THE WORKS

Our ambition; to become one of the most loved retailers in the UK – the go-to place for reading, learning, creativity and play.

Contents

Highlights

Financial highlights

Revenue
£264.6m
FY21: £180.7m

PBT
£10.2m
FY21: (£2.8m)

Basic EPS
14.0p
FY21: (3.7p)

Like-for-like (LFL) sales growth[1]
+10.5%
FY21: +6.0% Stores +120.9% online

Adjusted PBT
£10.1m
FY21: (£3.6m)

Adjusted basic EPS
13.9p
FY21: (4.9p)

Non-IFRS 16 Adjusted EBITDA
£16.6m
FY21: £4.3m

Dividend
2.4p
FY21: nil

1 The LFL sales increase has been calculated with reference to the FY20 comparative sales figures, or two-year LFL, because the extended periods of enforced store closures during FY21 prevent that period from forming the basis of meaningful comparisons. For the last five weeks of the period, it has been necessary to calculate the LFL percentages with reference to the corresponding weeks in FY19, because the equivalent weeks during FY20 were also affected by the first period of enforced store closures. Similar comparison periods are also used for the total gross sales growth figures quoted.

Operational highlights

- Delivered a strong trading performance in FY22, well ahead of pre-COVID-19 levels, with total gross sales up 44.7% compared with FY21 and 12.7% compared with FY20.
- Defined the Group's new purpose and brand positioning, inspiring reading, learning, creativity and play - making lives more fulfilled. This provides a common goal to show everybody at The Works that they have a role to play in delivering our 'better, not just bigger strategy'.
- Created a more appealing, more customer-focused product proposition, aligned to our purpose. This included overhauling our book strategy to stock more front-list titles, capitalising on the 'BookTok' trend and increasing ranges of popular branded products in our kids and board games ranges.
- Catered for increasingly 'time poor' customers, who seek greater product availability and faster delivery times, by improving our online fulfilment capacity and delivery options.
- Improved the quality of the store estate by opening five new stores, closing seven and relocating six. We undertook 16 store refits as part of our strategy to refresh the store estate, as well as enhancing the in-store experience for customers through better space planning, ranging and merchandising.
- Further strengthened our senior leadership team with the appointment of a new Commercial Director and new 'Heads of' in our Buying, Brand Marketing, Digital Marketing and Profit Protection functions.
- Maintained our high levels of colleague engagement and 13th place on the Best Big Companies to work for ranking.
- Brought forward a review of the dividend and proposed the payment of a final dividend of 2.4 pence per share in respect of FY22.

Visit our website
corporate.theworks.co.uk

Better, not just bigger.

Our purpose and strategy aim to bring our well-loved brand to life and make The Works 'better, not just bigger'.

Read more about our strategy **on pages 16 and 17.**

Our purpose:

To inspire reading, learning, creativity and play – making lives more fulfilled.

Underpinning this purpose:

We believe in the importance of **FUN AND FULFILMENT,** taking time out to do the things you love.

We want reading, learning, creativity and play to be **ACCESSIBLE TO EVERYONE**, affordable, convenient and inclusive.

We want to be the **GO-TO PLACE** to inspire customers to embrace their free time.

Fulfilled by our brand that is:

Fun	Creative	Friendly
Empowering	Confident	Value-led

Brought to life by our family of colleagues who are:

Crafty

Caring

Can-do

Helping us to fulfil our ambition of becoming one of the most loved retailers in the UK – the go-to place for reading, learning, creativity and play.

Read more about our culture **on page 34.**

A differentiated offering with significant organic growth potential in the value retail sector.

1.

Clear purpose – to inspire reading, learning, creativity and play - making lives more fulfilled.

2.

Unique proposition – cheaper than specialists, more choice of products and better customer service than discounters.

3.

Broad demographic appeal (gender, age, ethnicity, income) creates a large addressable market.

4.

Flexible store estate - small inexpensive shop units work well in a variety of locations serving local communities, and provide touch points not available to pure-play online retailers, (e.g. click & collect), and short leases allow for changes in local market conditions.

5.

Cash generative, low capex business model.

6.

Simplicity over complexity - strategy focused on implementing best retail practice, as opposed to costly, high-risk concepts.

7.

Previous under-potentialisation creates real opportunity for growth (sales and profit).

8.

Significant headroom to develop online sales (to c.20% of total sales in the medium-term) supported by extended ranges and initiatives to increase customer engagement and loyalty.

A leading multi-channel value retailer.

At The Works we believe in giving everyone the opportunity to learn, be inspired and have fun. Our mission; to become one of the most loved retailers in the UK. Our core foundations of great value, fantastic ranges and excellent customer service are at the heart of our 525 stores and website. We make reading, learning, creativity and play accessible to everyone.

Store estate

Our 525 stores can be found in a diverse range of locations: on high streets, in shopping centres, on retail parks, in factory outlets and as concessions (typically in garden centres).

Our stores play an important role in inspiring reading, learning, creativity and play in their local communities, along with supporting local fundraising activity.

525
stores in the UK and Ireland

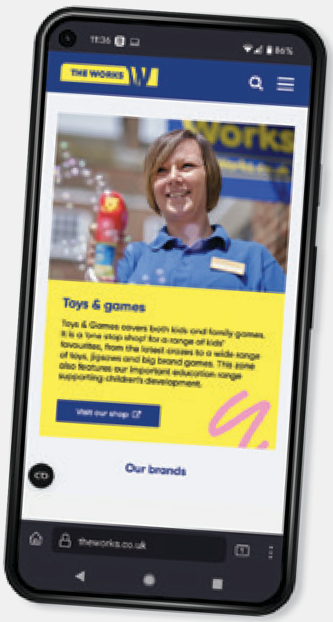
Multi-channel

We are one of the few value retailers with a full-featured online store that helps our customers to shop how they want, when they want, seven days a week.

Our website complements our stores, offering many exclusive products that are not available in store, and our popular click & collect service offers further convenience to customers.

1,000+
web exclusive products

41.5 million
website visits during FY22



Colleagues

Our loyal, dedicated and highly engaged colleagues are key to the success of our business.

Ranked
13th
Best Big Company to Work for the second consecutive year

c.3,800
colleagues

Read more about our colleagues **on page 34.**

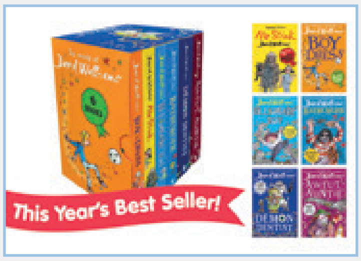
We have a wide product offering, which is designed to appeal to our broad customer base. This includes our own brand products, which support our value offering and enable us to provide our customers with products that are exclusive to The Works. We also offer the most in-demand branded products across our categories and new books on their release date.

Our brands and products

c.6,000 products available in store c.400 'core' lines permanently in stock

Books

We have refined our book ranges, becoming a destination for kids books, growing brands in each age range, with a brilliantly priced, curated range of the very latest trending non-fiction adult books.



Arts, crafts and hobbies

Our Arts, Crafts and Hobbies Zone comprises a wide selection of paints, brushes, art sets, paper, canvas and craft kits that cater for the needs of beginners to experts, alongside a complementary book offer to further inspire our artistic and crafty customers. Our buying expertise allows us to offer fantastic value for money across the whole range and is further supported by a well curated range extension online.

Our own brands

Stationery

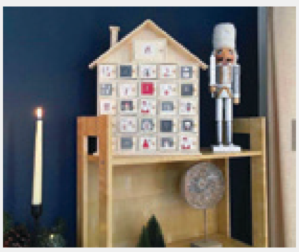
Our stationery selection includes our own- brand Paper Place high-quality fashion notebooks, writing sets, storage boxes and address books. These sit alongside our big brands offer including Bic, Helix, Xerox and Pukka. Our Scribblicious range includes trendy pens, pencils, pencil cases, and storage solutions suitable for all ages.

Our own brands

Toys & games

Toys & games covers both kids and family games. It is a 'one-stop shop' for a range of kids' favourites, from the latest crazes to a wide range of toys, jigsaws and big brand games. This zone also features our important education range supporting children's development.

Our own brands



Seasonal

We offer customers everything they may need to make family occasions and seasonal events really special including 'back to school', summer fun, Easter and Christmas.

Our own brands

Over the course of the last year I have seen The Works become an increasingly modern and efficient business.

Introduction

I have greatly enjoyed my first year as Chair of The Works and feel very proud to be part of a business that seeks to enrich the lives of its customers and their families, friends and communities. I have spent a lot of my time getting to know the business, meeting the teams and celebrating too, having joined during The Works' 40th anniversary year.

I have been impressed by the resilience of the business and its ability to adapt to challenging external conditions, whilst also delivering good strategic and financial progress. Over the course of the last year I have also seen The Works become an increasingly modern and efficient business that is being run, for the long-term and in a more professional and structured way by Gavin Peck and his strengthened leadership team. I have seen time and time again exactly why its customers have such a strong affinity to the brand, how it is managing to maintain its position as one of the leading retailers in the value sector and how it has sustained a well-earned reputation for being an incredibly supportive workplace for colleagues.

A standout feature of The Works is its truly unique culture. It is one of the greatest strengths of the business and has developed as a result of strong leadership, a positive work environment and a shared passion for delighting customers. Clarifying the Group's purpose – *to inspire reading, learning,creativity and play - making lives more fulfilled.* – has already had a positive effect on colleagues across the business by helping them to understand the role they can play in inspiring our customers and supporting our communities. Given the current external environment, our purpose has never been more relevant. It is vital that we help our customers to be resourceful, show them how to get creative and that having fun doesn't need to be costly or excessively consumptive.

This has all been spearheaded by a strengthened leadership team, led by Gavin, and supported by a team of passionate and committed colleagues. On behalf of the Board I would like to thank colleagues for all they have done, and continue to do, for our business and stakeholders, and for constantly going above and beyond to care for one other.

Performance

All retailers have faced difficult external conditions over the past year, particularly the increased costs and disruption caused by the global supply chain challenges post COVID-19. The Works was also subject to a cyber-security incident in March which required swift and extensive action to be taken to protect the business and minimise the impact on trading. Each of these factors in isolation would be enough to test any retailer, let alone both in one year. However, despite the adverse impacts from these events, due to the groundwork that Gavin and colleagues laid before the pandemic, an improved customer proposition and effective execution of our strategy, the business was able to deliver a strong trading performance in FY22, which was well ahead of pre-pandemic levels. Revenue increased to £264.6m (FY21: £180.7m), profit before tax increased to £10.2m (FY21: loss before tax of £2.8m) and the business delivered another record Christmas, demonstrating its resilience in very challenging circumstances.

Strategy

The last year has also demonstrated that the refocused 'better, not just bigger' strategy, which is already delivering tangible results, is the right strategic direction for the business. If we continue making progress against each of our four strategic pillars the Board and I are confident that we will see more new customers choose The Works as their primary destination for products to read, learn, create and play and that we will earn increased customer loyalty from existing customers. We will also be very well positioned to deliver sustainable sales and profit growth in the medium-term and to create value for all our stakeholders.

Environmental, Social and Governance (ESG)

The Works has been increasingly focused on its ESG agenda in recent years and has developed three pillars to provide greater clarity and structure, as well as a steering group to drive progress in these areas (see page 28). The business has now laid the foundations for a more ambitious and systematic approach to ESG and made some good early progress, but more work needs to be done. In particular we need to develop a detailed programme of activities and agree metrics to measure progress and targets to reduce our environmental impact. We must also implement the necessary changes to ensure that our reporting is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures. The Works' governance structure is effective and the business has a good track record in protecting its people and supporting its communities; however, there are plenty of opportunities to enhance these areas further, for example by promoting greater diversity and inclusion across the business. Our colleagues have shown a desire to engage more in our ESG position and already play a role in supporting their local communities, fundraising for our charity partners and protecting the environment, for example through recycling and donating old stock to schools and charities. They are by nature enthusiastic, crafty and resourceful, so will play an important part in driving progress against our ESG pillars.

Dividend

As part of some prudent measures to strengthen the balance sheet and manage the cost base and cash flows during the COVID-19 pandemic, dividends were suspended in FY20 and FY21. Reflecting the Group's strong performance in FY22, and its future potential, the Board has brought forward its review of the dividend and is proposing the payment of a final dividend of 2.4 pence per share in respect of FY22, subject to shareholder approval at our AGM on 27 October 2022, and will look to maintain the cadence of twice yearly dividend payments thereafter. Whilst the consumer market remains especially volatile, we will review future payment levels based on prevailing conditions, but intend to resume a progressive dividend policy in due course once conditions stabilise.

Outlook

Our success this year reflects the ongoing appeal of our proposition and the resilience of our business and was achieved despite some significant external challenges. In the current economic environment, characterised by ongoing inflationary pressure and subdued consumer sentiment, our value proposition is more relevant than ever. We are confident that the Group will continue to make good strategic progress in the year ahead and will deliver growth in the medium term, albeit that the underlying Adjusted EBITDA result for FY23 will be lower than in FY22.

Carolyn Bradley
Chair
23 September 2022

Q&A with Carolyn

You have now been in your role for a year. What are the key things that have stood out?

Having spent many years working in retail and consumer businesses, I have experienced a variety of cultures and The Works truly is one of a kind. I have had the opportunity to visit a number of our stores and meet our colleagues. They are passionate about what they do and committed to serving our customers. We also have a clear set of values that are helping to nurture a culture which was already strong. And within the UK retail sector, we have a unique, affordable and accessible product offering, which given the current cost of living crisis I am confident will be more important than ever before.

Is the strategy likely to change?

No. We have a clear plan built around four key priorities that will support value creation for all stakeholders and enhance our business. This strategy is being effectively executed by our leadership team and it is already starting to deliver in a number of areas, particularly in improving our customer proposition.

What are your priorities for the coming year?

As we monitor the Group's strategic progress, my fellow Board members and I will continue to focus on ensuring that The Works remains the destination for great value products to inspire reading, learning, creativity and play. We have an unrivalled customer loyalty programme and I have seen first hand how effectively these schemes can drive growth. We must capitalise on our Together Loyalty Rewards programme, which already truly engages and delights our customers. More generally we must increase our focus on our ESG agenda, particularly our environmental strategy. We recognise that we have a role to play in the transition to net zero and, from a commercial perspective, we need to be able to respond to increasing customer demand for more sustainable products and packaging.

"Despite facing significant external challenges through the year we delivered a strong financial performance and made good strategic progress in FY22."

Introduction

Our financial year started shortly after we emerged from a lengthy period of COVID-19 lockdowns, with stores having just re-opened. Our customers were delighted to be able to shop with us in store again, and it was a real boost to see colleagues back doing the job they love and the retail sector starting to recover from a period beset by disruptions. I am pleased to report that despite the significant challenges arising from global supply chain disruption and a cyber security incident towards the end of the financial year, we delivered a strong financial performance and made good strategic progress in FY22. This was due to our colleagues, who were ready to serve our customers on their return and continued to show incredible resilience, team spirit and passion for the work they do. On behalf of the leadership team I would like to thank them for all their ongoing support. This year has demonstrated the resilience of the business; I am proud of all that we have achieved and remain confident about the future prospects for The Works.

Our purpose

The Works' proposition, which resonated particularly well with customers during the pandemic, really strengthened over the course of FY22. To underpin the evolution of our brand, we felt the time was right to redefine our purpose. This purpose is *'to inspire reading, learning, creativity and play – making lives more fulfilled'*. This will help focus our colleagues on a common goal and show everybody at The Works that they have a role to play as part of our strategy to make our business better, not just bigger. Having now succinctly articulated why we exist the next step is to fully embed this purpose across the business. We believe it will have a truly transformational effect on our performance over the next three years.

Trading performance and financial results

The Works delivered a strong trading performance in FY22, well ahead of pre-COVID-19 levels, demonstrating the strong execution of our strategy. Our first half performance was ahead of our expectations and in H2 FY22 we delivered a record Christmas despite uncertainty over the impact of the Omicron variant and the ongoing supply chain challenges faced by the sector. Trading in the second half remained positive, although, as expected, the rate of growth began to slow in the latter months of the period, primarily reflecting the impact of an increasingly challenging consumer environment, and also a cyber security incident towards the end of FY22. Overall, total gross sales for the period were £298.4m, an increase of 44.7% compared with FY21 and 12.7% compared with FY20[1]. Two-year LFL sales increased by 10.5%, with growth online and in stores.

This positive trading performance was driven by our 'better, not just bigger' strategy. This included a greater focus on products that inspire and delight our customers such as front-list books, branded products and extended online product ranges, which engaged existing customers and attracted new ones to shop with us, both in store and online. Our flexible business model also enabled us to capitalise on trends like the 'summer of staycations', Fidget Frenzy and BookTok, which boosted sales of the most in-demand products during the year.

1 See separate footnote (1 and 2) of the LFL table in the Financial Review on page 20 which describe the basis for calculating 2-year sales comparisons.

Retail is a sector in which challenges arise constantly but two notable ones arose during the year, which we would not expect to recur and are therefore worth highlighting:

1. Supply chain disruption and ongoing uncertainty surrounding possible COVID-19 related restrictions saw some Christmas trade brought forward into September and October. Our proactive management of the supply chain ensured that we had adequate stock overall, despite some of it arriving later than planned, which meant that, although the sales pattern pre-Christmas was different than in previous years, and sub-optimal compared to our plans, we were still able to deliver a record Christmas performance.
2. We also experienced a cyber-security incident at the end of March 2022, which for a short time impacted our till systems, replenishment deliveries to stores and delayed the fulfilment of online orders. We took swift action to protect the business, which dealt with the immediate threat and enabled us to continue trading online and from more than 95% of our stores. Although the initial impact on trading was minimal, our operational recovery, which also included making significant improvements to security arrangements, took longer than expected, and resulted in a residual impact on sales into the early part of FY23.

Profit performance improved significantly, with FY22 EBITDA increasing to £16.6m (FY21: £4.3m). Our improved sales performance and the operational and propositional improvements we have made throughout the year helped to offset the cost impact of the external headwinds highlighted above, which were partially offset by £5.8m of COVID-19 business rates relief. On a statutory basis, profit before tax increased to £10.2m (FY21: loss before tax of £2.8m).

Strategy

At the FY21 Preliminary Results we announced an evolution of our strategy, to be a 'better, not just bigger' version of ourselves. Since then we have made good strategic progress, both behind the scenes to improve our operations, and efficiency, as well as more visible changes to sharpen the proposition, improve our stores, our product ranges and how we interact with our customers. We have also strengthened the management team and senior leadership across the business to support the successful execution of our strategy.

Each change made, when considered in isolation, will have a relatively limited impact on our future performance but collectively the changes we have made across the entire business will, we believe, be truly game changing for The Works. These improvements have already helped to drive top and bottom-line growth in FY22 and we believe that if we continue to make good progress against this strategy it will significantly increase sales and will generate much more sustainable returns in the long-term.

Our strategic pillars

Read more about our strategy on pages 16 and 17.

Strategy in action
Develop our brand and increase customer engagement

Enhancing our product offering

Our affordable and accessible product offering continues to grow. To complement our own product range we have introduced over 100 new top brand and licensed toys and games including Crayola, Orchard Toys, Peppa Pig and Paw Patrol. We are also expanding our front-list book ranges (new books that are available on their release date). This development has enabled us to capitalise on the 'BookTok' phenomenon, draw attention to previously best-selling books and prompt renewed customer interest in them.

Read more about our strategy on pages 16 and 17.

Outlined below is an overview of each of the four pillars of our strategy, progress made against them during FY22, and our priorities for the year ahead.

Develop our brand and increase our customer engagement

In line with our purpose, we are improving our customer proposition to help build deeper relationships with our existing customers, drive increased brand loyalty and inspire and attract new customers.

In FY22 we:

- clarified our purpose to better reflect what we do every day. Articulating why we exist has helped give all colleagues the same 'north star' and is ensuring that everything we do is focused on The Works customers;
- evolved our brand to create a new, more modern look and began to focus our communications on inspiring customers;
- recruited a new Commercial Director to drive forward our customer proposition and further strengthen the Commercial function;
- recruited a new Head of Brand to improve our brand marketing and customer communications, engagement and loyalty; and
- made significant progress in improving our offer by taking a more strategic and customer-focused approach to range selection. Our great value proposition is already well recognised and as a result of the action we have taken this year we are now becoming customers' go-to destination for reading, learning, creativity and play. We have achieved this by:
  - overhauling our book strategy, stocking many more front-list titles such as David Walliams' Gangsta Granny Strikes Again and Richard Osman's The Man Who Died Twice. This is helping to increase our market share in the book category, improve our credibility as a bookseller and also drive sales of, great value, back-list titles which can still represent significant sales opportunities;

Develop our brand and increase our customer engagement continued

- capitalising on the BookTok trend. Our flexible business model and strengthened relationships with publishers enable us to respond to trending books highlighted on TikTok and provide customers with the most in-demand books at great value;
- increasing our ranges of popular branded products in our Kids Zone, such as Peppa Pig, Paw Patrol and Cocomelon, and board games including Scrabble, Articulate and Elf Monopoly.

In FY23 we will focus on:

- developing our marketing strategy, deploying our evolved brand and refreshed look to inspire and engage with customers more effectively;
- ensuring our products and ranges align with our purpose - to inspire reading, learning, creativity and play – making lives more fulfilled;
- further developing our product offering, including extending our range of Children's books (including front-list authors such as Julia Donaldson being introduced) and refreshing our own-brand Art, Craft and Stationery ranges;
- using data and insight more effectively so that we develop a better understanding of our customers and their preferences; and
- relaunching our Together loyalty programme, which has enormous untapped potential, given the relatively low levels of penetration of the scheme (c13% of transactions in FY22).

Enhance our online proposition

We strive to become customers' go-to destination for reading, learning, creativity and play. We believe that our online channel will be an important part of achieving this ambition given the role it can play in providing inspiring content and convenient shopping. We invested in a new web platform in July 2020 which provided the foundation for us to subsequently invest significantly in our online fulfilment capacity and in shortening delivery times. Our online capability is now more efficient and better able to meet increasing customer demand.

In FY22 we:

- improved our fulfilment capacity and delivery capabilities for increasingly 'time poor' customers, who seek greater product availability and faster delivery times. We extended our next day delivery cut-off from 8pm to 11pm and reduced our standard delivery window from three to five days to a guaranteed three days;
- further enhanced our complementary online ranges, focusing particularly on expanding online ranges of larger items in our Out2Play range, which performed well during the 'summer of staycations' in 2021, as well as offering a greater selection of front-list books, branded toys and games;
- started to optimise our new platform. For example, we have improved the navigation across key product and category pages to help customers find product matches and introduced browse attributes to reduce clicks required to purchase; and
- recruited a Head of Digital Marketing to develop and implement campaigns across new channels, improve efficiency, help attract more people to our website and improve our CRM.

In FY23 we will focus on:

- further enhancing the online customer experience, including undertaking a usability study to better understand the customer journey and key friction points. Alongside the outputs of this review we will improve the merchandising of products on the site and navigation through the site, supported by better analytics and the introduction of new tooling, including multi-variate testing;
- launching more targeted online range extensions, building on improvements made in our front-list book, branded toys and games offers in store;
- Introducing Parcelshop as an alternative delivery option, adding c11,000 additional pick-up points, improving convenience for our customers;
- Engaging and retaining more customers through our digital marketing, including building a team to strengthen our in-house capabilities; and
- Improving the customer experience between stores and online by making it possible for customers to order from the website when shopping in store and performing an end-to-end review of our click and collect journey.

Optimise our store estate

We already have a strong footprint across the UK and Ireland, with stores conveniently located on high streets, in retail parks, and concessions within garden centres. The broad appeal of our proposition and low-cost model of our stores, which tend to be smaller than those of our competitors, allows us to operate in such locations which often do not suit more specialist retailers. As a result, in these locations, there is often very little direct high street competition.

Our main priority is to optimise our stores to create an environment that inspires our customers, reflects the communities we serve and encourages more shoppers to consider The Works as their primary destination for the products we offer.

In FY22 we:

- further improved the quality of the store estate, opening five new stores, closing seven and relocating six. Our opening in Bluewater, one of the UK's most high-profile shopping centres, was a particular highlight. As of 1 May 2022 we traded from 525 stores;
- undertook 16 store refits as part of our strategy to refresh the store estate and bring all stores up to an 'ideal' standard over the next three years. These refits will improve customer experience by modernising the store shopping environment and improving the store layout, whilst also making the stores easier to run operationally; and
- enhanced the in-store experience through better space planning, ranging and merchandising. We also improved customer experience and made our stores easier to shop, for example through better navigation and ensuring that all stock is at an easily accessible height.

In FY23 we will focus on:

- continuing to grow our brand awareness with selective new store openings, focused on the top 100 locations that we are not yet represented in;
- optimising our existing stores through relocations and refits, with 40 stores expected to benefit from this activity;
- further improving our use of space in store to enhance the customer experience and drive improved sales densities, supported by the introduction of new space and merchandising software;
- increasing our focus on offering excellent customer service in-store, through improved training and continuing to simplify the way we operate our stores to reduce other tasks.

Drive operational improvements

Improving our ways of working to become a more productive and modern retailer is a core part of our 'better, not just bigger' strategy. We want to ensure we operate efficiently and in a cost-effective way, as well as providing better product choice and availability for our customers. The progress we have made means that 'behind the scenes' we are already operating more effectively, which we believe will help to generate more sustainable returns in the future.

In FY22 we:

- invested in our supply chain team and systems, making improvements in our end-to-end stock management processes, including successfully piloting a new stock allocation system that will significantly improve on-shelf availability and drive improved stock turn;
- renewed our e-commerce logistics contract with iForce. The renewed contract includes additional investment to fund the introduction of automated picking robots and an automated packing machine. This is expected to drive productivity, help to offset the National Living Wage cost headwind in our online fulfilment operation, whilst also reducing our waste packaging;
- launched a trial to pick delivery orders directly from 29 stores, which was subsequently expanded to cover 60 stores, significantly reducing the lead time from picking to delivery and helping to improve on-shelf availability. This will be rolled out to more stores in FY23 although most stores will continue to receive deliveries via a third party network;
- established a Profit Protection function with an initial focus on reducing store stock loss (e.g. through identifying and reducing high levels of theft);
- selected a new electronic point of sale (EPOS) solution for stores and began development of this new system ahead of deployment later in FY23. This system replaces the outdated system and provides a platform for introducing additional functionality, for example self-service checkout and ordering from our website whilst in store; and
- accelerated the implementation of our existing plans to strengthen IT security measures following the cyber-security incident in March 2022.

In FY23 we will focus on:

- rolling out our new stock allocation system across our entire store estate;
- extending our scheme to pick delivery orders directly from more stores across the estate;
- deploying the new EPOS solution across the store estate, including the functionality to order online whilst in-store;
- reducing store stock loss through the execution of our profit protection plans, including driving a colleague awareness programme, better utilising data to identify stores with high stock losses and targeting increased activity on these higher risk stores; and
- adopting a continuous improvement approach in relation to all operational processes across the business.

Colleagues

In a challenging and competitive retail environment, our colleagues are fundamental to the delivery of great customer service. Many retail businesses makes this claim, but we believe that The Works is unique and fortunate to have a team of colleagues who truly believe in our purpose and are passionate about the job they do. Attracting, developing, retaining, and engaging good people are key to our success and I was very pleased that we have maintained our position on the Best Big Companies to Work for National List, ranking 13th place.

During the year we have strengthened the leadership team through the creation of a number of new roles. Nina Findley, our new Commercial Director, joined the Operational Board in June 2021. Nina has over 20 years' buying experience in highly relevant markets, having spent her early career with Woolworths and Superdrug and more recently holding a variety of senior roles at Homebase. During the period we also strengthened our senior leadership team with the appointment of new 'Heads of' in our Brand Marketing, Digital Marketing, Buying and Profit Protection functions.

We remain focused on further enhancing the engagement and development of our colleagues with further exciting initiatives planned for FY23, including introducing a new Communication and Rewards platform ('MyWorks') and a new learning and development system (our 'Can Do Academy').

Strategy in action
Develop our brand and increase customer engagement

Building brand loyalty

In the retail value sector our Together Rewards loyalty programme sets us apart. Currently over 1 million active members receive five points for every pound they spend, which are converted into redeemable sales vouchers at one pence per point. Recent research has shown that programme members spend up to 33% more than non-members, visit more often and recognise and appreciate the benefits of the programme.

Read more about our strategy **on pages 16 and 17.**

Environmental, Social and Governance (ESG)

Having reviewed our approach last year and, as a first step, formed a new ESG steering group we are increasing our focus on ESG issues and defining our ESG commitments. Working to reduce our impact on the planet and supporting our people and communities is not only the right thing to do, it is a key issue for our stakeholders and will also ensure that we stay relevant as customer demand for more sustainable products continues to grow.

We are currently developing our sustainability strategy to ensure that it addresses environmental issues whilst supporting our growth. We are also engaged in a programme of work to ensure our compliance with the recommendations of the Task Force on Climate-related Financial Disclosures.

The Works has always been a business that gives back and I am very proud of the fundraising efforts of our colleagues and grateful for the generosity of our customers. Our commercial and fundraising partnership with Cancer Research UK continues and last year we were delighted to enter into a nationwide partnership with MIND, SAMH and Inspire - three leading charities that do incredible work to support people's mental health.

Outlook

Overall, we are pleased with the performance delivered in FY22. However, we are not immune from the current inflationary pressures, which have increased business costs and we anticipate may weigh on consumer spending levels over a much more sustained period than initially expected. In this environment, our value proposition is more relevant than ever, and we are confident that the Group will continue to make good strategic progress in the year ahead and will deliver growth in the medium term, albeit the underlying Adjusted EBITDA result for FY23 will be lower than in FY22.

Gavin Peck
Chief Executive Officer
23 September 2022

Our core strengths and competitive advantage create a compelling proposition capable of delivering long-term value for all stakeholders.

Key inputs

Colleagues
- Approximately 3,800 colleagues who are key to the success of our business.
- Loyal and dedicated.
- Highly engaged.

Brand value
- Own brands developed in house.
- Clear purpose, focused on inspiring reading, learning, creativity and play.

Suppliers
- Over 500 supplier relationships.
- The UK, Europe and Asia.
- Close collaboration.

Infrastructure
- Store network.
- Online store.
- Centrally located Support and Distribution Centres.
- IT infrastructure – investing to ensure scale, efficiency and security.

Read more about our colleagues **on page 34.**

Our proposition and how we create value

Our competitive advantage

Value-led

Family friendly

Convenience

Loyalty

Multi-channel

Inspiring

Design and innovate
- Identify and bring desirable and on-trend products to the UK market.
- Unique own-brand products developed by in-house design studio in conjunction with suppliers.
- New product lines launched on a weekly basis.
- Five clear product zones: Books; Arts & crafts; Stationery; Toys & games; and Seasonal.

15
own brands

10,000
new product lines introduced each year

Underpinned by our strategy

Focused on evolution and growth, making our business ‘better, not just bigger’

Develop our brand and increase customer engagement

Enhance our online proposition

Source and distribute

- Experienced buying team sources and curates product ranges, including popular brands to complement own-brand offer.
- Relationships with over 500 suppliers.
- Work closely with suppliers to ensure product safety and quality control.
- Warehousing and store distribution undertaken from 157,000 sq ft facility in Coleshill, Birmingham.
- Online orders fulfilled by third party or picked in store.
- Leading customer delivery proposition.

c.500
suppliers

157,000
sq ft warehousing and distribution facility

Sell to customers through convenient channels

- 525 stores across the UK and Ireland.
- Website – 24/7 trading and exclusive and extended ranges.
- Marketplaces (e.g. Amazon, eBay).
- Click & collect – linking stores and online.

525
stores

Together loyalty scheme increases customer engagement and provides valuable customer insights.

Read more about our strategy **on pages 16 and 17.**

Optimise our store estate

Drive operational improvements

The value we create

Our people

Employment for

c.3,800
colleagues

13th Best Big Company to work for

Our customers

Offer affordable, accessible, good quality products to inspire reading, learning, creativity and play.

Our suppliers

Indirectly support employment across our extensive supplier network.

Our community

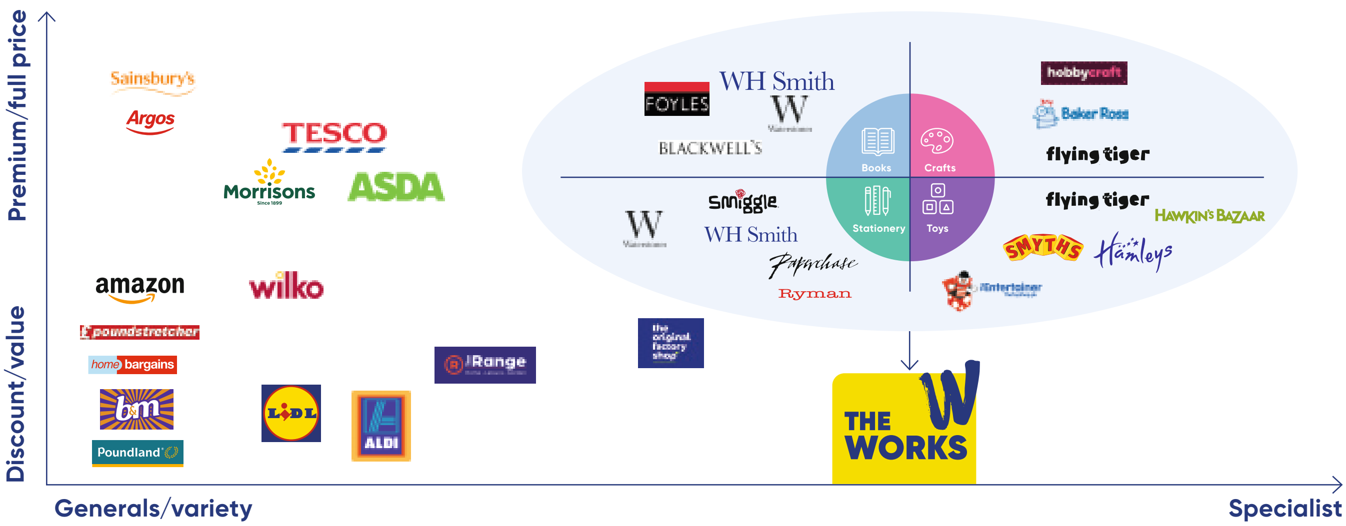
£200k
fundraising in FY22 for Cancer Research UK, Mind, SAMH and Inspire, and many other local charities supported at store level

Our shareholders

£1.5m
final dividend proposed for the year ended 1 May 2022

We are uniquely positioned in the value retail sector.

Our purpose, which is centred on inspiring our customers to read, learn, create and play, sets us apart. We offer lower prices than the specialists and more choice and better customer service than the discounters.



A number of market trends are affecting our business and shaping our business model and strategy including:

Evolving shopping habits

While the surge in online retail seen during the pandemic is now normalising, demand for convenient and enjoyable shopping experiences continues to grow. In response our strategy is focused on making the overall shopping experience as straightforward as possible for customers shopping online and in store.

During the year we began optimising our new web platform to improve navigation and shopability and generally enhance the customer experience. We are also offering more targeted online range extensions (e.g. larger outdoor toys that are difficult to stock in our stores). We are also continuing to improve our in-store experience by introducing better space planning, making our stores easier to shop (e.g. by reducing the number of fixtures and amount of stock on the shop floor) and enhancing our click & collect channel.

The shift to more localised shopping that emerged during the pandemic has continued and post-pandemic shopping in locations such as city centre and high street stores has recovered more strongly than expected. Our stores, which are located on the high street, and in shopping centres, retail parks and garden centres, are well positioned to benefit from this trend. They also have a noticeable presence and are often heavily involved in community activities including local charity fundraising.

Increased interest in hobbies and crafting activities

During the pandemic many people took up new hobbies or revisited activities they had previously enjoyed. While demand for some of these products (e.g. jigsaws) has naturally fallen from the unusually high levels seen in the pandemic as consumers adapt to a more normalised post-COVID-19 environment, it remains well above pre-pandemic levels and by inspiring our customers and focusing on providing them with the products they love at an affordable price, we are confident we will retain our leading market position.

Spending trends

In the current economic environment consumers are spending less and they are seeking out good value quality products. Our price proposition and overall offering positions us well and our strategy is focused on fulfilling our ambition to become customers' go-to destination for inspiring, fun and affordable toys, books, stationery, arts and crafts.

Responsible consumption

Consumers are becoming more aware of the environmental impact of the things they buy and are seeking out more sustainable options. While the extent to which consumers are willing to pay higher prices to reduce their environmental footprint is less clear, as a business we have a responsibility to reduce our environmental impact. Information about the steps we are taking to do this is included on pages 29 to 33.

Capitalising on market trends.

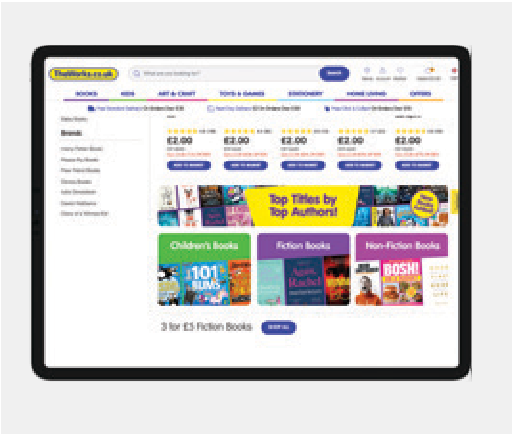
The changing dynamics in our market are creating growth opportunities. Our strategy ensures that we effectively capitalise on these opportunities.

Read more about our strategy **on pages 16 and 17.**

Strategy in action
Enhance our online proposition

Capitalising on significant online growth opportunities

During COVID we saw a step-change in our online sales as customers discovered our site during lockdowns. Although the market has recently experienced a slowing in the rate of growth in online shopping, our sales remain well ahead of pre-COVID-19 levels. The Works online channel is not fully potentialised and therefore continues to represent an opportunity for growth; as a result we will continue to enhance our digital offering and drive improved customer experience. During the year we expanded our online product range to include paddling pools, helium canisters and die cutting machines, all of which, because of their size, are easier for customers to buy online rather than in store. We also invested to improve our click & collect service and increase our fulfilment capacity.



We are improving and developing the business to be better, not just bigger.

Our strategic pillars

Develop our brand and increase customer engagement

Through our brand and customer offer we want to reach more customers and improve the external view of The Works.

Enhance our online proposition

We want to increase awareness of our website and make it an inspiring destination for customers by improving our customer journey and making it easy to use, inspiring and engaging.

Optimise our store estate

Our aim is to create a store environment that can inspire our customers and reflects the communities we serve.

Drive operational improvements

We aspire to improve our ways of working to become a better and more modern retailer. We want to ensure we operate efficiently and in a cost effective way.

Progress to date and priorities for FY23

Develop our brand and increase customer engagement

Progress

- Clarified our purpose to better reflect what we do every day.
- Evolved our brand to create a new, more modern look and began to focus our communications on inspiring customers.
- Recruited a new Commercial Director to drive forward our customer proposition and further strengthen the Commercial function.
- Recruited a new Head of Brand to improve our brand marketing and customer communications, engagement and loyalty.
- Made significant progress in improving our offer by taking a more strategic and customer-focused approach to range selection.

Priorities for FY23

- Developing our marketing strategy, deploying our evolved brand and refreshed look to inspire and engage with customers more effectively.
- Ensuring our products and ranges align with our purpose – to inspire reading, learning, creativity and play – making lives more fulfilled.
- Further developing our product offering, including extending our range of Children's books and refreshing our own-brand Art, Craft and Stationery ranges.
- Relaunching our Together loyalty reward programme, which has enormous untapped potential, given the relatively low levels of penetration of the scheme (c13% of transactions in FY22).

Link to KPIs

A B

Link to Risks

1 2 3 4 5 6 7 8 9 10 11 12

Enhance our online proposition

Progress

- Improved our fulfilment capacity and delivery capabilities. We extended our next day delivery cut-off from 8pm to 11pm and reduced our standard delivery window to a guaranteed three days.
- Further enhanced our complementary online ranges.
- Recruited a Head of Digital Marketing to develop and implement campaigns across new channels, attract more people to our website and improve our CRM.
- Started to optimise our new platform. For example, we have improved the navigation across key product and category pages to help customers find product matches and introduced browse attributes to reduce clicks required to purchase.

Priorities for FY23

- Further enhancing the online customer experience.
- Launching more targeted online range extensions.
- Introducing 'Parcelshop' as an alternative delivery option.
- Engaging and retaining more customers through our digital marketing.
- Improving the customer experience between stores and online by making it possible for customers to order from the website when shopping in-store.

Link to KPIs

A B

Link to Risks

1 2 3 4 7 8 9 10 11 12

Optimise our store estate

Progress

- Further improved the quality of the store estate, opening five new stores, closing seven and relocating six.
- Undertook 16 store refits as part of our strategy to refresh the store estate and bring all stores up to an 'ideal' standard over the next three years.
- Enhanced the in-store experience through better space planning, ranging and merchandising.

Priorities for FY23

- Continuing to grow our brand awareness with selective new store openings.
- Optimising our existing stores through relocations and refits.
- Further improving our use of space in store to enhance the customer experience and drive improved sales densities.
- Increasing our focus on offering excellent customer service in-store, through improved training and continuing to simplify the way we operate our stores to reduce other tasks.

Link to KPIs

C D E

Link to Risks

1 2 8 9 11 12

Drive operational improvements

Progress

- Invested in our supply chain team and systems, making improvements in our end-to-end stock management processes.
- Renewed our e-commerce logistics contract with iForce.
- Established a Profit Protection function.
- Selected a new electronic point of sale (EPOS) solution for stores and began development of this new system ahead of deployment later in FY23.
- Accelerated the implementation of our existing plans to strengthen IT security measures following the cyber-security incident in March 2022.

Priorities for FY23

- Rolling out our new stock allocation system across our entire store estate.
- Extending our scheme to deliver directly to stores.
- Deploying the new EPOS solution across the store estate.
- Adopting a continuous improvement approach in relation to all operational processes across the business.
- Reducing store stock loss through the execution of our profit protection plans.

Link to KPIs

C D E

Link to Risks

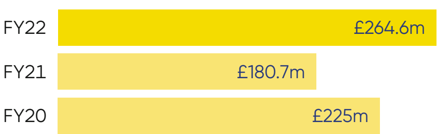
1 8 9 10 11 12

We use five KPIs to monitor the Group's performance and our strategic progress.

These KPIs, together with our performance against them, are detailed below. All of the non-GAAP financial measures detailed can be calculated from the GAAP measures included in the financial statements, as outlined in the notes to the financial statements. Commentary on these KPIs is included in the Financial review.

A Revenue growth

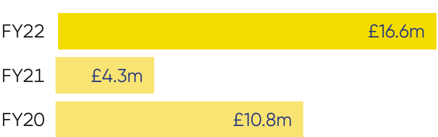
46.5%



Definition
The percentage year-on-year change in Group total sales.

D Pre-IFRS 16 adjusted EBITDA

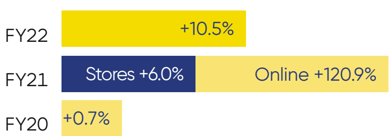
£16.6m



Definition
Represents profit for the period before IFRS 16, net finance costs, taxation, depreciation and amortisation, loss on disposals of property, plant and equipment and Adjusting items. Adjusting items are gains or losses incurred in a period which are not expected to be recurring.

B Like-for-like sales growth

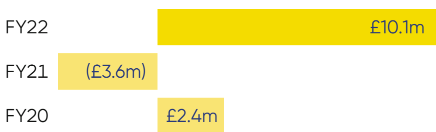
10.5%



Definition
Like-for-like (LFL) sales are normally defined by the Group as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks (but excluding sales from stores closed for all or part of the relevant period or prior year comparable period), and from the Company's online store, calculated on a calendar week basis. The FY22 LFL sales increase has been calculated with reference to the FY20 comparative sales figures, or two-year LFL, because the extended periods of enforced store closures during FY21 prevent that period from forming the basis of meaningful comparisons. In FY21 the Group reported separate LFL figures for stores and online because the extended periods of enforced store closures during that year prevented the calculation of a meaningful combined store and online LFL sales figure. The FY21 figures are not stated on a basis that is directly comparable with the combined figures for prior years.

C Adjusted profit/(loss) before tax

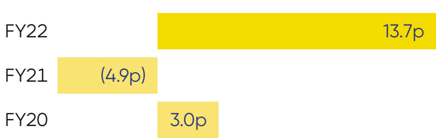
£10.1m



Definition
Represents profit for the period before taxation and Adjusting items. Adjusting items are gains or losses incurred in a period which are not expected to be recurring.

E Adjusted diluted earnings per share

13.7p



Definition
Calculated by dividing the Adjusted profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period (including dilutive share options). Adjusted profit is before the impact of Adjusting items, which are gains or losses incurred in a period which are not expected to be recurring.

Financial review

The FY22 accounting period relates to the 52 weeks ended 1 May 2022 (also referred to as the period) and the comparative FY21 accounting period relates to the 53 weeks ended 2 May 2021.

As is described in the financial statements, the Group tracks a number of alternative performance measures (APMs), as it believes that these provide management and other stakeholders with additional helpful information. APMs used in this report include EBITDA, Adjusted EBITDA and like-for-like ("LFL") sales.

The Group made a profit before tax of £10.2m (FY21: loss before tax of £2.8m). Adjusting items in FY22 were insignificant and the adjusted profit before tax was £10.1m (FY21: adjusted loss before tax of £3.6m). The Adjusting items related to net impairment reversals.

The pre-IFRS 16 Adjusted EBITDA was £16.6m (FY21: £4.3m).

Overview

The Group delivered a strong performance in FY22, the first year under the leadership of the new management team that was relatively unaffected by COVID-19 disruption. FY22's performance was characterised by the following factors:

- Strong underlying sales throughout the year driven by solid progress against the Group's strategic objectives beginning to leverage the inherent strength of the proposition.
- Significant disruption to global freight operations in the autumn of 2021 resulted in much higher freight costs and a less than ideal flow of stock into the business, despite which, the Group achieved a record Christmas trading period.
- A cyber security incident occurred at the end of March 2022. Operations in the last month of the financial year (and the beginning of FY23) were intentionally restricted to allow the deployment of strengthened system security measures alongside a carefully staged system recovery plan.
- As the effects of COVID-19 reduced, the level of Government financial support reduced correspondingly, although the Group received £5.8m of business rates relief during FY22.
- The effects of inflation began to have an impact, particularly in the form of higher freight costs and an increase in the National Living Wage.

EBITDA bridge between FY21 and FY22	£m
FY21 Adjusted EBITDA (pre-IFRS 16)	4.3
Increased gross margin due to year-on-year increase in sales	51.9
Lower gross product margin % (including impact of freight costs)	(6.6)
Government furlough relief received in FY21[1]	(15.4)
Lower level of COVID-19 business rates relief received in FY22	(8.3)
COVID-19 business grants received in FY21[1]	(1.8)
Resumption of normal operating costs and inflation	(7.5)
FY22 Adjusted EBITDA (pre-IFRS 16)	**16.6**

1 Nil in FY22.

The strong financial performance resulted in another year of healthy cash generation, even allowing for favourable working capital timing differences which slightly flattered the comparison; the closing net cash balance was £16.3m, which compares well with the £0.8m balance at the end of FY21 (and, for reference, £7.1m of net debt at the end of FY20).

Despite the healthy cash position and our confidence in the inherent ability of the Group to generate strong positive cash flow, with the increasingly bleak tone of external predictions about the near-term economic outlook, we considered it prudent to buttress the Group's financial position by refinancing the Group's bank facilities. This was formally completed shortly after the year end and increases the size of the facility to £30.0m and extends the expiration date to the end of November 2025.

As a further indication of the Board's confidence in the prospects of The Works, dividends will be reinstated, assuming that shareholders at the AGM approve the Board's recommendation of a 2.4 pence per share dividend in respect of FY22.

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

Revenue analysis

Total revenue increased by 46.5% to £264.6m (FY21: £180.7m).

The enforced closure of stores during certain periods in FY21 prevents meaningful comparisons of FY22's sales performance with that year, so FY20 is used as a comparison period for trading performance. Total gross sales[1] in FY22 increased by 12.7% compared to FY20 and two-year LFL sales[2] increased by 10.5%, with positive growth continuing both online and in stores.

1 'Total sales' referred to in this document includes VAT and is stated prior to deducting the cost of loyalty points which are adjusted out of the sales figure in the calculation of statutory revenue. The 52-week comparison period used for the LFL and total sales growth calculations uses a literal mapping of calendar weeks between FY22 and the corresponding 52 weeks two/three years prior. Due to the inclusion of a 53rd week in FY21, the FY20/FY19 statutory accounting periods are one week offset from the 52-week period used in the LFL and total sales comparisons.

2 The LFL sales increase has been calculated with reference to the FY20 comparative sales figures, or two-year LFL, because the extended periods of enforced store closures during FY21 prevent that period from forming the basis of meaningful comparisons. For the last five weeks of the period, the LFL percentages are calculated using the corresponding weeks in FY19, because the equivalent weeks during FY20 were also affected by the first period of enforced store closures. Similar comparison periods are also used for the total sales growth figures quoted.

Strategy in action
Optimise our store estate

Enhancing the customer experience

We have continued to optimise our store estate. During the year we opened five new stores, including a store in Bluewater, one of the UK's most high-profile shopping centres. We also closed seven stores and relocated six others. To improve our instore customer experience and drive higher sales, we have also refitted 16 stores.

Photo: Our Bluewater store which opened in November 2021.

Revenue analysis continued

Two-year LFL sales growth	Stores	Online	Total
Q1	5.7%	96.8%	13.4%
Q2	8.6%	71.0%	15.5%
H1	**7.3%**	**80.6%**	**14.5%**
Q3	(0.3%)	70.0%	7.9%
Q4	3.2%	42.5%	6.8%
H2	**0.9%**	**62.1%**	**7.5%**
Full year	**3.7%**	**69.7%**	**10.5%**

Q1 highlights

- Pent-up demand following the recent re-opening of stores (in April 2021) was supported by a sale which was larger than usual as it included stock we were unable to sell in January/February 2021 when we would normally have held a post-Christmas sale.
- During summer 2021, 'fidget frenzy' stock became very popular, at the end of Q1, which then combined with a strong back to school performance in August to create a positive start to Q2.

Q2 highlights

- Sales during September and October were stronger than expected, likely to have been helped by Christmas demand beginning early. We hypothesise that customers sought to minimise risks of not being able to shop before Christmas and/or of stock being scarce due to widely reported issues with supplies due to the global freight/supply chain challenges.

Q3 highlights

- Record Christmas despite the overall stock mix and its distribution to stores not being as well executed as we had planned due to the supply chain disruption, for example, Christmas accessories did not arrive until early in December.

  The Omicron COVID-19 variant may have reduced sales from consumers who were being more cautious about going out.
- The January sale event was smaller than planned because terminal stock levels were low and we had not bought stock specifically for the sale period.

Q4 highlights

- Developments to the product proposition, with front-list books and branded toys and games being highlights, sold well as we emerged from the January sale.
- A cyber security incident at the end of March caused limited immediate/direct interruption to trading, but the cautious approach taken to the recovery affected sales in April (and into the beginning of FY23).

The table below shows the reconciliation of LFL sales used for year-on-year comparisons, with statutory revenue.

	FY22 £m	FY21 £m	*Variance £m*	*Variance £%*
Total LFL sales for period	**261.1**	191.0	70.1	36.7
Sales from new/ closed stores	**37.3**	15.2	22.0	145.2
Total gross sales	**298.4**	206.2	92.1	44.7
VAT	**(33.5)**	(24.3)	(9.2)	38.0
Loyalty points redeemed	**(0.3)**	(1.2)	0.9	(77.0)
Revenue (per statutory accounts)	**264.6**	180.7	83.8	46.4

The number of stores trading reduced by two during the period, from 527 to 525. Despite this small change in the net number of stores at the year end, the sales from new/closed stores in the previous table shows a significant increase compared with the prior year, due to the relative timing of store openings/closures as well as the effect of the periods of enforced store closures in FY21. The one-year LFL percentage growth is relatively low by comparison, because a significant one-year LFL decline in online sales partially offset a high store LFL (also due to the periods of closure in FY21).

Most of the capital cost of opening the new stores continued to be funded via capital contributions from landlords, reducing the impact on the Group's cash flow. The new stores are trading successfully with sales levels above their financial appraisal targets.

Store numbers	**FY22**	FY21
Opening store numbers	**527**	534
Stores at the beginning of the period	**5**	4
Closed in the period	**(7)**	(11)
Relocated (excluded from opened/ closed above, NIL net effect on store numbers)	**6**	2
Stores at the end of the period	**525**	527

The cost of loyalty points redeemed during the year increased as expected, in line with the sales increase, but the reported cost reduced due to the write back of points previously issued and accounted for which have subsequently expired, and can no longer be redeemed.

We have noted that books sold well during FY22, increasing their participation of total sales. As they are zero rated for VAT, this benefited the effective VAT rate which was 11.2% compared with 11.8% in FY21.

Gross profit

	FY22		FY21 (Restated[1])			
	£m	% of revenue	£m	% of revenue	Variance £m	Variance £%
Revenue	**264.6**		180.7		84.0	46.5
Less: cost of goods sold	**107.7**		69.0		38.7	56.1
Product gross margin	**157.0**	**59.3**	111.7	61.8	45.3	40.5
Other costs included in statutory cost of sales						
Store payroll	**43.6**	**16.5**	37.7	20.8	5.9	15.7
Store property and establishment costs	**43.7**	**16.5**	36.7	20.3	7.0	19.1
Store PoS & transaction fees	**2.1**	**0.8**	1.4	0.8	0.7	47.7
Store depreciation	**5.0**	**1.9**	5.2	2.9	(0.2)	(4.0)
Online variable costs	**18.7**	**7.1**	24.5	13.6	(5.8)	(23.8)
IFRS 16 impact	**(4.7)**	**(1.8)**	(4.2)	(2.3)	(0.5)	11.1
Adjusting items	**–**	**–**	(1.0)	(0.5)	0.9	(97.0)
Total non-product related cost of sales	**108.4**	**41.0**	100.4	55.6	8.0	8.0
Gross profit per financial statements	**48.5**	**18.3**	11.3	6.3	37.2	328.8

1 See Note 7 of the financial statements.

The product gross margin decreased by 250bps to 59.3% (FY21: 61.8%).

- The gross margin was affected by much higher freight costs than normal, particularly in H2 FY22 (these have remained high into FY23 but we expect them to abate in FY24, offsetting the adverse effect of a weaker pound).
- The FY21 comparative included unusually low discounting, particularly online, when the stores were closed due to restrictions.
- The product mix included a greater proportion of front-list books and branded games and toys, which sell at a lower percentage margin, although contribute positively to the cash margin.

Store payroll costs increased due to the National Living Wage increase, which was partially mitigated by operational efficiencies and reduced tasking in the stores. Also, in FY21, when colleagues were furloughed, only 80 % of the normal wage rate was paid.

Store property and establishment costs increased due to a year-on-year reduction in the value of COVID-19 business rates relief received (£5.8m was received in FY22) and higher energy costs, which were partially offset by further rent savings (energy costs have also increased significantly in FY23, although this is factored into our forecast).

The increase in store point of sale (PoS) and transaction fees, which are volume related costs, was broadly in line with the increase in sales.

Although on a two year LFL basis, online sales grew by 69.7%, on a one year LFL basis, compared to the exceptionally high sales levels in FY21 when stores were closed, online sales declined, with a corresponding decrease in volume related costs including marketing and fulfilment costs.

Other operating income/expense

The other operating expense was £0.1m (FY21: other operating income of £17.1m). In FY21 the income related to the Government Coronavirus Job Retention Scheme and the COVID-19 Retail, Hospitality and Leisure Grant Fund (the COVID-19 rates relief received is netted off rates costs within statutory cost of sales, as described in the previous section).

	FY22		FY21			
Other operating income	£m	% of revenue	£m	% of revenue	Variance £m	Variance %
Coronavirus Job Retention Scheme grants	**(0.1)**	**–**	15.3	8.5	(15.4)	(100.7)
COVID-19 retail business grant	**–**	**–**	1.8	1.0	(1.8)	(100.0)
	(0.1)	**–**	17.1	9.4	(17.2)	(100.7)

Distribution costs

	FY22		FY21 (Restated[1])			
	£m	% of revenue	£m	% of revenue	Variance £m	Variance %
Adjusted distribution costs	**9.0**	**3.4**	6.4	3.5	2.7	42.5
Depreciation	**0.1**	**–**	0.1	0.1	–	(16.0)
IFRS 16 impact	**–**	**–**	–	–	–	(91.0)
Distribution costs per statutory accounts	**9.1**	**3.4**	6.4	3.6	2.7	41.8

1 See Note 7 of the financial statements.

Retail distribution costs were higher during the period as the stores were trading throughout, in contrast to the prior year, and therefore volume driven labour and pallet delivery costs increased. In addition, the increase in the National Living Wage rate increased staff costs although some of the inflationary increase was mitigated by operating/efficiency improvements.

Administration costs

	FY22		FY21 (Restated[1])			
	£m	% of revenue	£m	% of revenue	Variance £m	Variance %
Pre-IFRS 16, Adjusted administration costs	**23.2**	**8.8**	17.8	9.9	5.4	30.1
Depreciation	**1.2**	**0.5**	1.7	0.9	(0.5)	(28.2)
IFRS 16 impact	**(0.4)**	**(0.1)**	(0.4)	(0.2)	0.0	(6.9)
Adjusting items	**–**	**–**	0.2	0.1	(0.2)	(100.0)
Administration costs per statutory accounts	**24.0**	**9.1**	19.3	10.7	4.7	24.5

1 See Note 7 of the financial statements.

Administration costs continued

The increase in administrative costs reflects investments made to strengthen the senior leadership team and key functions including supply chain and IT, and an accrual for FY22 bonus (there was no bonus cost in respect of FY21). There were also higher software maintenance/licence costs and the cost of resuming normal activities such as travel which were suppressed for periods during FY21.

IFRS 16 Leases

The Group continues to include information to enable stakeholders to see the effect of IFRS 16. The net impact of IFRS 16 was to increase the profit before tax in FY22 by £0.9m (FY21: £0.7m increase).

	FY22 **£m**	FY21 (Restated[1]) £m
Profit/(loss) before tax before IFRS 16	**9.3**	(3.5)
Profit/(loss) before tax post IFRS 16	**10.2**	(2.8)
Net impact on profit/(loss)	**0.9**	0.7

1 See Note 5 of the financial statements.

Net financing expense

Net financing costs in the period were £5.2m (FY21: £5.5m), mostly relating to notional IFRS 16 lease interest.

Actual interest payable was £0.7m, in relation to the Group's bank facilities (FY21: £0.6m), and comprised facility availability charges and the amortisation of the initial costs of establishing the bank facility in August 2020 (the cost of the new facility will be amortised from FY23).

	FY22 **£m**	FY21 £m
Bank interest payable (including non-utilisation costs)	**0.4**	0.3
Other interest payable (amortisation of facility set-up costs)	**0.3**	0.3
IFRS 16 notional interest on lease liabilities	**4.5**	4.9
Total finance expense	**5.2**	5.5

Tax

	FY22 **£m**	FY21 £m
Current tax expense	**2.1**	0.0
Deferred tax credit	**(0.6)**	(0.5)
Total tax expense/(credit)	**1.4**	(0.5)

The UK corporation tax rate for FY22 and FY21 was 19.0%. The UK corporation rate is due to increase from 19% to 25% on 1 April 2023, although we understand that this decision is now under review.

Deferred tax assets and liabilities are recognised based on the corporation tax rate applicable when they are anticipated to unwind. Therefore, the deferred tax assets and liabilities have been largely recognised at a rate of 25.0% (FY21: 19.0%), which creates a deferred tax credit that reduced the Group's effective tax rate for FY22.

The total tax expense was £1.4m (FY21: credit of £0.5m). The effective tax rate was 14.1% (FY21: 17.9% on the loss before tax).

Earnings per share

The basic EPS for the year was 14.0 pence (FY21: loss per share of 3.7 pence) and the diluted EPS was 13.7 pence (FY21: diluted loss per share of 3.7 pence).

Capital expenditure

	FY22 **£m**	FY21 £m	*Variance* *£m*
New stores and relocations	**0.5**	0.6	*(0.1)*
Store refits and maintenance	**0.9**	0.7	*0.2*
IT hardware and software	**1.2**	0.6	*0.6*
Online development expenditure	**0.2**	0.5	*(0.3)*
Other	**0.2**	0.1	*0.1*
Total capital expenditure	**3.0**	2.4	*0.6*

Capital expenditure in the period was £3.0m (FY21: £2.4m) and comprised:

- the cost of opening five new stores and relocating six others to new sites. Most of the new store capex was funded by landlord contributions;
- store maintenance including 16 refits;
- increased IT development expenditure, reflecting the implementation of the Group's strategy to improve its systems.

FY23 capex is expected to be approximately £7.5m.

Inventory

Stock levels were £29.4m at the end of FY22 (FY20: 29.1m), an increase of 1.0%.

					Provisions as % of gross stock	
	FY22 **£m**	FY21 £m	*Variance* *£m*	*Variance* *%*	**FY22** **%**	FY21 %
Gross stock	**29.8**	31.0	*(1.2)*	*(3.9%)*		
Shrinkage provision	**(1.9)**	(2.6)	*0.7*	*(26.9%)*	**6.4%**	8.4%
Obsolescence provision	**(1.3)**	(1.8)	*0.5*	*(27.8%)*	**4.4%**	5.8%
Total provisions	**(3.2)**	(4.4)	*1.2*	*(27.3%)*	**10.7%**	14.2%
Net stock on hand	**26.6**	26.7	*0.1*	*0.4%*		
Stock in transit	**2.8**	2.5	*0.3*	*13.9%*		
Stock per balance sheet	**29.4**	29.1	*0.3*	*1.0%*		

Stock levels at the end of FY22 were as planned and were not affected as they had been at the previous two year ends by issues related to COVID-19. The level of stock provisions has reduced significantly since the end of FY21:

- The provision for unrecognised stock loss (shrinkage) is lower as, unlike in FY21, it was possible to complete store stock counts during the year which enabled stock adjustments to be made during the year to recognise losses, requiring a lower unrecognised loss provision at the end of the year.
- The obsolescence provision is lower because a significant quantity of terminal stock was sold or written off during FY22 which resulted in a lower level stock requiring a provision at the end of the year.

Cash flow

The table shows a summarised non-IFRS 16 presentation cash flow; the financial statements include a statutory consolidated cash flow statement. The net cash inflow for the year was £15.5m (FY21: £7.9m).

	FY22 £m	FY21 £m	Variance £m
Cash flow pre-working capital	**19.3**	14.8	*4.5*
Net movement in working capital	**7.4**	(1.2)	*8.6*
Capex	**(3.0)**	(2.4)	*(0.6)*
Tax paid	**(0.2)**	–	*(0.2)*
Interest and financing costs	**(0.3)**	(0.9)	*0.6*
Dividends	**–**	–	–
Cash flow before loan movements	**23.2**	10.3	*12.9*
Drawdown/(repayment) of CLBILS loan	**(7.5)**	7.5	*(15.0)*
Drawdown/(repayment) of RCF	**–**	(10.0)	*10.0*
Exchange rate movements	**(0.1)**	0.2	*(0.3)*
Net increase in cash and cash equivalents	**15.5**	7.9	*7.7*
Opening net cash balance excluding IAS 17 leases	**0.8**	(7.1)	
Closing net cash balance excluding IAS 17 leases	**16.3**	0.8	

- The cash flow pre working capital shown in the table deducts IFRS 16 notional lease and interest payments from the statutory operating cash flow before changes in working capital, and adds back the £7.5m CLBILS loan repayment.
- The tax paid in FY22 was lower than we would expect to pay in relation to normal years, due to previous low levels of taxable profits.
- During the year the Group repaid its £7.5m CLBILS term loan

The year end cash balance was higher than expected as it included favourable working capital timing differences, most of which have unwound in FY23. The cash position provides the Group with a high degree of available liquidity and comfortably allows for the payment of the final dividend the Board will recommend at the AGM.

Bank facilities and financial position

The financial position of the Group continued to improve during the period, at the end of which, there were no borrowings.

At the period end, the Group held net cash (excluding lease liabilities) of £16.3m (FY21: £0.8m) resulting in headroom of approximately £35.0m within its previous bank facility limit.

The Group's bank facilities were renewed shortly after the period end and now comprise a larger revolving credit facility ('RCF') of £30.0m which expires on 30 November 2025. The facility includes standard financial covenants in relation to leverage and fixed charge cover.

Dividend

In light of the strong performance in FY22, the robust balance sheet, and its confidence in the future prospects of the business despite the short-term concerns as regards the external economic environment, the Board will be recommending a 2.4 pence per share dividend in respect of FY22, which will be subject to shareholder approval at our AGM on 27 October 2022. If approved by shareholders, the dividend will be paid on 24 November 2022 to shareholders on the register on the record date of 4 November 2022.

We hope to maintain the cadence of twice yearly dividend payments thereafter; whilst the consumer market remains especially volatile, we will review future payment levels based on conditions at the time, but intend to resume a progressive dividend policy in due course once conditions stabilise.

Steve Alldridge
Chief Financial Officer
23 September 2022

To succeed it is essential that we engage with our stakeholders.

Our stakeholders and how we engage with them are detailed on this and the adjacent page. To succeed it is essential that we understand what matters to them and consider this information as part of our decision-making process.

Examples of how stakeholder issues and the matters set out in Section 172(1) (a) to (f) of the Companies Act were considered in the Board's decision making during the year are set out over the page.

Our people **Enable us to fulfil our purpose and deliver our strategy.**	Our customers **Buy our products.**
What matters to them	
• Safe, healthy and good working environment. • Fair rewards. • Enjoyable work. • Being part of a company that has a clear purpose and values that resonate. • Engagement and support. • Development opportunities.	• Wide variety of great products. • Good value and quality. • Customer experience. • Reliable and convenient service.
Group-wide engagement	
• Interaction encouraged in many ways including regular briefings, videos and The Works Facebook Family group. • Annual engagement survey to give us an independent view of what we are doing well and where we must improve. • Local-level engagement including team video calls and briefings.	• Active social media engagement. • 'Together' loyalty programme. • Customer surveys. • Day-to-day interactions between customers and store colleagues.
Board-level engagement	
• Regular Director store visits and meetings with senior management and store colleagues. • Presentation to the Board by the People Director covering people and talent strategy and its linkage to the Group's purpose, culture and strategy. • People Director regularly provides updates at Board, and Nomination and Remuneration Committee meetings.	• Regular Director store visits including direct engagement with customers. • Commercial Director, Retail Director, Digital Director, and Head of Brand regularly provide customer feedback to the Board.
Outcomes	
• Awarded two-star rating in the 2021 Best Companies survey and ranked as 13th Best Big Company to work for (see page 34). • In recognition of hard work during the pandemic and to say thank you, bonuses were paid to all colleagues.	• Keeping our understanding of what customers want from us up to date. • Create products that meet customers wants and needs. • Continued growth in LFL sales. • Increased loyalty membership.
Read more **on page 34.**	Read more **on pages 14 and 15.**

Our suppliers **Support our sourcing and distribution activities.**	Communities **Impacted by our activities.**	Shareholders **Seek returns on their investment.**
• Long-term relationships. • Fair treatment. • Payment in accordance with contractual terms. • Responsible business practices.	• Employment opportunities. • Positive social impact. • Sustainable operations.	• Competent execution of strategy. • Good governance. • Sustainable and growing returns. • Regular clear and understandable communications and transparency. • ESG performance.
• Regular commercial dialogue. • When it is safe to do so, in-person meetings with suppliers, factory visits and attendance at trade fairs. • Our quality assurance team works closely with suppliers to ensure product safety and quality control.	• 'Giving Something Back' programme (see page 37). • Local community initiatives (see page 37).	• Easily accessible investor information, including announcements, results and presentations, is available on the Company's website.
• Commercial Director provides regular updates to the Board on supplier matters and relationships. • The Board and Audit Committee review the Group's payment practices.	• Board oversees development of ESG strategy and monitors progress. • ESG steering group regularly updates the Board on relevant ESG matters. • Board in-depth review of the Group's community engagement activities.	• Annual General Meeting. • The Chair and Committee Chairs are available to shareholders to discuss specific matters as they arise. • CEO and CFO participate in meetings and calls with investors and analysts and provide regular Board updates following such engagement.
• Board review of payment practices ensures that suppliers are treated fairly. • Promote fair and ethical business practices through supply chain management (see page 38). • Many long-term supplier relationships. • Increasing collaboration with key publishers.	• Strengthening ESG strategy given growing importance to stakeholders. • Over £125k raised in partnership with CRUK during FY22 (see page 37). • Over £75k raised in partnership with Mind/SAMH/Inspire during FY22 (see page 37).	• Reinstatement of dividend in FY22, subject to shareholder approval, and progressive dividend policy. • Strengthening ESG strategy given growing importance to stakeholders.
Read more **on page 38.**	Read more **on pages 34 to 37.**	Read more **on page 3.**

How the Directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act.

This disclosure forms the Directors' statement under Section 414CZA of the Companies Act 2006.

Both individually and collectively, the Directors believe that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172(1)(a) to (f) of the Companies Act 2006) in all decisions taken by the Board during the 52-week period ended 1 May 2022 (FY22).

Examples of principal decisions made by the Board, and the Board's regard during its decision-making process for the Section 172 matters described on this page, are detailed below.

Under Section 172(1) of the Companies Act 2006, a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

Decision	Stakeholder considerations
Branding and purpose	In October 2021, the Board agreed to invest in a brand evolution programme including the development of a more articulate expression of the Group's purpose and mission and development of new brand values. The brand programme was informed by extensive research facilitated by external consultants and takes account of feedback provided by customers, suppliers and colleagues.
Investment in new iForce e-commerce logistics contract	In January 2022, the Board agreed to renew the Group's e-commerce logistics contract with iForce following a competitive tender exercise. Key elements of the new contract included additional investment by the supplier to fund the introduction of automated picking robots and an automated packing machine. As part of the new contract's approval process, the Board considered the operational efficiencies the new contract would deliver and the resulting long-term financial benefits. The Board also considered the positive impact of the new arrangements on iForce's manpower requirements, particularly during peak periods, and the environmental benefits arising from reduced packaging.
Reinstatement of dividend	One of the measures taken to preserve cash during the pandemic was to suspend dividend payments in respect of FY20 and FY21. In May 2022 the Board considered the Group's performance and outlook and concluded that it was appropriate to recommend a final year dividend of 2.4 pence per share in respect of FY22. As part of the decision-making process the Directors considered stakeholders' interests over the medium and long-term, including the interests of the Group's shareholders. The Board also considered the Group's employees. In making this decision, given the uncertain external environment, the Board satisfied itself about the Group's ability to continue to make investments to implement its strategy and generate value for all stakeholders, including customers and suppliers, over the medium and long term.
Cyber-security incident response	The Board met several times at the end of March and beginning of April 2022 to consider the response to a cyber-security incident involving unauthorised access to the Group's computer systems. The Board received reports from management on the steps taken to stop the attack and assess its impact on trading and the business' operations. The Board considered the potential compromise to customer and colleague data arising from the attack and the ability of customers to continue to shop safely. It also considered the welfare of the IT and management teams during the intense period of activity following the incident to implement immediate measures to strengthen security. The Board endorsed a decision to install IT system upgrades through an accelerated programme designed to provide more secure protection of colleague and customer data in future.
Electronic Point of Sale (EPOS) replacement	In September 2022, the Board approved a project (including capital expenditure) to replace on a phased basis the existing EPOS solution. In making this decision, it was recognised that the existing system and hardware was not capable of supporting required capabilities in retail and multichannel offerings. Key considerations in approving the new system included: (a) the fact that back office functionality would be moved to the till, reducing the need for store staff to leave the shop floor; (b) improved customer experience (e.g. the ability to place online orders in store); and (c) the long-term benefits of a more modern system which could be further developed to meet the changing needs of a multi-channel retail business.

Evolving our brand.

Our brand evolution programme reflects stakeholders' feedback and supports our strategic objective to build deeper customer relationships and drive brand loyalty.

Strategy in action
Develop our brand and increase customer engagement

Becoming the go-to place for reading, learning, creativity and play.

Our brand evolution programme supports our ambition to become one of the most loved retailers in the UK - the go-to place for reading, learning, creativity and play. By evolving our brand and enhancing of our offering we aim to reach more customers, increase their shopping frequency and, more generally, improve external perceptions of our brand.

Read more about our strategy **on pages 16 and 17.**

Creating a sustainable economy and transitioning to net zero is the challenge of our times. The responsibility rests collectively with governments, businesses, and the general public. As a retail business we recognise our role in this effort, as well as our responsibility to be socially conscious and maintain high standards of governance.

Our approach

In June 2021 we launched our ESG steering group. Its role is to ensure we operate responsibly in line with our purpose and values, and to monitor our ESG agenda. It is chaired by our CEO and meets on a quarterly basis.

While we are continuing to evolve our overall sustainability strategy, the ESG steering group has identified a number of core sustainability pillars (which are outlined below) and set up sub-group committees to progress specific projects in these areas.

To help develop our sustainability strategy and ensure we achieve full compliance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we have appointed a specialist ESG consultancy to work with us (see page 31). A number of activities are already underway, including the collection of data and insights to help us fully understand our impact on the environment. This information will help us develop a sustainability strategy that addresses stakeholder issues and supports the growth of our business. It will also enable us to establish targets against which we will monitor progress.

Our sustainability pillars

Environment

- Products and packaging
- Waste recycling
- Energy consumption

Read more **on pages 29 to 33.**

Social

- Our people
- Health, safety and wellbeing
- Diversity and inclusion
- Giving something back

Read more **on pages 34 to 37.**

Governance

- Operating responsibly
- Supply chain management

Read more **on page 38.**

Environment

Reducing our environmental impact.

Our objective is to reduce our impact on the environment, including energy consumption, material sourcing and product and packaging disposal. We are committed to year-on-year improvements in our operational energy efficiency.

Products and packaging

We are committed to reducing our usage of polybags and other single-use packaging and we are implementing a range of initiatives to reduce and/or replace these materials including:

- We have stopped buying single-use carrier bags. We now offer reusable, affordable bags made from 95% recycled materials and we will shortly be introducing cotton and jute options. This has reduced the amount of plastic we purchase annually by 28 tonnes and removed 2.7m bags from the waste stream.
- We have moved our new Christmas Crafting range to 30% recycled polybags, and use FSC accredited sources for our cardboard packaging where possible. As we roll out our new branding, we will be extending this to our wider Craft range, thereby removing single-use plastic from these products.
- We are also reducing the size of our Christmas kits to make the packaging more appropriate to the contents and optimising space to increase efficiency during transportation.
- We are using cardboard packaging in more creative ways to reduce unnecessary packaging while still securing items in transit and presenting products attractively to customers.
- Our publishing partners are all committed to using responsibly managed timber for all paper.

Waste recycling

We are committed to reducing the level of waste our business generates and to maximising the proportion that is recycled. Our colleagues share this commitment. Their feedback from our recent engagement survey (see page 34) highlighted demand for more in-store recycling facilities.

Key elements of our waste reduction and recycling programme include:

- We continue to educate our teams to maximise the level of waste that can be recycled and minimise the number of collections required to reduce the associated carbon footprint of waste collection and movement and to minimise store waste sent to landfill.
- We operate recycling facilities at all store locations capable of recycling mixed papers, cardboard (which constitutes a very large proportion of store waste) and mixed plastics including HDPE, PET and PP. Our Support and Distribution Centres in Coleshill, Birmingham, also operate a recycling programme to ensure all mixed film plastics and cardboard materials are baled onsite and removed for recycling.
- We are working on landing recycling schemes for helium balloons to minimise waste.

ReWorked
Reducing Our Waste Packaging

'ReWorking' our product offering

As far as possible we 'reWork' our product packaging to make it more environmentally friendly. For example we removed all plastic acetate lids across our Christmas card range. Based on the 800,000 Christmas cards we sold during FY22, this equates to eight tonnes of plastic. We have also made our 500 and 1,000 piece jigsaw boxes smaller and removed their shrink wrap.

Environment continued

Consumption (kWh) and greenhouse gas emissions (tCO_2e) totals

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by us. These relate to grey fleet (business travel undertaken in employee-owned vehicles) only.

Totals

The total consumption (kWh) figures for reportable energy supplies are as follows. FY21 was an atypical year with stores closed for many weeks, as such emissions have increased in FY22.

Utility and scope	FY22 consumption (kWh)	FY21 Restated consumption (kWh)[1]
Grid-supplied electricity (Scope 2)	**13,513,022**	8,883,385
Gaseous and other fuels (Scope 1)	**185,387**	194,888
Transportation (Scope 1)	**798,916**	–
Transportation (Scope 3)	**81,962**	
Total	**14,579,287**	9,078,273

1 Utility specific kWh consumption values were not available for prior year reporting; therefore, only the total kWh consumption disclosed is included within this table.

The total emission (tCO_2e) figures for reportable energy supplies are as follows.

Utility and Scope	FY22 consumption (tCO_2e)	Restated FY21 consumption (tCO_2e)[1]	FY21 consumption (tCO_2e)[1]
Grid-supplied electricity (Scope 2)	**2,869.22**	2,071.07	4,783.07
Natural gas (Scope 1)	**33.96**	35.83	44.21
Transportation (Scope 1)	**185.25**	270.43	270.43
Transportation (Scope 3)	**19.01**	–	–
Refrigerants[2] (Scope 1)	**–**	14.56	14.56
Total	**3,107.44**	2,391.89	5,112.27

1 As a result of a recalculation of FY21 energy and carbon figures, kWh and emissions for grid-supplied electricity and natural gas have been restated.

2 No fugitive emissions were recorded for FY22.

Intensity metric

An intensity metric of tCO_2e per £m has been applied for our annual total emissions. The methodology of the intensity metric calculations is detailed below, and results of this analysis is as follows:

Intensity metric	2021/22 intensity metric	Restated 2020/21 intensity metric[1]
tCO_2e/£m revenue	**11.75**	13.24

1 As a result of a recalculation of FY21 energy and carbon figures, kWh and emissions for grid-supplied electricity and natural gas have been restated. The metric reported in FY21 was 28.2.

Energy efficiency improvements

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next five years.

Measures ongoing and undertaken through FY22

We have undertaken a range of energy-saving initiatives including:

- installing LED lighting and energy efficient equipment in all new stores and retrofitting a number of stores with these technologies to help further reduce our in-store consumption;
- regular electrical audits to ensure the equipment we use or inherit is energy efficient; and
- educating our store colleagues about reducing energy consumption and wastage and the impact both have on the environment.

Measures prioritised for implementation in FY23

We are planning further efficiency improvements for our estate including:

- continuing to refit our existing estate with LED lighting and energy efficient technology;
- reducing our environmental impact primarily through waste recycling and packaging and seeking to minimise energy use;

Reporting methodology

Scope 1, 2 and 3 consumption and CO_2e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2021 version 1 has been used, utilising the published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting period 3 May 2021 to 1 May 2022.

All consumption data was complete for the reporting year, and as such no estimations were required.

Electricity and natural gas data has been restated for FY21. Transport and fugitive emissions data has not been restated due to a review of emission reporting methodology for continuity with FY22 reporting.

Intensity metrics have been calculated using total tCO_2e figures and total turnover used for the performance indicator for FY22 was £264.6m (FY21: £180.7m).

3,107.44
Total emissions

11.75
Emissions intensity

TCFD statement

We support the recommendations of the TCFD and are committed to providing information about climate-related risks and opportunities that are relevant to our business and to evolving our strategy and governance framework to take account of such risks and opportunities.

Overview

Our business activities cover the sourcing and sale of a wide range of books, toys, arts and crafts and stationery products. The environmental impact of these activities is explained on page 30 and relate in the main to product packaging, waste recycling and energy consumption. While risks associated with these issues do not pose a significant threat to our business, we recognise the obligation we have to reduce our impact on the environment. We are also aware of growing consumer demand for sustainable products and the commercial risks and opportunities this is creating. In addition, currently, a substantial part of the Group's profit is generated during the short Christmas peak sales period. Extreme weather events during this time could disrupt our flow of stock, deliveries to store and fulfilment of online orders. In response to these risks and opportunities we are evolving our sustainability strategy and embedding appropriate risk management processes across our operations.

TCFD compliance statement

Our TCFD compliance statement is set out below. In line with the requirements of LR 9.8.6(8)R, we are reporting on a 'comply or explain' basis against the 11 recommended TCFD disclosures. The table below sets out our compliance status in relation to each of the recommendations and, where relevant, the actions we are taking to achieve compliance.

As at 1 May 2022, our disclosures were not consistent with nine of the 11 recommended disclosures. In the main this is because our ESG steering group, which was established last year, has been focused on developing an appropriate sustainability strategy. To help in this process, we have appointed a specialist ESG consultancy to advise and work with us. A detailed programme of work has been agreed, including work streams to:

- improve our reporting;
- integrate the assessment and management of climate-related matters into everyday business processes; and
- set science-based emission reduction targets to enable us to monitor and measure progress.

A key focus for the ESG steering group in the coming year will be to effectively monitor and review the implementation of this programme to ensure that our reporting will be compliant with all 11 TCFD recommendations.

Theme	TCFD disclosure recommendation and compliance status as at 1 May 2022	Activities to date and actions to achieve compliance
Governance	Describe the Board's oversight of climate related risks and opportunities. **Compliant**	The Board has overall accountability for ESG, including climate-related matters, and has delegated a number of activities to our ESG steering group (see page 28). The Board reviews the Group's most significant risks at least twice a year. In January 2022, the Audit Committee and the Board considered the updated consolidated risk register (see below), which recognised climate change risk for the first time. This updated register takes account of our new strategy, internal discussions and the current and emerging external environment. The Audit Committee and the Board deliberated and discussed the updated register, including allocating ratings for each risk on the primary register, and reviewed and updated the Group's principal risks and mitigation actions (see page 39). As part of these discussions and review the Board considered the threat of climate change and initiated discussions on addressing its impact. **Planned actions** The Board will receive quarterly updates from the ESG steering group, including progress reports in relation to the programme of work to achieve compliance with the TCFD recommendations.

TCFD statement continued

TCFD compliance statement continued

Theme	TCFD disclosure recommendation and compliance status as at 1 May 2022	Activities to date and actions to achieve compliance
Governance continued	Describe management's role in assessing and managing climate related risks and opportunities. **Non-compliant**	In June 2021, we launched our ESG steering group which is chaired by our CEO and includes two members of our Operations Board. Since May 2022, climate-related matters are a standing agenda item at the Group's quarterly meetings. During October and November 2021, our Head of Finance undertook a detailed operational risk review. The review included individual meetings with each Operations Board member covering current and emerging risks affecting their respective areas of responsibility and broader corporate risks in other parts of the business. During the course of this review process environmental (including climate change) risk was highlighted and, following the conclusion of the review, was included in the updated risk register. To support management in its assessment of climate-related risks we have engaged a specialist ESG consultancy. **Planned actions** We will integrate climate governance into our risk management framework and assign specific responsibilities to senior managers to ensure that climate-related risks and opportunities are properly assessed and effectively managed. We will also recruit a Sustainability Manager to champion our ESG strategy and coordinate its implementation, including the implementation of new processes to ensure our compliance with the TCFD recommendations.
Strategy	Describe the climate-related risks and opportunities identified over the short, medium and long term. **Non-compliant**	The review process undertaken to update our risk register identified a number of climate-related risks and opportunities. These include risks that could impact our supply chain and potential risks and opportunities in relation to growing consumer demand for more sustainable products. **Planned actions** During H1 FY23, in conjunction with the specialist ESG consultancy, we undertook a climate scenario analysis of the transition and physical risks and opportunities that could impact our business. The findings were presented to and discussed with Operations Board members during a climate-related risk workshop. The workshop assessed how climate change may impact the business and how the risk may vary over a short, medium and long-term period. A key focus of this assessment was to agree on risk and opportunity classifications for the identified climate-related issues, based on our existing risk classification process. Later in FY23, actions to mitigate climate-related risks will be agreed and climate-related opportunities identified. Thereafter this process will be undertaken on an annual basis.
	Describe the impact of climate-related risks and opportunities on businesses, strategy and financial planning. **Non-compliant**	**Planned actions** Following the workshop highlighted above which assisted in the identification of climate-related risks and opportunities we will assess and model their potential impact on all aspects of our business including our financial performance. This assessment and modelling and the review of their outcomes will be undertaken by senior management and relevant Operational Board members. We also intend to develop a net-zero strategy to inform emission reduction efforts as a part of our business strategy.
	Describe the resilience of strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. **Non-compliant**	We are committed to developing a strategy that considers climate-related issues. We will seek to identify the areas where we can reduce our impact on the climate, and site surveys and energy efficiency improvements are already underway across the business. **Planned actions** As highlighted above, in conjunction with the specialist ESG consultancy, we will undertake a climate scenario analysis. Three scenarios will be considered, a below 2°C, a 2-3°C and an above 3°C scenario. The scenarios range from a warming pathway where a smooth transition to a low carbon economy occurs to a warming pathway where little climate action is taken. This range of scenarios allows us to review our corporate strategy across a range of potential futures and build resilience accordingly.

Theme	TCFD disclosure recommendation and compliance status as at 1 May 2022	Activities to date and actions to achieve compliance
Risk management	Describe the processes for identifying and assessing climate-related risks. **Non-compliant**	We have a process for identifying and assessing the risks that could impact our business and implementing effective risk mitigation actions. See page 39. **Planned actions** As highlighted above we will integrate climate governance into our risk management framework and assign specific responsibilities to senior managers to ensure that climate-related risks and opportunities are properly assessed and effectively managed.
	Describe the processes for managing climate-related risks. **Non-compliant**	**Planned actions** As explained on page 32 climate-related risk was included in our updated risk register for the first time this year. We maintain a more detailed secondary register to support the day-to-day management of risks. In the coming year this secondary register will be expanded to ensure effective management of our climate-related risks.
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management. **Non-compliant**	**Planned actions** As highlighted above we will integrate climate governance into our risk management framework and assign specific responsibilities to senior managers to ensure that climate-related risks and opportunities are properly assessed and effectively managed. To test strategic resilience and to ensure that our risk framework continues to be effective, on an annual basis, we will undertake a climate scenario analysis. The Board and Audit Committee will continue to review the business' principal risks, including climate change risk, twice per year.
Metrics & targets	Describe the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process. **Non-compliant**	**Planned actions** Emissions reduction will be our prime metric. We will develop appropriate measures to assess and monitor our progress in line with our strategy and risk management processes.
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and related risks. **Partially compliant**	We have disclosed our Scope 1 and 2 emissions since 2019. During FY22 we introduced a number of energy efficiency improvements (see page 30) to reduce our emissions footprint. Understanding and monitoring our Scope 1 and 2 emissions means we are better equipped to set realistic reduction targets and make a significant difference in our communities. **Planned actions** In FY23 we will expand our emissions disclosure to include our Scope 3 emissions and highlight material emissions categories. Calculations will be consistent with the Greenhouse Gas Protocol (GHG Protocol) Corporate Value Chain standards.
	Describe the targets used to manage climate-related risks and opportunities and performance against targets. **Non-compliant**	**Planned actions** In FY23 we will calculate our emissions footprint, and, from this baseline, will formulate emissions reduction targets and pathways. In future years we will report annual progress against these targets to track progress.

Social

Making a positive social contribution.

Our objective is to make a positive contribution to our people, our customers and the communities where we operate.

People

At the end of FY22 we employed over 3,800 permanent colleagues. During our 2021 Christmas peak trading period we took on nearly 300 temporary seasonal colleagues.

In a challenging and competitive retail environment, our colleagues are fundamental to the delivery of great customer service. They are what makes The Works so special. In order to succeed we need to attract and retain good people and our culture is key to that.

Culture and values

Our values, together with our purpose, shape and bring our culture to life. Following clarification of our purpose, our strategy refresh and evolution of our brand, we have reaffirmed our values to ensure the culture we seek to foster is aligned with our updated purpose and strategic priorities. To bring our values to life we have also developed example behaviours which will be rolled out across the Group in the coming year.

The sense of family that comes from working in our business and the variety and fun that a career in retail can provide are what our culture is based on. We believe more than ever that we are creating something special that our colleagues (and future colleagues) want to be part of, despite being in a competitive and ever challenging environment. We stand out, for all the right reasons.

We continuously listen to colleagues across the Group and encourage a two-way conversation around how best we can improve and support them. The various channels we use are described on page 24.

On an annual basis we invite our colleagues to participate in the Best Companies 'Make A Difference' engagement survey. This well-recognised third-party survey covers a number of areas including Leadership, My Manager, Personal Growth, Wellbeing, Fair Deal and Giving Something Back. Colleagues also have the opportunity to leave open comments on what is great about working at The Works and what could be better. 79% of our team completed the 2021 full survey and we were awarded a two-star rating (with three stars being the highest rating) in recognition of outstanding workplace engagement.

The survey provided us with valuable insights about our culture and the issues that matter to our colleagues. Key findings from the survey this year included:

- Our scores in Leadership and Giving Something Back increased and My Team and My Manager factors continued to generate the highest scores. Compared to last year's results, the lowest scoring was in relation to Pay and Benefits, an area that had the largest decline year on year, and the score in relation to Personal Growth also declined slightly during the pandemic.
- Our colleagues love their peers, our products and our focus on giving back to the community through our product proposition.
- Our health and wellbeing initiatives and our charitable partnerships (see pages 35 and 37) continue to be relevant and popular.
- Our improved communications, especially from leadership, were also highlighted as a positive.

To continue the momentum and address areas where improvements are required we have launched a new learning and development system (see page 36). We are also:

- creating a new internal communications strategy, including the launch of a new communications, rewards and benefits platform that will help enhance internal communications and offer colleagues discounts with a wide range of retailers to help them save money on essential and everyday purchases;
- introducing Wellbeing Warriors to increase our focus on colleagues' health and wellbeing (see pages 35 and 36);
- embedding our new partnership with the Retail Trust (see page 35);
- introducing hybrid working and providing relevant training to our support teams to enable continued flexibility in working arrangements.

Our values

Being **Can-do** means focusing on what matters and getting it done. Whatever the situation, we rise to it because of the Can-do spirit and resilience we all share.

We **care** about each other as one team. We care about our customers and communities, our products and every penny we spend. Caring about the things we do is at the heart of our work ethic.

Crafty: for us, it's about our ability to be creative and agile; we are able to adapt to change and be smart about what we do, with the resources we have. It's what makes us unique.

40 years of fun

In September 2021 we marked our 40th anniversary with a '40 Years of Fun' programme that celebrated our people, and customers and the communities where we operate. Activities included 80's themed fancy dress events and competitions and all colleagues received anniversary gifts. For a time, staff discounts were increased to 40% and a 40% discount was also offered to customers on over 100 products.

Photo: Gavin Peck with Mike Crossley, one of The Works' founders.

Health and safety

The health and safety (H&S) of all our colleagues and everyone who visits our stores or any of our operations is of paramount importance.

During the year we continued to deploy additional safety measures to manage COVID-19 risks. In line with Government guidance, we provided personal protective equipment to all colleagues working in our stores and at our Distribution and Support Centres. Protective screens remained in place at all store till points and two-metre distance signage was retained across all operations. We have continued to undertake enhanced cleaning regimes and flexible home-working arrangements are in place for colleagues who can work from home. Until July 2021, in partnership with Warwickshire Council, we arranged twice weekly COVID-19 testing for all colleagues at our Distribution Centre. Specific risk assessments for each home nation based on Government guidance were regularly undertaken and updated as and when Government guidance changed.

We deploy a number of H&S policies including our main Health and Safety Policy, and H&S processes are embedded in our day-to-day operations. As part of their induction, all colleagues participate in H&S training appropriate to their role and all retail colleagues receive refresher H&S training on an annual basis. In the coming year, our training programme will be expanded and annual refresher H&S training will become mandatory for all employees. Our H&S Manager and People team liaise with line managers in all parts of the business to ensure compliance with policies and procedures and ensure that all colleagues receive appropriate training.

We operate a dedicated H&S Committee which meets on a quarterly basis. Its members include representatives from all parts of our operations and our H&S Manager. The overriding objective of decisions taken at these meetings is to make our stores and all our operations safe places to work and visit. Material issues arising from the H&S Committee's discussions are escalated to senior management and the Board receives regular reports on H&S matters.

During FY22 there were no fatalities (FY21: nil,) and 13 reportable accidents (FY21: 1). 11 of these accidents occurred in our stores and two occurred in our Distribution Centre. All accidents were thoroughly investigated.

We take a proactive approach in relation to all H&S matters and our aim is to continuously improve our H&S performance. To drive this continuous improvement, during FY22 we launched a new web-based portal and online reporting system which allows all stores to immediately record accidents, incidents and near misses. This real-time data and visibility across our entire store estate will help us better understand risks and identify the most effective mitigation. During the year, we also introduced a more streamlined H&S checklist to be used by store managers. It focuses on things they need to monitor daily during regular floor walks, including identifying potential hazards and ensuring fire escape routes are always kept clear.

Wellbeing

Supporting our colleagues is a key focus. Introduced in March 2020, during the first national lockdown, The Works Family Facebook page connects our colleagues in our 'virtual home' and serves as a platform on which we regularly share health and wellbeing content from specialist sources including the NHS, Mind, Retail Trust and Get Self Help.

We also provide an Employee Assistance Programme for all colleagues and in September 2021 we entered into a new partnership with Retail Trust (www.retailtrust.org.uk), a long-established charity, whose mission is 'to create hope, health and happiness' for everyone in the retail sector. To date with the support of Retail Trust:

- over 50 of our senior leaders have participated in training in relation to mental health and wellbeing management. During FY23 this training programme will be available via our e-learning platform, making it accessible to all managers;
- our e-learning modules have been expanded to include 20 short courses and resources on wellbeing and mental health and during the year over 3,000 colleagues completed online training in this area.

In FY23 we plan to introduce 50 Wellbeing Warriors. This network of colleagues will be specifically trained to support the mental

Social continued

Wellbeing continued

wellbeing of their peers. They will act as an impartial, confidential, listening ear and provide unbiased support to colleagues. In particular, as required, they will help colleagues build confidence to seek advice from professionals and provide information about how to find relevant specialist support.

Diversity and inclusion (D&I)

It is important that we create an inclusive environment for all of our colleagues regardless of gender, ethnicity, orientation, disability, social mobility or age.

We are committed to creating an inclusive organisation, where diversity is embraced and communities come together and where we appreciate how important it is to belong. Our commitment is to ensure everyone has equal opportunities to reach their potential with us no matter who they are.

To improve D&I across the Group our D&I strategy aims to:

- gain more insight and data covering age, gender, ethnicity, LGBTQ+, disability and social mobility via surveys, questionnaires and discussion forums;
- introduce D&I colleague representatives who will help guide this workstream;
- review all relevant policies, procedures and practices, updating and relaunching where required;
- explore and utilise external partners to enhance learning and support initiatives; and
- introduce new D&I training across all levels within the organisation.

We are a signatory to the British Retail Consortium Better Jobs Diversity and Inclusion Charter that aims to improve D&I across the retail industry and help drive change. In line with the Charter's commitments and to support our own D&I strategy, we are currently undertaking research and gathering baseline data to better understand how diverse and inclusive the retail sector is and, more importantly, how diverse and inclusive our colleagues believe our business to be. The findings of this research project will be available during summer 2022 and this information will assist us in further developing our D&I strategy and ensuring its effectiveness.

During the year members of the Operational Board participated in inclusive leadership and unconscious bias training and in the coming year we will continue to roll out and support a range of D&I initiatives across the Group.

Our 2022 Gender Pay Gap Report is available at https://corporate.theworks.co.uk/who-we-are/corporate-governance/our-policies. As at 5 April 2021, when measured as a median average, there is no difference in the hourly rate of pay for our male and female colleagues. However, measured as a mean average the hourly rate of pay for male colleagues was 11.5% higher than female colleagues. The reason for this is because we have more men than women in senior leadership roles. Through implementation of our D&I strategy we are working to address this.

The gender diversity profile across the Group as at 1 May 2022 is detailed below.

	Male	Female
Board[1]	3/60%	2/40%
Operational Board[2]	7/67%	2/33%
Direct reports[3]	23/59%	16/41%
Senior leadership[4]	12/55%	10/45%
Other employees[5]	1,040/27%	2,787/73%

1 The Board (see pages 48 and 49) includes three Non-Executive Directors and two Executive Directors.

2 Information about the members of the Operations Board, which includes the two Executive Directors, is available at https://corporate.theworks.co.uk/who-we-are/our-leadership.

3 Direct reports to senior management (the Operational Board)

4 Senior leadership includes heads of department or equivalent.

5 Other employees includes all other colleagues who are permanent employees.

Development and retention

Our colleagues are the heart of our business and we must retain them and provide development opportunities.

We launched a new learning and development system during summer 2022. This new system allows us to provide better training to all colleagues. The new platform has also enabled us to expand the scope of our training programme to include modules focused on personal growth and development.

Our retail developmental programme 'I can be..' enables colleagues to discuss their career aspirations with their line manager and train accordingly, making good on our promise to upskill colleagues ready for the next step in their career. The programme also helps us create and maintain a strong talent pipeline. Over 100 colleagues have joined the programme this year and as we roll out the new learning system we expect this number to double over the course of the next 12 months. We are also launching a version of the programme across specific departments within our Support Centre.

In June 2022 we introduced a new performance review framework structured around clear objectives to ensure that all colleagues are aligned with our purpose and our strategy. The new framework also enhances our ability to support our colleagues' personal growth and development. In addition to the formal review cycle, the new process includes informal conversations in relation to performance, career development and health and wellbeing. These regular 'check-ins' are intended to promote more open, regular dialogue between managers and colleagues and encourage colleagues to request discussions about their development as and when required.

Giving something back

Making a difference to society is not only a part of our ESG responsibilities, but also part of our culture. Through our 'Giving Something Back' programme we support charities, local causes and the communities where we operate, including:

- **Cancer Research UK (CRUK):** Our commercial and fundraising partnership with CRUK began in August 2016 and since then we have introduced a series of CRUK products, sold CRUK materials on behalf of the charity, and participated in a range of fundraising activities. By FY21 our fundraising in partnership with CRUK totalled £1m, a significant achievement. During the year momentum has continued and in FY22 we raised over £125k. Our CRUK partnership is ongoing and we will continue to participate in fundraising events and expand our CRUK product range in the year ahead.
- **Mind/SAMH/Inspire partnership:** In May 2021, at a time when mental health concerns were very prevalent, we launched our UK-wide partnership with Mind, the Scottish Association for Mental Health and the Inspire Mental Health Consortium. Since launch, our colleagues have undertaken a range of fundraising initiatives, using nationally recognised events to help spread awareness and raise money. Despite a challenging fundraising environment, in FY22 over £75k had been raised. In the coming year fundraising activities will continue, including the development of a 'Be You' range of products to raise further funds for Mind.
- **Payroll giving:** We offer two schemes that enable colleagues to make monthly charitable donations from their net pay. Through Payroll Giving in Action colleagues can donate any amount to any charity, while the Pennies from Heaven scheme enables colleagues to donate the pennies from their payslips to our charity partners.
- **Local support:** Many of our stores are part of their local community and often take part in community fundraisers or support causes that their team and customers feel passionately about. We love to see our caring colleagues make a difference and encourage participation in local community activity, supporting as best we can.

We're supporting mind

Giving something back

"We are so grateful to The Works for supporting Mind as we help those of us affected by a mental health problem. So far, the partnership has raised an amazing £75k for Mind, SAMH and Inspire, through in-store fundraising and events organised by The Works' staff. The money raised will help support our services, like the Mind Infoline, and the campaigning we do to ensure that the one in four of us who experiences a mental health problem each year does not face it alone. We are excited to see how the partnership will continue to grow next year, and achieve great things."

Juliana Oliver
Account Manager of The Works partnership at Mind

Our development programme in action

"I joined The Works in September 2016 on an eight-week work experience placement. I was then taken on as a temporary sales assistant for the Christmas period and then applied for a supervisor's role at a new store that was opening near me. My application was successful and during the last five years I have worked my way up from supervisor, to assistant manager, and then into my current role as store manager.

I have learnt so much along the way and had some incredible opportunities to grow and develop within the business. Most recently I was selected to become a Wellbeing Warrior and I have just finished my training for this role which launches later in the year. Being part of The Works means you are part of a huge family. It is fast paced, fun, and exciting and no two days are the same."

Charli Carlin
Store manager at The Works.

Photo: Charli, one of our store managers.

Governance

Operating in a responsible way.

We must maintain high standards of governance and operate in a responsible way. It is the right thing to do. It is also essential to maintain our reputation and protect our brand.

We are fully committed to conducting business fairly, ethically and with respect to fundamental human rights. This includes the prevention of all forms of slavery, forced labour or servitude, child labour and human trafficking, both in our business and supply chains. Our Modern Slavery Statement is available at https://corporate.theworks.co.uk/who-we-are/corporate-governance/our-policies.

Supply chain management

We have developed an Ethical Trading Code of Conduct (Code of Conduct) for our partners, manufacturers and suppliers, to ensure that when our customers buy from us, they can be satisfied that the goods have been produced without exploitation and in acceptable and sustainable working conditions.

Our Code of Conduct clearly outlines our social and ethical requirements, which include but are not limited to: child labour, forced labour, safety standards, health and hygiene, associations, environmental impact, discrimination and coercion, working hours and wages and other fundamental human rights.

In order to ensure that our suppliers meet the social and ethical standards we expect, we implement the following arrangements:

- We require all suppliers to sign our Terms and Conditions of Purchase which state the supplier has read and understood and conforms to our Code of Conduct. These Terms and Conditions of Purchase must be signed before we will place orders.
- We share our supplier manual with our suppliers to educate them about our operating requirements. We also give clear points of contact to ensure queries reach the appropriate person and are dealt with quickly and effectively, with support from relevant functions including merchandising, technical and buying.
- In partnership with TUV Rheinland, an independent specialist in social responsibility auditing, we have developed a bespoke supplier factory audit programme. Incorporated within this programme are questions covering the prevention of modern slavery, forced labour and child labour and other fundamental human rights, which are detailed within our Code of Conduct. Suppliers are encouraged to declare their business relationships with individual factories that produce for us, which provides us with a view of how sustainable our supply chain is. Our audit programme (which also incorporates a section on supplier capability and their QA functions) also provides ethical visibility of suppliers and an understanding of their production capabilities. During FY22 the scope of the audit programme has been further developed to include new assessment procedures that evaluate product safety and provide suppliers with a clearer compliance route when developing products for us.
- We also conduct independent product testing as part of our product surveillance test programme.
- If a factory fails to have reached an acceptable standard or there is any evidence of child labour or forced labour as described in the Modern Slavery legislation, the factory will be delisted and all orders will be cancelled.

Effective risk management helps us identify, evaluate and manage the risks which could impact the business

Our risk management framework

The Board is responsible for ensuring that appropriate risk management processes and controls are in place. The Board has delegated responsibility for overseeing risk management processes and controls to the Audit Committee. Day-to-day risk management is the responsibility of the senior management team. Further details of the governance structure are set out in the Corporate governance report on page 50.

Risks are identified and assessed using a bottom-up review process. Senior management determines the potential risks that could affect their areas of responsibility and the likelihood and impact. This information is used to create the Group's primary risk register and capture principal risks which are subsequently considered by the Audit Committee and the Board.

Risk appetite

The Board determines the Group's risk appetite. Where a conflict exists between risk management and strategic ambitions, the Board seeks to achieve a balance which facilitates the long-term success of the Group.

Principal and emerging risks and changes in principal risks

The Board conducts a robust assessment of the principal risks facing the Group and emerging risks, including those that could threaten the operation of its business, future performance or solvency. The Board formally reviews the Group's principal risks at least twice a year.

A detailed operational risk review was undertaken by the Head of Finance during October and November 2021. This review included discussions with each Operations Board member covering current, principal and emerging risks affecting their respective areas of responsibility and broader corporate risks. Following this review, the Group's primary risk register and its principal risks and mitigation plans were updated, and considered by the Audit Committee and the Board in January 2022 and July 2022.

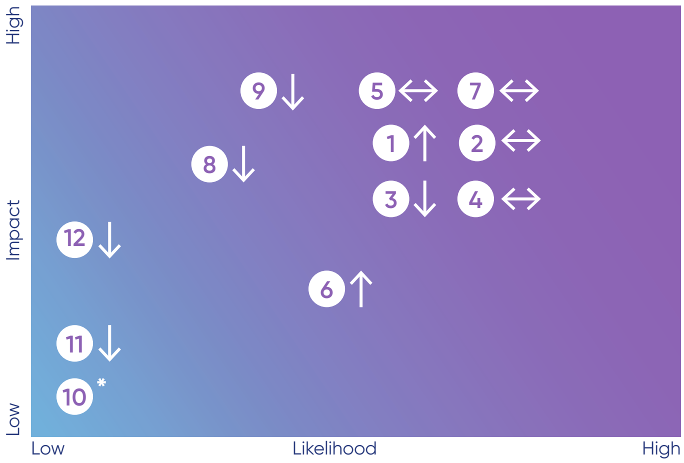
The principal risks and uncertainties facing the Group as at the date of this Annual Report are set out in order of priority on pages 39 to 44, together with details of how these are currently mitigated. The adjacent heatmap illustrates the Board's assessment of the likelihood of the principal risks occurring and the resulting impact, after taking into account mitigating actions.

During the year the main changes to the principal risks were as follows:

- Removal of store expansion risk: Store expansion activity and specifically new store openings no longer represent a risk. The Group's strategy is now focused on optimising its store estate and new store openings are no longer a strategic priority.
- Addition of environmental (including climate change) risk: Following the operational risk review described above this risk is now considered to be a principal risk.
- COVID-19: Reduced likelihood and impact of risks associated with COVID-19.
- As a result of experiencing a cyber-security incident in March 2022 we have significantly increased our cyber-security capabilities. As a result, the risks of a similar event in the future causing significant damage or disruption, have reduced. We continue to monitor our systems diligently and implement appropriate mitigation measures.

The Group may be exposed to other risks and uncertainties not presently known to management, or currently deemed less material, that may subsequently have an adverse effect on the business. Further, the exposure to each risk will evolve as mitigating actions are taken or as new risks emerge or the nature of risks change.

Risk heatmap



Change from prior year

↑ Increased ↓ Decreased ↔ Unchanged

Principal risks

1 Economy
2 Market
3 IT systems and cyber-security
4 Supply chain
5 Brand and reputation
6 Regulation and compliance
7 Seasonality of sales
8 People
9 Business continuity
10 Environmental (including climate change)*
11 Liquidity
12 COVID-19

* New risk

Risk, profile change and link to strategy	Mitigation
1. Economy	
A deterioration in economic conditions or a reduction in consumer confidence could impact customer spending and have an adverse effect on the Group's revenue and profitability. **Change from prior year** Increased risk level. COVID-19 trading restrictions were lifted at the start of FY22, and the direct economic risks connected with the pandemic are now lower. However inflation and the current cost of living challenge could impact consumer spending and as a result the Group's sales. The current economic environment, including the following issues, is also driving increased costs which could impact profitability should sales decline: • supply chain costs described below.; • raw materials and energy costs; • increases in National Living and Minimum Wages given most of the Group's colleagues are paid the National Minimum or Living Wage; • the war in Ukraine; and • FX rates. **Link to strategy**	• The Group's proposition as an alternative to full price specialist retailers positions it well for customers looking to trade down in times of economic uncertainty. • Monitor sales on a daily basis and ongoing review of pricing and margins. • Review sales trends data at weekly trading meetings attended by experienced senior management and, if required, agree and implement mitigating actions to drive sales and/or reduce costs. Take account of expected impact in the Group's strategic planning process, budgets and forecasts. • Continue to focus on cost control across the business while making carefully considered investments in certain areas to support the Group's growth strategy. • Increase the use of direct sourcing as part of a three-year plan to improve the margin on key products purchased. This has been delayed by the ongoing effects of COVID-19 in China, the Group's key supply source. • FX hedging policy in place to smooth the short-term effects of exposure to foreign exchange rate fluctuations (substantially all FY23 USD requirements hedged) and continue to hedge energy costs as appropriate. • Operate store estate on flexible short-term property leases to ensure the Group benefits from reductions in rental costs through the rolling renegotiation of its leases and can flex its store estate relatively quickly in the event of material local changes in demand.
2. Market	
The Group generates its revenue from the sale of books, toys, arts and crafts and stationery products. Although it has a track record of understanding customers' needs within these categories, the market is competitive. Customers' tastes and shopping habits can change quickly. Failure to effectively predict or respond to changes could affect the Group's sales and financial performance. **Change from prior year** Unchanged level of risk. **Link to strategy**	• Focus on development of our brand and increasing customer engagement is designed to further differentiate the Group from competitors. • Emerging trends monitored by a recently strengthened trading team that has a proven track record of responding to changing consumer tastes. • Closely monitor competitors' propositions and discuss key developments at weekly trading meetings and at Board level on a regular basis. • Monitor and review customer feedback. • Use sales data and online feedback channels to inform purchasing and marketing decisions. • Flexible lease terms allow the Group to adapt its store portfolio (which continues to be highly relevant to customers) to react to changes in local market conditions. • Ongoing investment in the Group's online capability will ensure that it remains relevant as customers shopping behaviours increasingly involve online engagement prior to store purchases as well as those made directly via the website.

Risk, profile change and link to strategy	Mitigation
3. IT systems and cyber-security	
The Group relies on its IT systems for many aspects of its operation. Failure to develop and maintain these systems, or any prolonged system performance problems or cyber-attack, could affect the Group's ability to trade and/or could lead to significant fines and reputational damage. **Change from prior year** The Group experienced a cyber-security incident at the end of March 2022, which temporarily affected till systems and replenishment deliveries to stores and delayed the fulfilment of online orders. Action was taken swiftly to protect the business, which reduced the immediate threat and enabled trade to continue online and in the majority of stores. As part of the operational recovery plan we have embedded significantly increased security capabilities across the business, which has taken more time than merely reinstating the previous arrangements after scanning for residual security issues. While this lengthened process has created a degree of short-term operational difficulty, it has resulted in a significant reduction in the risk of the business suffering major loss or disruption in the event of a future cyber-security incident. **Link to strategy**	• Systems and data are key to the execution of the strategy. Ensuring systems and processes are fit for purpose will deliver efficiency and capability improvements. • Significantly enhanced IT security across all operations including upgraded malware detection and response capability to detect, defend and isolate any attack, introduced extensive network segmentation to limit the progress of any attack and established a new Security Operations Centre to monitor and respond to any unusual activities in our systems or networks. • Refreshed mandatory training for colleagues to raise awareness of cyber-security issues. • Enhanced working from home capabilities established in response to the pandemic have reduced the level of dependence on a single site head office. • Regular IT investment strategy review undertaken by the Operating Board including security and infrastructure investment programmes. • Further strengthened in-house IT capabilities during FY22. • Diligent monitoring of systems on an ongoing basis.
4. Supply chain	
The Group uses third parties, including many in Asia, for the supply of products. This creates a number of potential areas of risk, including the potential for supplier failures, risks associated with manufacturing and importing goods from overseas, potential disruption at various stages of the supply chain and suppliers failing to act or operate ethically. Supply chain disruption has been heightened due to COVID-19 resulting in uneven demand and supply patterns. During FY22, the main supply chain impact was a very significant increase in ocean freight rates and difficulty importing stock due to problems in the ocean freight system. Due to the Group's low level of exposure to sales outside the UK, risks connected with Brexit are low, albeit there still remains a higher level of complexity than previously in exporting goods to the Group's ten stores in Ireland. **Change from prior year** Unchanged level of risk. **Link to strategy**	• Buying and supply chain teams strengthened progressively since mid-2020. • Ongoing review of supplier base and diversification and change implemented as appropriate to provide flexibility and reduce reliance on individual suppliers. • Independent monitoring of suppliers undertaken by third-party auditors with local country knowledge and an understanding of social and ethical requirements (see page 38). • Developed a series of product technical requirements that provide guidance for our buyers and suppliers during product sourcing, development and manufacture. • In-house product quality assurance team undertakes product testing as part of a product surveillance test programme. • Implement policies that reinforce the Group's values and its commitment to conduct business fairly, ethically and with respect to human rights which suppliers are required to adhere to (see page 38). • Proactive management of supply chain to ensure stock levels are appropriate. • Continue to review freight costs (including measures to mitigate such costs) and monitor alternative sourcing arrangements where practicable.

Risk, profile change and link to strategy | Mitigation

5. Brand and reputation

Protecting and enhancing the reputation of the Group's key brand asset – 'TheWorks.co.uk' – is vital to the Group's success. Failure to protect the brand, in particular product quality and safety, could result in the Group's reputation, sales and future prospects being adversely affected.

Change from prior year
Unchanged level of risk.

Link to strategy

Mitigation

- Developing our brand and increasing customer engagement are strategic aims. During the year we evolved and modernised our brand which will be rolled out across the business during autumn 2022.
- In conjunction with our brand evolution, communicate to colleagues our clarified purpose and values.
- Provide intellectual property guidance and education to design and sourcing teams.
- Monitor customer product reviews and take appropriate action to remove products from sale and take other actions as appropriate where quality issues are identified.
- In-house product quality assurance team works with suppliers to ensure product quality, safety and ethical production.
- Conduct third-party technical and ethical audits.
- Monitor the Group's ESG responsibilities (see page 31) including the processes in place to ensure the Group operates in a responsible way.

6. Regulation and compliance

The Group is exposed to a growing number of legal and regulatory compliance requirements including the Bribery Act, the Modern Slavery Act, the General Data Protection Regulation (GDPR) and the Listing Rules. Failure to comply with these laws and regulations could lead to financial claims, penalties, awards of damages, fines or reputational damage which, in some cases, could be material and could significantly impact the financial performance of the business.

There are significant laws and regulations (including reporting and disclosure requirements) surrounding climate change and environmental reporting. Failure to comply with these could result in financial penalties, legal consequences and/or reputational damage.

Change from prior year
Higher risk level. Regulatory requirements relating to climate change and environmental reporting have increased, which increase this risk level. The Group is now subject to the TCFD disclosure requirements.

Link to strategy

Mitigation

- Oversight of regulatory compliance by CFO and Company Secretary with support from external advisers.
- Implement policies and procedures in relation to mandatory requirements and measures the Group has adopted voluntarily.
- Operate a Whistleblowing Policy and procedure which enables colleagues to confidentially report any concerns or inappropriate behaviour.
- Operate a GDPR Policy which is overseen by a data supervisor and monitored by members of a GDPR governance monitoring group who meet regularly and report key issues to the senior management team.
- Retain experienced advisers where necessary to cover gaps in expertise in the in-house team.
- Entered into a partnership with Salford Trading Standards, one of ten local trading standards authorities, to access greater consensus on regulatory interpretations and new legislation, particularly following Brexit.

Risk, profile change and link to strategy	Mitigation
7. Seasonality of sales	
The Group historically makes all of its profit in the second half of the financial year, with the peak Christmas trading period contributing substantially all of this. Interruptions to supply, adverse weather or a significant downturn in consumer confidence in this period could have a significant impact on the short-term profitability of the Group. **Change from prior year** Unchanged level of risk. **Link to strategy**	• Continue to focus on reducing seasonality, where possible, by growing the year-round appeal of the proposition. • Hold weekly trading meetings to ensure that immediate action is taken to maximise sales based on current and expected trading conditions. • Enhanced online fulfilment operation to increase capacity during the peak season.
8. People	
The Group's success is dependent on the quality of the Board and senior management team. A lack of effective succession planning and development of key colleagues could harm future prospects. **Change from prior year** Reduced risk level compared to the previous year following recent appointments to the Operations Board and senior management team. **Link to strategy**	• Continue to develop succession plans which are discussed at Nomination Committee meetings. • Establishing development programmes to support future leaders. • Well-managed search and recruitment processes, together with appealing proposition and welcoming culture, enables recruitment of high-calibre executives. • Implement a Remuneration Policy designed to ensure management incentives support the Group's long-term success for the benefit of all stakeholders, including a Long Term Incentive Plan for Executive Directors and restricted share awards for Operations Board members. For further details see page 64 to 71.
9. Business continuity	
Significant disruption to the operation, in particular internal IT systems, the Support Centre or the Distribution Centre, could severely impact the Group's ability to supply stores or fulfil online sales resulting in financial or reputational damage. **Change from prior year** Reduced risk as described above due to the implementation of additional security measures following cyber-security incident. **Link to strategy**	• Business continuity plan in place including system recovery. Following the cyber-security incident referred to above, this plan has been enhanced in a number of areas including the implementation of new cloud-based back-ups which improve the flexibility of any disaster recovery plan response. Further enhancements are planned in the coming year including subscription to a cloud-based technology recovery centre to improve system recovery speed and execution. • Undertake disaster recovery dry run exercises. The scope of these exercises has been updated and a number of dry runs will take place in FY23. • Emergency generator installed at the Group's Support Centre to insulate the business from the impact of power cuts. • Maintain appropriate business interruption insurance cover.

Risk, profile change and link to strategy	Mitigation

10. Environmental (including climate change)

There is an increased focus on sustainable business from consumers and regulators. In our business this applies to products and packaging in particular. Failure to respond to these demands could affect the Group's reputation, sales and financial performance.

Supply chain disruptions as a result of extreme weather events could damage operations, in particular the flow of stock which could adversely impact sales.

There are increased reporting and disclosure requirements relating to climate change and environmental impact including new taxes. See also Regulations and compliance risk above.

Change from prior year
New risk this year.

Link to strategy

Mitigation:

- Initiatives to reduce our impact on the environment are being implemented, for example, reducing waste packaging in products sold and in parcel delivery packaging for online sales, and reducing our use of single use plastic (see page 29).
- Engaged a specialist ESG consultancy to assist in the development of the Group's environmental strategy and ensure compliance with TCFD requirements (see page 31).
- Recruiting a Sustainability Manager to lead and implement our environmental strategy.
- Working with our third-party logistics providers to explore and invest in energy efficient solutions within the supply chain process.

11. Liquidity

Insufficient liquidity available and/or insufficient headroom in banking facilities. Potential for breach of banking covenants if financial performance deteriorates significantly compared with plans. Availability of credit insurance to suppliers may be reduced or removed resulting in an increased cash requirement.

Change from prior year
Strengthened balance sheet and less capital intensive strategy reduce this risk to a lower level than the previous year. A new revolving credit facility has also recently been secured and increased to £30m.

Link to strategy

Mitigation:

- Financial forecasts and covenant headroom monitored and reported to the Board monthly.
- Strategy focuses on driving LFL sales and improving efficiency, rather than previous store rollout plan, which is a lower risk, less capital intensive strategy.
- The bank facilities have been increased to £30m and extended to 30 November 2025.

12. COVID-19

The risks relating to COVID-19 appear to have reduced significantly since last year. The residual risks are:

- the potential for medium-term adverse economic impact following the cessation of Government support schemes; and
- further supply chain disruption due to restrictions potentially being maintained in certain parts of the world, particularly China, which could cause disruption to stock availability and cost inflation.

Change from prior year
The risk is deemed to be lower than that reported at the prior year end, following the successful roll-out of the vaccination programme and the removal of Government restrictions.

Link to strategy

Mitigation:

- Continue to prioritise and promote the health and wellbeing of colleagues, customers and the wider community.
- Focus on maximising the potential of the business in the broadest sense to increase its resilience.
- The Group is now better able to flex its online fulfilment capacity to meet demand in the event of any future restrictions being imposed on retail store trading.
- Successful navigation through the pandemic demonstrated the relevance of the Group's proposition to customers and its ability to react to such an event.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code dated July 2018 (the "Code"), the Directors have assessed the prospects and viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks documented in this report.

The Directors consider that three years is an appropriate planning horizon for the following reasons:

- retail market trends evolve rapidly, including the way customers shop and the impact of new technologies. The uncertainty as to how the market will have evolved more than three years into the future is considered too great to enable plans extending beyond this period to be meaningful;
- uncertainty exists in relation to the wider economy and its potential impact on consumer demand and shopping habits;
- the average remaining term of the Group's property portfolio leases is approximately three years.

The text which follows closely reflects the text in Note (1) (b) (i) of the financial statements, relating to the preparation of the accounts on a going concern basis.

The Group operates a three-year plan (covering the FY23 to FY25 financial years/periods), referred to as the 'Base Case' scenario. In addition, a 'severe but plausible' 'Downside Case' sensitivity has been prepared to support the Board's viability assessment, by stress testing the Base Case to indicate the financial headroom resulting from applying more pessimistic assumptions. These models are described in more detail below.

In assessing the Group's viability the Directors have considered:

- the external environment;
- the Group's financial position including the quantum and expectations regarding availability of bank facilities;
- the potential impact on financial performance of the risks described in the Strategic report;
- the output of the Base Case scenario, which represents the Group's estimate of the most likely financial performance over the forecast period;
- the 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; and
- the response to situations in which consumer market conditions are even more severe than the downside Case.

These factors are described below.

External environment

The risks which were most prominent in the Board's consideration of the viability of the business are those relating to the economy and the market, with the nature of these risks having altered significantly since last year's Annual Report. COVID-19 was the dominant factor in making this judgement in relation to the financial statements for FY20 and FY21 but the Board's assessment is that there is now only a residual risk associated with this. Instead, the risk of weaker consumer demand is now considered to be the greatest risk, due to the factors that have been widely reported externally in recent months, including a higher level of inflation and concerns about its effect on household budgets and consumer spending on discretionary items.

The potential adverse impact on trading in the event of a further weakening of consumer demand due to general economic or market weakness is considered to be of a smaller magnitude than the impact of the full national lockdowns which were experienced during periods of the COVID-19 pandemic.

Risks relating to Brexit are not considered significant for the Group and therefore are not expected to have any bearing on the viability assessment.

Financial position and bank facilities

The cash and borrowings of the Group at the period end are shown in Notes 19 (Cash and cash equivalents) and 20 (Borrowings) of the financial statements. In addition, Note 25 (Financial instruments) describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

At 1 May 2022 the Group held net cash (excluding lease liabilities) of £16.3m (FY21: net cash (excluding lease liabilities) of £0.8m).

The Group's bank facilities were renewed in June 2022, and now comprise a larger revolving credit facility (RCF), increased to £30.0m, which terminates at the end of November 2025. The facility includes two financial covenants which are structured in a way that is typical for a retail business of this size. The covenants are tested quarterly:

1. the level of net debt to LTM (last 12 months' rolling) EBITDA; and
2. the 'Fixed Charge Cover' or ratio of LTM EBITDA prior to deducting rent and interest, to LTM rent and interest.

The bank facility is larger than the Group expects to use, and has been sized in this way to provide the Board and stakeholders with additional assurance as to the availability of liquidity during the viability assessment period, given the current heightened levels of uncertainty as regards the economy and external environment.

Potential impact of risks on financial scenarios

The 'Principal risks and uncertainties' section of the Strategic report, on pages 39 to 44, sets out the main risks that the Board considers could threaten the Group's business model, future performance, solvency or liquidity.

It is considered unlikely that all the risks would manifest themselves to adversely affect the business at the same time. The Directors have estimated what the most likely combination of risks might be that could materialise within the forecast period and how the business might be affected; this combination of risks is reflected in the Base Case assumptions.

As noted above, the most prominent risks in the near term are considered to be the risk of lower consumer spending due to a weakened economy, which could affect sales, costs and liquidity.

During FY22 the Group experienced a cyber-security incident. This had a limited immediate/direct impact on trading towards the end of FY22 and there was a residual effect on trading during early FY23 as the Group took the decision to implement a very cautious and low risk approach to reinstating its systems, whilst simultaneously introducing significantly strengthened cyber-security measures. As a result of these measures the Board considers that the risk of a material impact from any future cyber-security attack is lessened.

The Downside Case scenario takes into consideration the same risks as the Base Case but assumes that their effects are more severe, especially the level of disruption that could be experienced if consumer spending weakens significantly from its already reduced level, during the coming peak trading season.

Base Case scenario

The Base Case scenario assumptions are aligned with the Group's internal forecast:

- during FY22 sales were adversely impacted during the peak trading season by significant disruptions to the flow of stock into the business due to problems in the ocean freight system and store sales were also affected by the Omicron COVID-19 variant.

Base Case scenario continued

- The Base Case assumes that sales are not affected by these factors during the going concern period;
- online sales levels during the early part of FY23 have been lower than expected. The Base Case assumes that online sales improve from their recent levels but not to the level initially expected, despite the fact that the Group plans to implement measures to improve online sales;
- the gross margin assumptions include provision for the continuation for a longer period than initially expected of higher than normal ocean container freight costs, until the end of FY23. Thereafter it is assumed that any reduction in freight rates will, broadly, be offset by a less favourable currency exchange rate than the hedged rate during FY23;
- the Base Case provides for known or expected inflationary increases including those associated with significantly higher electricity prices which are assumed to double and not reduce during the forecast period, and wage rates including further increases in the National Living Wage;
- capital expenditure levels are in line with the Group's strategic plan, which would enable a reduction in capital expenditure in the event of a Downside scenario occurring; and
- the Base Case allows for the resumption of dividend payments.

Under the Base Case scenario, the Group's forecasts show that it will not draw on its bank facility at any point. Whilst it may not be relevant given it is not envisaged that the facility would be used under the Base Case scenario, nevertheless the Base Case indicates that the financial covenants are complied with at all times.

The output of the Base Case model scenario therefore indicates that the Group would have sufficient financial resources to continue to be viable over the forecast period.

Measures to maintain or increase liquidity

During the COVID-19 pandemic the Group demonstrated that it was capable of taking measures to maintain or improve liquidity, and subsequently, during FY22, the Group has continued to generate positive cash flow.

If deemed necessary, mitigating actions would be taken in response to a significant downturn in trading, which would increase liquidity. These may 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 have been noted as additional measures that may be taken in practice 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 conditions compared to the Base Case:

- store LFL sales are assumed to be lower than the Base Case during the peak period prior to Christmas 2022, to allow for the possibility that consumer spending is adversely affected for the reasons described above. Recent store sales levels have been slightly above the Base Case level;
- online sales are assumed to be lower than in the Base Case, reflecting the possibility that the recent performance is due to external factors beyond our control, such as a shift in consumer shopping patterns away from online sales, and/or the failure by the Group to successfully implement some or all of its plans to improve the online sales performance;
- the gross margin assumptions are consistent with the Base Case, which the Board believes already takes a sufficiently cautious view of expected freight rates, even allowing for a severe but plausible Downside scenario; and
- volume related costs in the Downside Case are lowered where they move directly with sales levels; for example, online fulfilment and marketing costs are assumed to reduce to correspond with the lower online sales. The model also reflects certain steps which could be taken to mitigate the effect of lower sales levels, depending on management's assessment of the situation at the time. These include adjustments to stock purchases, reducing capital expenditure, reductions in headcount or labour usage, a reduction in discounts allowed as part of the Group's loyalty scheme and suspending the payment of dividends.

Under the Downside Case scenario, due to the mitigations built into the model, the Group's forecasts show that it will not draw on its bank facility. Again, whilst it may not be relevant if the facility is not actually required, nevertheless the Downside Case also indicates that the financial covenants are complied with.

Having considered the output of the Downside Case and the additional mitigating steps available, the Board's conclusion is that the business would continue to have adequate resources to continue in operation under this severe but plausible set of assumptions.

Consideration of more severe scenarios

Given the current rate of inflation and its potential impact on consumer confidence and spending, the Board believes that the Works value proposition positions it well to benefit from any tendency consumers may have to trade down in pursuit of better value. However, the Board also recognises that more severe downside scenarios than those modelled might arise.

Accordingly, it has considered a range of more severe possibilities than are reflected in the Downside Case, including a 10% reduction in sales between January 2023 and April 2024 on the basis that consumers may prioritise Christmas, but cut back on spending thereafter if their disposable incomes reduce for a sustained period. In these circumstances, in addition to the measures included in the Downside Case, further mitigating measures would be required and are available, which when implemented would generate additional profit and/or cash and provide further liquidity headroom and/or further headroom in relation to the financial covenants. Such measures could include further reductions in capital expenditure and further reductions in discretionary expenditure in areas such as travel, training and professional fees.

Conclusion regarding viability

The current economic environment, characterised by higher inflation than has been experienced for a number of years, and a high level of uncertainty about how long the situation will persist and whether it will become worse before it improves, creates a higher than normal level of uncertainty with regards to the strength of consumer spending. However, the Board's assessment is that, despite this, the overall level of risk is not as high as represented by COVID-19, which resulted in a complete inability to operate the majority of the Group's business for significant periods of time. The resilience demonstrated by the business during those periods, in very challenging conditions, provides additional assurance about its viability in the event of an extended economic downturn due to high inflation etc.

Based on all of the above considerations, the Directors believe that the business will remain viable for at least the forecast period.

Chair's governance introduction

"We have continued to embed our governance arrangements, focusing in particular on ensuring that the governance framework supports the delivery of the Company's refreshed strategy."

Dear shareholder,

This is my first Corporate governance report since my appointment in September 2021. It covers key developments during the year ended 1 May 2022, how our governance framework has operated and our plans to evolve our processes in the future.

The Board remains fully committed to implementing the highest standards of corporate governance, and I am pleased to report that it has applied the principles of the 2018 UK Corporate Governance Code in so far as it applies to smaller listed companies (below the FTSE 350).

During FY22, our business continued to be disrupted by the pandemic. In addition, uncertainty relating to the external environment and the resulting impact on consumer spending began to affect the rate of sales growth in the second half of the year. Towards the end of the year, we also experienced some disruption to trading and business operations as a result of a cyber-security incident.

The Board has continued to focus on protecting the health and safety of our colleagues and customers, whilst ensuring the long-term financial security of the business. The Board is extremely grateful to all of our colleagues for the patience, hard work and commitment they continued to demonstrate during the pandemic.

During the year we have continued to embed our governance arrangements, focusing in particular on ensuring that the governance framework supports the delivery of the Company's refreshed strategy. We have also continued to monitor and assess the Company's culture to ensure that it reflects our values and is aligned with our strategic ambitions.

During the year our ESG steering group, which is led by our CEO, assisted the Board in rigorously monitoring the Company's ESG agenda and associated responsibilities. Information about the ESG steering group's activities during the year, together with an update on ESG developments and priorities for the future, are included on pages 28 to 38.

Following our annual Board and Committee performance evaluation I am pleased to report that overall the evaluation found that the Board functions very effectively and a summary of the findings and proposed actions can be found on page 52.

We look forward to meeting shareholders at our forthcoming Annual General Meeting (AGM), which will be held on 27 October 2022. Further details will be set out in the Notice of AGM.

Carolyn Bradley
Chair
23 September 2022

Board of Directors

N R

Carolyn Bradley

Chair and Non-Executive Director

Date of appointment

September 2021

Committee membership

Chair of the Nomination Committee and member of the Remuneration Committee.

Relevant skills and experience

- Extensive retail, marketing and commercial experience in executive and non-executive roles including 25 years at Tesco plc where her roles included Group Brand Director, UK Marketing Director and Chief Operating Officer for Tesco.com.
- Significant consumer experience including leading Tesco's Clubcard loyalty scheme, the 'Every Little Helps' service campaign and the grocery home delivery business.

Current external appointment

Independent Non-Executive Director at B&M European Value Retail S.A. and a member of its remuneration committee, audit & risk committee and nomination committee, as well as designated Non-Executive Director for workforce engagement. Senior Independent Director and Chair of the Remuneration Committee of SSP Group plc, Non-Executive Director of Majid Al Futtain Retail LLC and The Mentoring Foundation and a Trustee of Cancer Research UK.

A N R

Harry Morley

Senior Independent Non-Executive Director

Date of appointment

July 2018

Committee membership

Chair of the Audit Committee and member of the Nomination and Remuneration Committees.

Relevant skills and experience

- Extensive retail and consumer experience, including as co-founder of Tragus Holdings Ltd, owner of Café Rouge and Bella Italia restaurant chains and a Non-Executive Director of Bibendum Wine Holdings Ltd.
- Significant financial and commercial expertise as Chief Financial Officer of Tragus Holdings Ltd and CEO of Armajaro Asset Management LLP. He also held senior management roles at P&O.
- Chartered accountant.

Current external appointments

Non-Executive Director and Chair of the Audit Committee at JD Wetherspoon plc and The Mercantile Investment Trust plc and a Trustee of the Ascot Authority. Director of Cadogan Group Limited and two related subsidiary companies.

A N R

Catherine Glickman

Independent Non-Executive Director

Date of appointment

July 2018

Committee membership

Chair of the Remuneration Committee and member of the Audit and Nomination Committees.

Relevant skills and experience

- Significant retail experience as Group HR Director of Genus plc, having previously held the same role at Tesco plc where she led retail management development and customer service training during a period of significant expansion in the UK and overseas. Prior to this she held positions at Somerfield and Boots.
- Extensive people and reward expertise having developed reward structures that align leadership motivation with strategy at both Genus plc and Tesco plc.

Current external appointments

Non-Executive Director and Chair of the Remuneration Committee at Renishaw plc.

Gavin Peck

Chief Executive Officer

Date of appointment

January 2020

Committee membership

None

Relevant skills and experience

- Significant financial, retail and commercial expertise, including as Chief Financial Officer of The Works, and, prior to that, as Commercial Director at Card Factory plc where he was responsible for the commercial function (buying, space and merchandising) and leadership of the commercial finance team. He played a key role in the successful IPO of Card Factory in 2014 and its subsequent growth and evolution as a listed business.
- Chartered Accountant, having started his career at PwC where he spent eight years working in the audit and corporate finance departments.
- Joined The Works as CFO in April 2018, overseeing the IPO and serving as an executive director of TheWorks.co.uk plc since the IPO in July 2018.

Current external appointments

None

Steve Alldridge

Chief Financial Officer

Date of appointment

May 2021

Committee membership

None

Relevant skills and experience

- Significant financial and retail expertise having initially joined The Works on an interim basis as CFO in June 2020. Prior to that, over 20 years' experience of working in retail, most recently as CFO of Bonmarché Holdings plc, where he led a highly effective finance function, and completed several significant transactions, including a private equity backed management buyout, and two stock market listings. Previously he worked at Peacocks, the discount retailer, and chartered accountants EY.
- Chartered accountant.

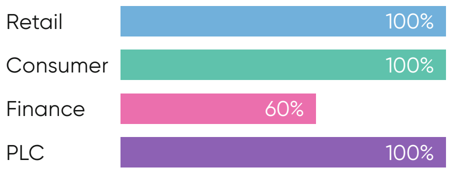
Current external appointments

None

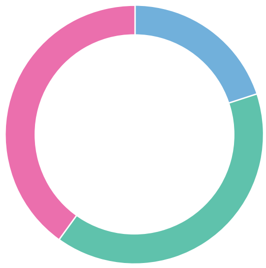
Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee

Experience

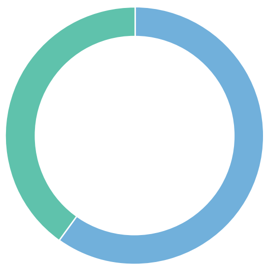


Tenure



0–1 years	20%
1–3 years	40%
3–5 years	40%

Gender



Male	60%
Female	40%

Corporate governance report

UK Corporate Governance Code – compliance statement

The Company has applied all of the principles of the UK Corporate Governance Code (the Code) as they apply to it as a 'smaller company' (below FTSE 350) and has complied with all relevant provisions of the Code during the year. Full details of the Code are available at www.frc.org.uk. Details explaining how the Company has applied the principles of the Code can be found throughout this Annual Report.

Governance structure

Board

- Overall leadership of the Group.
- Oversight of systems of internal control, risk management and corporate governance.
- Sets strategy, purpose, values and culture.
- Approves major contracts.
- Approves business plan and budget.

The Board has delegated a number of its responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. Each Committees' terms of reference and the Schedule of Matters Reserved to the Board, are available at https://corporate.theworks.co.uk/who-we-are/corporate-governance.

Audit Committee

- Reviews annual and interim financial statements.
- Reviews accounting policies and financial reporting and regulatory compliance.
- Reviews internal control system.
- Monitors processes for internal audit, risk management and external audit.
- Monitors independence of external and internal auditors.
- Oversees relationship with external auditor.

Nomination Committee

- Identifies and nominates appointments to the Board.
- Reviews NED time commitments.
- Oversees succession planning.
- Reviews size and composition of the Board.
- Promotes diversity.
- Responsible for undertaking annual performance evaluation of the Board, its Committees and individual Directors.

Remuneration Committee

- Sets Remuneration Policy.
- Determines Executive Director and senior management remuneration.
- Approves annual bonus plan and Long-Term Incentive Scheme targets.
- Reviews workforce remuneration policies and practices.
- Ensures that provisions regarding disclosure of remuneration are fulfilled.

Operations Board

Reporting to the CEO, responsible for the day-to-day trading activities of the Group and implementing the strategy agreed by the Board. Monitors performance against financial and operational targets and manages risk. Information about the Operations Board is available at https://corporate.theworks.co.uk/who-we-are/our-leadership.

Role of the Board and how it operates

The Board's role is to provide overall entrepreneurial leadership, setting the Group's strategy, purpose, values and culture, and supporting the Executive Directors in the delivery of that strategy. The Board is also responsible for ensuring that appropriate policies, procedures and controls are in place to support effective risk management and performance against agreed financial and operational metrics.

Certain matters, including decisions relating to the strategic direction of the Group, changes to capital, corporate or management structure, approving financial reports, and approval of capital expenditure over agreed limits, are reserved to the Board and formally documented in a Schedule of Matters Reserved to the Board (see above) which is reviewed annually.

The Board meets at least ten times per year, and its activity at each meeting is planned in accordance with a formal schedule of activity approved by the Board. This ensures that it receives appropriate information at the appropriate time, and that all key operational, financial reporting and governance matters are discussed during the year. In addition to standing items, agendas incorporate sufficient flexibility to allow specific areas of focus to be considered as and when required. The schedule includes regular presentations from Operations Board members on specific areas of their responsibility, which assists the Non-Executive Directors' understanding of the day-to-day operations of different functions of the Group.

A detailed pack is prepared and circulated in advance of each meeting which includes updates from the CEO, CFO and other Operations Board members tracking performance against agreed key performance indicators. These reports also set out current areas of focus, and highlight any specific issues requiring further discussion or debate by the Board. The Company Secretary also prepares a report for each Board meeting covering matters such as forthcoming scheduled announcements and closed periods, the operation of the Company's Share Dealing Code and regulatory or legislative developments which may impact the Company.

Roles and responsibilities

Chair and CEO

The Chair is responsible for leading the Board's discussions, ensuring its effectiveness and promoting an open forum for debate and constructive relations between Executive and Non-Executive Directors. The Chair holds meetings with the Non-Executive Directors without the Executive Directors present.

There is a clear division of responsibilities between the Chair and the CEO, with the purpose of each role clearly defined in their respective letter of appointment and service agreement. The CEO reports to the Board, and is responsible for all executive management matters of the Group.

Non-Executives

The Non-Executive Directors are all independent and provide constructive challenge to management, helping to develop proposals on strategy, and providing advice and support based on their experience in both executive and non-executive roles throughout their careers.

Senior Independent Director

Harry Morley is the Senior Independent Director, and in that role, acts as a sounding board for the Chair and is available to shareholders if they have concerns which contact through the normal channels of the CEO or Chair has failed to resolve. He also leads the annual evaluation of the Chair's performance.

Board Committees

In line with recognised governance practice, the Board has established three Board Committees (Audit, Nomination and Remuneration). Each Committee has its own terms of reference which are approved by the Board and are reviewed annually. Membership of the Committees is determined by the Board, on recommendations from the Nomination Committee. Details of the role, composition and activities of each Committee during the year are set out in their respective reports on pages 54, 58 and 60.

Operations Board

The Executive Directors are supported in their day-to-day management of the business by an experienced Operations Board.

Company Secretary

The Company Secretary supports the Board and each of the three Board Committees, and is in attendance at all meetings. The Company Secretary is available to all the Directors to advise on company law, governance and best practice, whilst assisting the Board in ensuring that the correct policies, processes and information are tabled for discussion, noting or approval at the correct point in time throughout the year.

Composition, independence and attendance

During FY22, the Board comprised five Directors (including the Chair). Having considered circumstances which are likely to impair a Non-Executive directors' independence, it has been determined that both of the Non-Executive Directors (Catherine Glickman and Harry Morley) continue to be independent. The Chair (Carolyn Bradley) was independent on appointment. The Company has therefore complied with provision 11 of the Code throughout the year, with at least half of the Board (excluding the Chair) comprising independent Non-Executive Directors.

Individual Director attendance at scheduled Board and Committee meetings (where they are a member) is set out in the table below:

Director	Board meetings held/ attended	Audit Committees held/ attended	Remuneration Committees held/ attended	Nomination Committees held/ attended
Dean Hoyle[1] (stepped down from the Board on 30 September 2021)	1/3	N/A	N/A	0/1
Carolyn Bradley (appointed to the Board on 30 September 2021)	8/8	N/A	2/2	1/1
Gavin Peck	11/11	N/A	N/A	N/A
Steve Alldridge (appointed to the Board on 14 May 2021)	11/11	N/A	N/A	N/A
Catherine Glickman	11/11	3/3	5/5	2/2
Harry Morley	11/11	3/3	5/5	2/2

1 Dean Hoyle was unable to attend two Board meetings due to other commitments arising, and recused himself from the Nomination Committee which was evaluating his successor.

All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. The Non-Executive Directors' letters of appointment anticipate that each Non-Executive Director will need to commit a minimum of two days per month to the Company but clarify that more time may be required. In addition, the Non-Executive Directors are expected to commit appropriate preparation time ahead of each meeting.

Where Directors are unable to attend a meeting, they are encouraged to submit any comments on papers or matters to be discussed to the Chair in advance to ensure that their views are recorded and taken into account during the meeting.

Key activities during the year

The Board met formally on 11 scheduled occasions during the year. With the relaxing of pandemic restrictions, the Board was able to resume scheduled meetings in person and also site visits to Rushden Lakes in May 2021 and Merry Hill in November 2021. The Rushden Lakes visit included an update on retail and store strategy. At the end of March 2022 and in early April 2022, the Board held five additional meetings at short notice to address the issues arising from the cyber-security incident that affected the Company's systems.

The standing agenda for each scheduled Board meeting includes updates from the CEO and CFO on trading and financial performance, an investor relations update and an update on governance from the Company Secretary. In addition, the Board has also received regular presentations from members of the Operations Board covering updates on a range of topics including brand proposition, supply chain challenges, e-commerce and electric point of sales technology, property, people and IT strategy. These Operations Board presentations ensure that the Non-Executive Directors are informed of key operational initiatives and challenges, and provide the opportunity for senior executives to meet and discuss their areas of responsibility with the Board.

During the year the Board, has, as part of its annual governance programme:

- reviewed the Company's delegated authority limits;
- reviewed the Group risk register and internal controls structure;
- reviewed and approved the FY23 budget;
- reviewed its Schedule of Matters Reserved and the Terms of Reference of the Board Committees;
- received an update on Company culture and reviewed a summary of key workforce policies and procedures;
- reviewed various governance policies, including the Disclosure Policy, Whistleblowing Policy, Share Dealing Code and Board Diversity Policy;
- reviewed and approved the half-year and full-year financial statements;
- reviewed the results of the Board evaluation and employee engagement survey;
- considered and agreed a presentation from the ESG steering group on the proposed approach to a number of ESG matters.

Training and development

A full, formal and tailored induction programme has been developed for any new Directors joining the Board. The Company Secretary ensures that the Board is briefed on forthcoming legal and regulatory developments, as well as developments in corporate governance best practice, and Directors are expected to keep themselves appraised of developments relevant to the Company's business.

Evaluation and effectiveness

During the year, a formal internal performance evaluation was conducted for the Board and each of its Committees. The evaluation was conducted using questionnaires and was facilitated by the Company Secretary. The evaluation's key findings were discussed at the Board's meeting on 1 July 2022.

Overall the evaluation process found that the Board functions very effectively, relationships are good, all Directors contribute fully and discussions are constructive. In particular the Board's response to the recent cyber-security incident was felt to have been robust and effective. Other key matters arising from the evaluation are set out in the table below.

Key matter	Actions
Purpose, values and strategy	• Develop an overall execution plan encompassing all elements of the Company's strategy. • Create a dashboard to monitor and measure progress against relevant KPIs.
Stakeholders	• Build on recent good stakeholder engagement with both colleagues and shareholders. • Develop and support the Company's ESG programme, at Board and executive level, recognising that the programme requires more definition and data provision.
Board dialogue, relationships and quality of discussion	• Ensure executive time is not taken up preparing reports for limited use.
Risk and internal controls, and internal audit	• Taking account of the Board's detailed review of the internal control structure, the Operational Board to consider the implementation of further processes and the necessary level of internal audit support.
The Board and succession	• Increase Nomination Committee focus on succession planning at Board and executive levels. • Create more opportunities for the Board to meet rising stars and future executive leaders.

Information and support

Agendas and accompanying papers are distributed to the Board and Committee members well in advance of each Board or Committee meeting. Where necessary, separate papers are prepared to support specific matters requiring Board decision or approval (for example capital expenditure projects), and the Non-Executives provide ongoing feedback to the CEO and CFO on the content of papers to ensure they continue to support effective debate and decision making by the Board.

All Directors have direct access to the Operational Board members and other senior managers should they require additional information on any of the items to be discussed. The Board and the Audit Committee also receive regular and specific reports to allow the monitoring of the adequacy of the Company's systems of internal control.

Minutes of all Board and Committee meetings are taken by the Company Secretary and circulated to Directors for approval as soon as practicable following the meetings. Specific actions arising from meetings are recorded both in the minutes and on separate action logs, thereby facilitating the effective communication of actions to those responsible and allowing the Board to monitor progress.

Appointment and election

The Board considers all Directors to be effective and committed to their roles and to have sufficient time to perform their duties. Having been appointed by the Board since the last AGM, Carolyn Bradley will stand for appointment by shareholders at the 2022 AGM for the first time. In accordance with the Company's Articles of Association (articles), all other members of the Board will be offering themselves for reappointment at the Company's AGM on 27 October 2022.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out below.

Executive Director service contracts

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Gavin Peck	CEO	19 July 2018	12	12
Steve Alldridge	CFO	14 May 2021	6	6

The Non-Executive Directors (including the Chair) do not have service contracts, but are instead appointed by letters of appointment. Each of the Non-Executive Directors and the Chair are appointed for a three-year term, subject to their annual reappointment by shareholders at the AGM.

Non-Executive Director appointments

Name	Date of appointment	Appointment letter commencement date	Unexpired term as at 27 October 2022
Carolyn Bradley	30 September 2021	30 September 2021	23 months
Catherine Glickman	19 July 2018	26 July 2022	33 months
Harry Morley	19 July 2018	26 July 2022	33 months

Conflicts of interest

The Company's Articles set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Articles permit the Board to authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the quorum and does not vote on the resolution to authorise.

The Board operates a procedure under which Directors are required to immediately notify the Company Secretary when a conflict or potential conflict arises in order that Board authorisation can be sought. If the Board determines that a conflict or potential conflict can be authorised, it may impose additional conditions to manage such conflicts of interest. The procedure is in place to ensure that independent judgement is maintained at all times and that Directors are not affected by the influence of third parties, and that any conflicts arising from significant shareholdings are managed appropriately.

In addition, Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest in accordance with Sections 175, 177 and 182 of the Companies Act 2006.

Whistleblowing

The Company has adopted procedures by which colleagues may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The Whistleblowing Policy applies to all colleagues across the Group. The Board is responsible for monitoring the Group's whistleblowing arrangements and reviewed the policy and arrangements in April 2022. Whilst the Board is satisfied that the arrangements are effective, facilitating the appropriate investigation of reported matters, it is seeking to further enhance the Whistleblowing Policy in FY23.

Stakeholder engagement

The CEO and Operational Board members are responsible for the day-to-day management of stakeholder relationships and to ensuring that stakeholder issues are appropriately reported to the Board. Further information on how we engage with stakeholders is set out on pages 24 and 25. The Directors recognise their duty under Section 172 of the Companies Act to consider the interests of stakeholders, and the nature of our business means that the interests of our colleagues, customers and suppliers are at the front of mind in the Board's decision-making process. The Company's Section 172 statement is included on page 26.

Engagement with the workforce

During the year, the Board devoted significant time to considering colleagues' safety and wellbeing. The Board also continue to monitor the Company's culture.

The Board recognises that the Company's culture underpins its long-term success. Accordingly, assessing and monitoring the culture that is being fostered across the Group forms part of the Board's activity schedule. In addition, during the year the Board undertook a formal review of the Company's culture, and in particular how culture supports the retention of hard working, customer centric colleagues. It also reviewed a number of workforce policies.

The Board received regular updates on colleague engagement activity through Operational Board reports. The Board also reviewed and discussed the results of the annual employee engagement survey, and management's feedback on the survey's key findings was sought and discussed by the Board. As part of its review of Code compliance during the year, the Board assessed the various methods by which the Directors engage with the wider workforce. The Board agreed that the combination of the methods described on page 53 ensures that the Board is appropriately informed about, and understands, workforce views, and therefore this approach continues to appropriately address the requirement to engage with the workforce under provision 5 of the Code. The Board does not currently intend to adopt one of the three workforce engagement methods suggested in that provision, but will continue to monitor its workforce (and wider stakeholder) engagement mechanisms to ensure they operate effectively.

Relations with shareholders

The Board recognises the importance of explaining financial results and key strategic and operational developments in the business to the Company's shareholders, and of understanding any shareholder concerns.

Ensuring a satisfactory dialogue with shareholders and receiving reports on the views of shareholders are matters reserved for the Board. Day-to-day responsibility for investor relations is delegated to the CEO and the CFO, who are supported by the Company's retained financial PR advisers, and its corporate brokers. As part of its investor relations programme, the Group aims to maintain a dialogue with its shareholders, including institutional investors, to discuss issues relating to the performance of the Group. Information and investor news is also made available via the Company's website (https://corporate.theworks.co.uk/investors). In April 2022, the Board met with Investec, the Company's lead brokers, to discuss the development of a more proactive shareholder engagement programme.

The Non-Executive Directors are available to discuss any matters shareholders might wish to raise. Shortly after her appointment the Chair contacted lead shareholders and offered a meeting. The Chair and independent Non-Executive Directors also attend meetings with investors and analysts as required. Investor relations activity is a standing item on the Board's agenda.

The Company's AGM will take place at 9am on 27 October 2022 at Boldmere House, Faraday Avenue, Hams Hall Distribution Park, Coleshill, Birmingham B46 1AL. This Annual Report and financial statements and Notice of the AGM will be made available to shareholders in accordance with the required notice periods.

Audit Committee report

Chair of the Audit Committee's letter to shareholders

Harry Morley

Chair of the Audit Committee

Other member:

Catherine Glickman (member since September 2018)

"The Committee supports the Board in discharging its duties in relation to various matters including financial reporting and risk management."

Dear shareholder,

I am pleased to present the Audit Committee's report for the 52-week period ended 1 May 2022. The report sets out the Committee's work in relation to financial reporting, internal control and audit, risk management and oversight of the external audit process.

The Committee's role is to assist the Board with the discharge of its responsibilities in relation to external audit, monitoring the Group's arrangements for internal audit, reviewing the Group's annual financial statements, considering the scope of the audit and the extent of any non-audit work undertaken by the external auditor, advising on the appointment of the external auditor and reviewing the effectiveness of the Group's internal control systems.

Our main activities in the year have included a review of the half-year and full-year financial statements and the Annual Report, reviewing the Group's systems of internal control and risk management, and considering the reports of the Company's external auditor.

Significant accounting judgements and policies

The significant accounting judgements identified by management and reviewed with the external auditor were discussed by the Audit Committee at our meetings on 31 March 2022 and 8 September 2022. Details of the significant judgements and how they have been addressed are set out below.

Risk management and internal control

The Committee continued to review the effectiveness of the Group's internal control systems and risk management processes, taking into account developments during the year which are described below. Following the review the Committee concluded such systems and processes are effective. They identified some areas of improvement which management are addressing, the most significant of which are described below. The committee also concluded that, with the support of specialist independent advice as required, the establishment of a permanent internal audit function is not currently required. This will continue to be reviewed on an ongoing basis as the business evolves.

External auditor

The Committee has reviewed the effectiveness of the FY21 external audit process, and our external auditor's (KPMG LLP) independence, and following that review the Committee has recommended that KPMG LLP be reappointed as the Company's auditor at the forthcoming AGM.

We have monitored the level of non-audit services provided by KPMG (described on page 57), and confirm that all non-audit services provided were in line with our policy.

Harry Morley

Chair of the Audit Committee

23 September 2022

Composition of committee

The members of the Committee are Harry Morley and Catherine Glickman.

Harry Morley is a qualified chartered accountant, has an executive background in finance roles and is an experienced Audit Committee Chair. The Board is therefore satisfied that Harry has recent and relevant financial experience as recommended under provision 24 of the Code. The Board is also satisfied that the Committee as a whole has competence relevant to the sector in which the Company operates, with both Committee members having experience as directors in the retail and leisure sectors.

Further biographical information about the Committee members is included on pages 48 and 49.

Role and responsibilities

The Audit Committee's role and responsibilities are summarised on page 50 and in its terms of reference which are available on the Company's website at https://corporate.theworks.co.uk/who-we-are/corporate-governance.

Meetings and attendees

The Committee met on four occasions during the year, and has met twice since the year end. All meetings were attended by all members of the Committee as shown in the table on page 51.

The external auditor has the right to attend meetings, and other Directors and members of the management team may attend by invitation. Outside of the formal meeting programme, the Audit Committee Chair maintains a dialogue with key individuals involved in the Company's governance, including the Chair, the CEO, the CFO, and the external auditor. At least twice per year, the Committee also meets the external auditor without members of the management team present.

Activity during the year

During the year the Committee has:

- considered the impact on the business of the COVID-19 pandemic;
- considered the findings of a detailed risk review exercise undertaken by the Head of Finance and, in light of this, reviewed the Group's principal risks and the appropriateness of the approach to managing them;
- considered the treatment of asset impairments in light of the COVID-19 pandemic;
- considered the requirement for an internal audit function.
- reviewed the scenario analysis in support of the going concern assessment and long-term viability statement;
- monitored the application of the Group's policy on the provision of non-audit services by the external auditor.;
- reviewed the effectiveness of the Group's internal control and risk management systems;
- reviewed the half-year financial statements, and this Annual Report and financial statements, and recommended their approval by the Board;
- reviewed the effectiveness of the external auditor; and
- reviewed the Committee's terms of reference to ensure they remain in line with the Code and associated guidance.

Significant issues considered in relation to the financial statements

Significant issues and accounting judgements are identified by the finance team and through the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 1 May 2022 are set out in the table below.

Significant issues and judgements	How the issues were addressed
Going concern	The Committee considered the appropriateness of applying the Going Concern convention. The risk of weaker consumer demand was considered to be the factor requiring the greatest degree of judgement relating to the going concern assessment. The Committee concluded that the potential adverse impact on trading from a further reduction in demand is expected to be less than the impact of the full national lockdowns which were experienced during periods of the COVID-19 pandemic.
Valuation of inventory	The committee reviewed the results of a large sample of 4-wall store stock counts performed at year end and considered the judgement surrounding the estimation of error rates across the stock records. The Committee also considered the reasonableness of the provisions for stock obsolescence.
Carrying value of Parent Company investments	A degree of judgement was required to assess the carrying value of parent company investments in its subsidiary companies, particularly given the currently large disparity between the properly estimated value in use, and the Group's market capitalisation.

Risk management and internal control

The Board has overall responsibility for setting the Group's risk appetite and ensuring that there is an effective risk management framework to maintain levels of risk within the risk appetite. The Board has delegated responsibility for review of the risk management methodology and effectiveness of internal control to the Audit Committee.

During the year the Audit Committee and the Board have reviewed the Group's risk register, and challenged management on the classification of risks and the mitigations in place. In the second half of FY22, a full risk register analysis was undertaken by the Head of Finance which was presented to the Committee in January 2022. This enabled the Committee to reassess the principal risks facing the Group, which informed its year-end review of principal risks and uncertainties prior to making its recommendation to the Board. Further details of the Group's risk management approach, structure and principal risks are set out on pages 39 to 44.

The Group's system of internal control comprises entity-wide high-level controls, controls over business processes and store-level controls. Policies and procedures and defined levels of delegated authority have been approved and communicated across the Group, and include an Internal Control Framework, corporate risk register, business continuity plan and IT system policies. These are supplemented by other policies and procedures which are communicated to colleagues through the employee handbook.

Risk management and internal control continued

Management has identified the key operational and financial processes which exist and implemented internal controls over these processes in addition to the higher level review and authorisation-based controls. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of the financial statements. The Board is ultimately responsible for the Group's system of internal controls and risk management and discharges its duties in this area by:

- holding regular Board meetings to consider the matters reserved for its consideration;
- receiving regular management reports which provide an assessment of key risks and controls;
- scheduling periodic Board reviews of strategy including reviews of the material risks and uncertainties facing the business;
- ensuring there is an organisational structure with defined responsibilities and levels of authority;
- ensuring there are documented policies and procedures in place; and
- regularly reviewing reports containing detailed information regarding financial performance, forecasts, actual and forecast bank covenant compliance and financial and non-financial KPIs.

In reviewing the effectiveness of the system of internal controls, the Audit Committee:

- reviews the risk register compiled and maintained by senior managers within the Group and questions and challenges where necessary; and
- regularly reviews the system of financial and accounting controls.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes in place, taking account of any material developments since the year end. We would highlight the following as a result of this ongoing process of review:

- It was noted in last year's Audit Committee report that the process for counting stock in stores had been interrupted during FY21 due to the periods of enforced store closures resulting from the pandemic. In January 2022, the Company employed a Profit Protection Manager, part of whose role encompasses the monitoring and review of processes to improve operational controls and reduce losses. The Audit Committee approved a proposal by the Profit Protection Manager to engage a third party (Retail and Asset Solutions) to advise on the process and count stock in a significant sample of stores prior to the year end, to increase assurance as to the integrity and robustness of the results. Accordingly, a programme was undertaken to count stock in 125 stores. During FY23 this programme will be expanded to cover the Group's entire store estate and will be undertaken on a rolling basis, with a risk based approach being used to target additional follow up counts.
- Following a cyber-security incident in March 2022, the Committee approved the engagement of specialist independent advisers to review the Group's existing IT security plans, arrangements and controls, and make recommendations as appropriate. This review generally endorsed the Group's existing plans, and made useful additional recommendations, as well as providing advice as to the method of implementation. As a result, the Committee has gained valuable assurance as to the adequacy of the Group's enhanced protections and controls following the incident.
- To support the work of the Profit Protection Manager, and to increase the Group's capacity generally for carrying out process reviews and implementing improvements as well as reviewing the effectiveness of internal controls, the Group has recently appointed a suitably qualified and experienced individual to establish an in-house process/control improvement function within the finance team.

Internal audit

The review of the Company's risk register referred to above enabled the Committee to assess the need for external support in carrying out reviews of priority areas. As highlighted above, the Committee approved the engagement of specialist independent advisers to review and make recommendations in relation to certain IT matters, and the Group has also recently created a dedicated function within its finance team to review systems and processes, oversee and/or implement improvements and review internal controls.

The Committee is satisfied that the continued targeted use of specialist independent advisers to review priority areas of focus has effectively supported the existing internal resource during FY22. Noting also the additional internal resources the Group has engaged to support process/control improvements, the Committee has concluded that the arrangements for reviewing and monitoring internal controls are adequate and that there is no current requirement for the establishment of a permanent dedicated internal audit function.

External auditor

The Audit Committee is responsible for overseeing the Group's relationship with its external auditor, KPMG LLP. This includes the ongoing assessment of the auditor's independence and the effectiveness of the external audit process, the results of which inform the Committee's recommendation to the Board as to the auditor's appointment (subject to shareholder approval) or otherwise.

Appointment and tenure

KPMG was appointed as the Company's external auditor in 2018. The current lead audit partner, Tony Sykes, was appointed ahead of the FY19 audit process and will retire from the firm prior to the FY23 audit. To ensure an orderly succession, the Committee has met with Gordon Docherty, the audit partner who will (subject to shareholder approval of KPMG's reappointment) take over from Tony Sykes, following the conclusion of the FY22 audit.

KPMG generally requires the rotation of the lead audit partner every five years for a listed client. This requirement will not now manifest itself until after the FY27 audit. In addition to KPMG's internal guidelines and, in accordance with the Code and EU legislation, the Audit Committee intends to put the external audit out to tender at least every ten years.

Non-audit services

The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment. The Company has therefore adopted a policy which requires Audit Committee approval for any permitted non-audit services, except for permitted non-audit services with a fee of less than £5k on an individual basis or £20k on an aggregated basis for which the Audit Committee has pre-approved the use of the external auditor, subject to approval of the service by the CFO.

When reviewing requests for non-audit services the Audit Committee will assess:

- whether the provision of such services impairs the auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
- the nature of the non-audit services;
- whether the skills and experience make the auditor the most suitable supplier of the non-audit service;
- the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

The external auditor may not be engaged to provide non-audit services which have been identified as 'prohibited' in accordance with legislative and regulatory requirements.

During the year, the only non-audit services which KPMG has been engaged to carry out relate to the issuance of turnover certificates for a small number of stores where the terms of the lease require them to be independently verified. The fees paid to KPMG LLP in respect of these services totalled £ 1k, representing 0.7% of the total audit fee. Further detail is included in Note 7 to the financial statements on page 104.

External audit effectiveness

During the year, the Audit Committee reviewed the external auditor's effectiveness in carrying out the FY21 year-end audit and concluded that the audit process had been carried out effectively. The Committee will formally review the effectiveness of the FY22 audit process during FY23.

Performance evaluation

The evaluation of the performance of the Board and its Committees during the year was conducted using questionnaires and was facilitated by the Company Secretary. The questionnaires included a section on the work of the Committee. The key findings of the evaluation are set out on page 52.

Harry Morley
Chair of the Audit Committee
23 September 2022

Nomination Committee report

Chair of the Nomination Committee's letter to shareholders

Carolyn Bradley
Chair since 30 September 2021

Other members:

Catherine Glickman (member since September 2018)

Harry Morley (Chair until 30 September 2021 and member since September 2018)

"Whilst we have established a strong leadership team there is still work to be done, particularly in relation to diversity, and this will be a focus in the next 12 months."

Dear shareholder,

Over the past 12 months, there have been a number of changes at both Board and senior executive levels within The Works.

I was delighted to be appointed Chair of the Board and the Nomination Committee in September 2021. I would like to thank Harry Morley, who was the Chair of the Nomination Committee from the Company's IPO until this year, for his leadership of the Committee during this time. Harry took on the role as Chair of the Committee at IPO as our then Board Chair (Dean Hoyle) was not deemed independent under the Code. As I was deemed to be independent on my appointment as Board Chair, the Board agreed it was appropriate for me to also chair the Nomination Committee in line with typical practice for listed Companies of our size. I am grateful that Harry, along with Catherine Glickman, the Committee's other member, are continuing as Committee members and thank them both for their support.

This report summarises the work of the Nomination Committee during the year. Whilst, in conjunction with our CEO, Gavin Peck, we have established a strong Board and senior leadership team to drive the Group's growth and development in the coming years, there is still work to be done, particularly in relation to diversity and this will be a focus for the Committee in the next 12 months.

Carolyn Bradley
Chair of the Nomination Committee
23 September 2022

Composition of the Committee

The members of the Committee are Carolyn Bradley, Catherine Glickman and Harry Morley.

The biographies of the Committee members are included on page 48.

Role and responsibilities

The role and responsibilities of the Committee are summarised on pages 50 to 51 and in its terms of reference which are available on the Company's website at https://corporate.theworks.co.uk/who-we-are/corporate-governance.

Meetings and attendees

The Committee meets at least once per year and otherwise as required in order to discharge its duties. Only members of the Committee have the right to attend meetings, but the CEO and People Director are typically invited to attend at least part of each meeting, particularly when executive succession planning is being discussed and other workforce related matters. Other Directors, executives or advisers may be invited to attend all or part of any meeting as appropriate.

The Committee met twice during the year. Individual attendance at the meetings is set out in the table on page 51. The meetings covered a number of matters including reviewing the composition of the Board and Board succession planning, but primarily focused on the recruitment of a new Board Chair. The Committee also reviewed the Board Diversity Policy.

Appointment of Chair

During the summer of 2021, the Chair of the Nomination Committee (at that time), Harry Morley, led the process to recruit a new Chair of the Board to succeed Dean Hoyle, who had announced his intention to step down having been Chair since 2014. Mr Hoyle recused himself from the Nomination Committee's activities during this period. The search was undertaken by Odgers Berndtson (Odgers), which has have no other relationship with the Company. The aim of the process was to bring in a new independent Non-Executive Director with strong experience in the retail sector, particularly in brand and customer proposition, as well as solid listed company board experience.

As a result of the search process, Odgers complied a long-list of candidates which was considered by the Committee. Following consideration and discussion the Committee agreed on a short-list of candidates who subsequently met with members of the Committee and the CEO and CFO. Following these meetings and further discussions, the Committee recommended my appointment to the Board, which was approved by the Board in July 2021.

Succession planning

Board and senior management succession planning remains on the Committee's rolling agenda and will continue to be considered on a regular basis.

During the year, the Committee monitored a number of changes in the Operating Board. Now that the team is established, during the coming year it will begin to focus on talent development.

Diversity

The Board recognises the importance of diversity, including gender diversity. While it believes that all appointments should be made on merit, the Board recognises the need to ensure an appropriate balance of skills and experience within the Board and across the Company.

The Board supports the measures the Financial Conduct Authority (FCA) has introduced to enhance transparency in relation to diversity. As at 1 May 2022 the proportion of women on the Board was 40% (in line with the FCA's target) and the proportion of men 60%. Carolyn Bradley's appointment as Chair already aligns the Company with the FCA's target of at least one senior board position being held by a woman.

Women made up 33% of the Group's senior management team as at 1 May 2022.

The Committee is responsible for monitoring compliance with the objectives of the Company's Diversity Policy. The Policy recognises the benefits of greater diversity, including gender diversity and sets out the Board's commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Group. Its key objective is to ensure that the recruitment processes that the Nomination Committee oversees considers an appropriately diverse pool of candidates that will enhance the Board's balance of skills and backgrounds.

As part of its commitment to diversity, the Company has signed up to the British Retail Council Diversity and Inclusion Charter. During the year the Board also agreed to further increase the focus on diversity across the business. In the coming year, the Committee will review the ethnic diversity of the Board and the senior management team and develop a programme of initiatives to promote greater ethnic diversity at senior levels across the Group, including the appointment of at least one Director from an ethnic minority background.

Other matters considered

Other than for the appointment of Carolyn Bradley as Chair (described above), there has been no formal Board recruitment process during the year.

The Code also places other responsibilities and objectives on the Committee, including an annual review of the structure, size and composition of the Board and an annual review of the Board's Diversity Policy. Both of these matters were addressed at the Committee's meeting in April 2022.

Performance evaluation

The evaluation of the Committee's performance in 2022 was conducted by the Board using questionnaires and was facilitated by the Company Secretary. The questionnaires included a section on the work of the Committee. The key findings of the evaluation are set out on page 52.

Carolyn Bradley
Chair of the Nomination Committee
23 September 2022

Directors' remuneration report

Chair of the Remuneration Committee's letter to shareholders

Catherine Glickman

Chair of the Remuneration Committee

Other members:

Carolyn Bradley (member since 2021)

Harry Morley (member since 2018)

"We are pleased that, given the challenges of the last couple of years, we continue to be one of the 25 Best Big Companies to work for."

Dear shareholder,

As Chair of the Remuneration Committee, I present our Directors' remuneration report for FY22.

This year's report consists of this letter, our new Directors' Remuneration Policy for which shareholder approval will be sought at the 2022 AGM (the Policy), and then the Annual report on remuneration which sets out payments made to the Directors and demonstrates how Company performance and remuneration were aligned for FY22. At the 2022 AGM, shareholders will be asked to vote by separate resolution on the New Policy and, on an advisory basis, on the remainder of the Directors' remuneration report.

Renewal of the Company's Directors' Remuneration Policy

Our current Directors' Remuneration Policy (the Current Policy) was approved at the 2019 AGM and in line with applicable legislation we are required to submit it for shareholder approval at the 2022 AGM.

The Committee reviewed the Current Policy during the year. We think it supports our 'better, not just bigger' strategy and is aligned both with best practice and governance requirements. We are therefore proposing to retain it with a small number of refinements. These do not increase remuneration opportunities and are summarised on pages 62-63, together with illustrations of how the Policy would be implemented if it is approved by shareholders. In determining the Policy, the Committee followed a robust process, getting input from independent advisers. We consulted with major shareholders before finalising the Policy: we thank those who responded and I am pleased to report that the feedback we received supported our proposals. The Committee also had regard to the provisions of paragraphs 40 and 41 of the Code, as explained on page 72.

FY22 remuneration in the context of our business performance

As detailed in the Strategic report, the Group delivered a good trading performance in FY22, which was well ahead of pre-COVID levels and ended the year in a strong financial position. In particular:

- two-year like-for-like sales increased 10.5%, and total two-year gross sales grew 12.7%;
- improved proposition helped offset external headwinds, with FY22 EBITDA of £16.6m;
- delivered record Christmas trading with net cash of £16.3 million, an increase of £15.5 million during FY22; and
- dividend reinstated, with a final dividend of 2.4 pence per share to be proposed to shareholders for approval at the 2022 AGM

The FY22 bonus opportunity for Gavin Peck and Steve Alldridge was up to a maximum of 100% of salary, with 90% of the award based on stretching EBITDA targets and the remaining 10% based on performance against key strategic objectives. Details of the measures and targets are set out on page 65. EBITDA of £16.6m was achieved resulting in bonuses being earned of 68.5% of salary in respect of the EBITDA element. Following a robust assessment of the achievements against the strategic objectives, the Committee agreed a bonus outcome for Gavin Peck and Steve Alldridge of 9.5% of salary and 9% of salary respectively in respect of the strategic element. Gavin Peck and Steve Alldridge therefore earned a bonus equal to 78% of salary and 77.5% of salary respectively.

Gavin Peck was granted a Long Term Incentive Plan (LTIP) award in September 2019 which vested by reference to EPS performance over the three financial years ending with FY22. Details of the targets are set out on page 75. The EPS targets were achieved in part resulting in the award vesting at 38.4% of maximum. The award remains subject to a further two-year holding period before it can be exercised.

In line with good practice, these incentive outcomes were reviewed in the context of overall business performance over FY22 (as regards the bonuses) and the three-year performance period (in relation to Gavin Peck's LTIP award). The Committee considered that the level of vesting was appropriate given overall performance and did not exercise discretion to adjust the outturns.

Remuneration across the business

The Committee continues to make decisions on remuneration for the Executive Directors in the context of decisions for colleagues across the Group, both for FY22 and for FY23 and the operation of the New Policy.

In March 2022 we made an award of one week's pay as a one-off bonus to all colleagues (except those at Director grade and 2022 new starters) to recognise all their hard work throughout the last two years and to say thank you. This has been extremely well received. In addition, the Committee has approved further bonus payments to be made to senior leaders and store managers in October 2022.

For FY23, salaries for colleagues in retail have increased in line with the National Living Wage, with further investment in the management grades to maintain appropriate differentials. This resulted in an average increase of 6.3% for colleagues in retail. Salaries for Distribution Centre and Support Centre roles increased in line with the National Living Wage where relevant with further investment in certain grades to maintain appropriate differentials, and outside of that, an average increase of 3% was applied. Recognising the cost-of-living pressures, in FY23 we also launched a new engagement and benefits platform (MyWorks by Reward Gateway) across the business which offers colleagues discounts and money saving offers with a number of businesses and services which has been well received.

We consider the Operational Directors to be an effective high-performing team. To retain and motivate them, we continued to make awards of restricted shares in FY22, a policy that has been very well received. For FY23 we intend to introduce a hybrid scheme, with a smaller award of restricted shares and opportunity to earn more through a three-year performance related element. For area and retail management, we have introduced a new bonus scheme which will reward achievement of objectives aligned with our strategy.

Approach to remuneration for FY23

Our approach to Directors' remuneration in respect of FY23 is summarised in the table on page 62, along with a summary of the proposed Policy refinements which are as follows:

- Codifying that pension provision for the Executive Directors is aligned with the wider workforce, which aligns with current practice.
- Codifying that for financial performance metrics under the annual bonus no more than 50% will be earned for target performance, which aligns with current practice.
- To provide future flexibility, up to 25% of an LTIP award may be based on non-financial performance measures, although there is no current intention to introduce such measures.
- The shareholding guideline has been aligned at 200% of salary for all Executive Directors.
- A formal post-employment shareholding guideline has been introduced such that Executive Directors will be required to retain for one year following cessation of employment relevant shares that have a value equal to the in-service shareholding guideline (200% of salary) or if less all of those shares.

Other minor amendments have been made to the Current Policy to aid the operation of the Policy.

The fees for our Non-Executive Directors, Harry Morley and Catherine Glickman, have applied since Admission. The Non-Executive Directors have been awarded a 3% increase in their fees with effect from 1 September 2022. Our Non-Executive Chair, Carolyn Bradley, was appointed on 30 September 2022 on an annual fee of £100,000; no fee increase has been awarded in respect of FY23.

Stakeholder engagement

Given the external challenges we have faced over the last years, I would like to thank the Executive Directors, the Operational Directors and all our colleagues at The Works for their continued commitment, flexibility and sheer hard work over the last year. We know that our colleagues are a key part of our customer experience. The other Board members and I have had the opportunity this year to visit stores and teams around the country and meet our colleagues. Both those with long service or new to The Works have demonstrated their caring and can-do attitude, and their enthusiasm for our products. We continue to be a company in which colleagues can develop their careers with us, with the majority of colleagues being internally developed. We are pleased that, given the challenges of the last couple of years, we continue to be one of the 25 Best Big Companies to work for.

As the Board, we continue to receive regular updates on colleague wellbeing, morale, retention and health and safety. We also review the annual Best Companies engagement survey results, in which colleagues provide feedback on leadership, personal growth, and giving something back, as well as pay and benefits.

On behalf of the Board, I would like to thank shareholders for their engagement with us during the year. I am happy to receive any questions or comments from shareholders at any time, and hope that you will be happy to support the new Remuneration Policy and the Annual report on remuneration.

Catherine Glickman
Chair of the Remuneration Committee
23 September 2022

Our Policy – summary and FY23 intended approach

The following table summarises the key aspects of our Current Policy, changes proposed in the Policy and, subject to shareholders' approval, information on how we intend to implement the Policy in FY23.

	Current Policy	Policy and intended implementation in FY23
Base salary	Ordinarily reviewed annually. In line with typical practice, increases are normally within the range of increases awarded to other colleagues. Flexibility is retained to award higher increases in appropriate circumstances.	No changes to the Current Policy. For FY23, the Executive Directors' salaries have been increased by 3% to: • Gavin Peck: £309,000. • Steve Alldridge: £216,300.
Retirement benefits	Defined contribution pension (or cash equivalent). Gavin Peck: The Current Policy permits a contribution of up to 10% of salary plus the amount of any employer social security saving if he sacrifices any other element of remuneration into pension. However, and as previously reported on his appointment as CEO Gavin's pension was aligned with that of the wider workforce at 3% of base salary. Steve Alldridge: The Current Policy provides for his pension to be aligned with that applicable to other colleagues and has been at the level of 3% of base salary since appointment.	Having regard to the reduction in Gavin Peck's pension provision on his appointment as CEO, the Policy refers to alignment with the wider workforce for all Executive Directors. The Policy retains the ability for Executive Directors to sacrifice other elements of remuneration into pension and benefit from any associated employer social security saving.
Annual bonus	Maximum opportunity of 100% of salary. Full bonus ordinarily paid in cash but with flexibility to defer into shares for up to two years. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance. At least 50% of the bonus is based on financial measures.	No change to quantum or to the manner of payment or to the flexibility as regards performance measures. In line with best practice, the Policy confirms that for financial targets no more than 50% of the maximum opportunity may be earned for target performance, which reflects how the annual bonus has been applied in practice. In addition to on-target and maximum performance targets, a threshold performance target will be introduced against which no more than 20% of the maximum opportunity may be earned. For FY23, the maximum bonus opportunity will be 100% of salary for each Executive Director. Consistent with the bonus arrangement for FY22 performance will be based on EBITDA as regards 90% of the award and strategic objectives with clear measurable targets as regards 10% of the award. As targets (both financial and strategic) under the annual bonus are considered commercially sensitive, these will be disclosed retrospectively in the FY23 Annual Report.

	Current Policy	Policy and intended implementation in FY23
LTIP	Maximum award of 100% of salary, or 200% of salary in exceptional circumstances, with up to 25% vesting for threshold performance. Performance conditions must be based on financial performance measures. Awards are subject to a three-year vesting period followed by a two-year holding period. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance.	No change to the quantum or timeline. To give flexibility for the future, in relation to performance conditions, a minor change permits up to 25% of an award to be based on non-financial performance measures, although there is no current intention to introduce such measures. For FY23, it is intended that the maximum LTIP opportunity will be 100% of salary for each Executive Director, in order to appropriately retain, motivate and reward them for delivering resilient future performance. Full details of the performance metrics and targets will be included in the regulatory announcement at the time the awards are granted. It is currently intended that the awards will be subject to EPS performance and share price performance metrics (equally weighted).
In-service shareholding guidelines	Executive Directors are required to retain half of all shares acquired under the LTIP (after sales to cover tax and any exercise price) until such a time as their holding as a value equal to 200% of salary in the case of the CEO and 100% of salary in the case of any other Executive Director.	The required holding has been aligned at 200% of salary for all Executive Directors.
Post-employment shareholding guidelines	Ordinarily any awards under the LTIP which are held by an Executive Director will continue and only be released on the ordinary timescale so that the interests of a departing Executive Director who is a 'good leaver' continue to be aligned with those of shareholders.	A formal guideline has been introduced, which will apply to shares acquired pursuant to LTIP and deferred bonus awards granted in respect of FY23 and future years (including the FY23 LTIP awards even if they are granted before the 2022 AGM). Executive Directors will be required to retain for one year following cessation of employment such of the relevant shares as have a value equal to the in-service shareholding guideline (200% of salary) or if less all of those shares. The current approach of ordinarily releasing a 'good leaver's' LTIP awards only on the ordinary timescale will be maintained.
Non-Executive Directors' remuneration	Fees are set taking into account the responsibilities of the role and expected time commitment. Benefits may be provided where appropriate which are relevant to the requirements of the role. Non-Executive Directors are currently paid a single all-inclusive fee. The Current Policy includes flexibility to introduce a structure of a basic Non-Executive Director fee with additional fees paid for chairing of Committees and assuming the role of Senior Independent Director.	No changes to the Current Policy. It is intended to review the Non-Executive Directors' fees during FY23.

Remuneration policy

Directors' remuneration policy

This part of the Directors' remuneration report sets out The Works' Directors' Remuneration Policy (the Policy), which, subject to shareholder approval at the 2022 AGM, will take binding effect from the close of that meeting. The differences between the Policy and the Directors' Remuneration Policy approved at the 2019 AGM are described on pages 62 and 63.

The Policy is determined by the Company's Remuneration Committee (the Committee).

Policy for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Core element of fixed remuneration reflecting individual's role and experience.	The Committee ordinarily reviews base salaries annually taking into account a number of factors including (but not limited to) the value of the individual, the scope of their role, their skills and experience and performance. The Committee also takes into consideration: • pay and conditions of the workforce generally; and • group profitability and prevailing market conditions.	Whilst there is no maximum salary, increases will normally be within the range of salary increases awarded (in percentage of salary terms) to other employees of the Group. However, higher increases may be awarded in appropriate circumstances, such as: • on promotion or in the event of an increase in scope of the role or individual's responsibilities; • where an individual has been appointed to the Board at a lower than typical market salary to allow for growth in the role, in which case larger increases may be awarded to move salary positioning to a typical market level as the individual gains experience; • change in size and/or complexity of the Group; and • significant market movement. Increases may be implemented over such time period as the Committee deems appropriate.	While no formal performance conditions apply, an individual's performance in role is taken into account in determining any salary increase.
Benefits	Fixed remuneration provided on a market competitive basis.	Benefits include the use of a fully expensed car (or car allowance), medical cover for the Executive Director and his/her spouse and dependent children, critical illness cover and life assurance scheme. Other benefits may be provided based on individual circumstances, which may include relocation costs, travel and accommodation expenses. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value is set at a level which the Committee considers to be appropriately positioned taking into account the nature and location of the role and individual circumstances.	Not applicable.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Retirement benefits	Provide a competitive means of saving to deliver appropriate income in retirement.	The Company operates a defined contribution scheme. In appropriate circumstances, an Executive Director may receive a salary supplement in lieu of some or all of the contributions that would otherwise be made to a pension scheme. Executive Directors may be permitted to sacrifice other elements of remuneration and receive an equivalent contribution to a pension scheme. Should any Executive Director elect to do so, any employer social security saving for the Group may also be contributed to a pension arrangement on behalf of the Executive Director.	The maximum contribution will be aligned with the contribution available to other employees, plus the amount of any employer social security saving if an Executive Director sacrifices any other element of remuneration as referred to in the 'Operation' column.	Not applicable.
Annual bonus	The executive bonus scheme rewards Executive Directors for performance in the relevant year against targets and objectives linked to the delivery of the Company's strategy.	Targets and objectives are reviewed annually and any pay-out is determined by the Committee after the year end. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance. The full amount of any bonus earned will ordinarily be paid in cash, although the Committee has discretion to defer some or all of the bonus earned into shares, for up to two years. Deferred bonus awards may take the form of conditional shares or nil (or nominal) cost options. Deferred bonus awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the deferred bonus award shares up to the time of vesting; this amount may be calculated assuming that the dividends have been reinvested in the Company's shares on such basis as the Committee determines. Recovery provisions apply, as referred to below.	The maximum annual bonus opportunity is 100% of base salary.	Targets (which may be based on financial or strategic measures) and individual objectives are determined to reflect the Company's strategy. At least 50% of the bonus opportunity is based on financial measures which may include but are not limited to EBITDA or other measure of profit. The balance of the bonus opportunity will be based on financial measures and/or the delivery of strategic/individual measures. Subject to the Committee's discretion to amend the formulaic output, for financial measures up to 20% of the maximum will be earned for threshold performance and up to 50% of the maximum will be earned for on-target performance. For strategic/individual measures, the bonus will be earned between 0% and 100% based on the Committee's assessment of the extent to which the measure has been achieved.

Policy for Executive Directors continued

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan (LTIP)	The LTIP provides a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer term objectives aligned with shareholders' interests.	Under the LTIP, the Committee may grant awards as conditional shares or as nil (or nominal) cost options. Awards will usually vest following the assessment of the applicable performance conditions, typically following the end of a three-year performance period, but will not be released (so that the participant is entitled to acquire shares) until the end of a holding period of two years beginning on the vesting date. Alternatively, awards may be granted on the basis that the participant is entitled to acquire shares following the assessment of the applicable performance conditions but that (other than as regards sales to cover tax liabilities and any exercise price) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance. LTIP awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the vested shares subject to the award up to the time of release; this amount may be calculated assuming that the dividends have been reinvested in the Company's shares on such basis as the Committee determines. The Committee may at its discretion structure awards as qualifying LTIP awards, consisting of a tax qualifying Company Share Option Plan (CSOP) option with a per share exercise price equal to the market value of a share at the date of grant and an ordinary nil (or nominal) cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. Recovery provisions apply, as referred to below.	The maximum award level is 100% of base salary, or 200% of base salary in exceptional circumstances. The market value of shares subject to an LTIP award will be determined on such basis as the Committee considers appropriate, which will be applied consistently where possible. If a qualifying LTIP is granted, the value of shares subject to the CSOP option will not count towards the limit referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.	For at least 75% of an LTIP award, the performance measures will be based on financial measures (which may include, but are not limited to, earnings per share, relative total shareholder return, and share price). Any balance of an LTIP award will be subject to performance measures based on non-financial measures aligned with the Company's strategic priorities. Subject to the Committee's discretion to amend the formulaic output, awards will vest up to 25% for threshold performance, rising to 100% for maximum performance.

Component	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
All employee share plans	Provision of the Save As You Earn ('SAYE') Scheme creates staff alignment with the Group and provides a sense of ownership across the Group's employee base. Executive Directors may participate in any other all employee share plan as may be introduced from time to time.	Tax qualifying monthly savings scheme facilitating the purchase of shares at a discount. Any other all employee share plan would be operated for Executive Directors in accordance with its rules and on the same basis as for other qualifying employees.	The limit on participation and the permitted discount under the SAYE Scheme will be those set in accordance with the applicable tax legislation from time to time. The limit on participation and other relevant terms of any other all employee share plan would be determined in accordance with the plan rules (and, where relevant, applicable legislation) and would be the same for the Executive Directors as for other relevant employees.	Not subject to performance conditions in line with typical market practice.

Recovery provisions (malus and clawback)

Malus: The annual bonus opportunity and unvested deferred share awards may be cancelled or reduced before payment and an LTIP award may be cancelled or reduced before vesting in the event of material error in assessing a performance condition, material misstatement of results, material failure of risk management, material misconduct, corporate failure or serious reputational damage.

Clawback: For up to two years following payment of a bonus and until the fifth anniversary of the grant of an LTIP award, the bonus may be recovered or the LTIP award cancelled or reduced (if it has not been exercised) or the Executive Director may be required to make a payment to the Company in respect of some or all of the shares acquired in the event of material error in assessing a performance condition, material misstatement of results, material failure of risk management, material misconduct, corporate failure or serious reputational damage.

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

Explanation of performance metrics

Performance measures for the LTIP and annual bonus are selected to reflect the Company's strategy. Stretching performance targets are set each year by the Committee taking into account a number of different factors.

Annual bonus: The Committee currently considers that EBITDA is closely aligned with the Group's key performance metrics, and encourages sustainable growth year by year. Where strategic measures are applied, the bonus rewards the achievement of objectives linked to the future execution of strategy.

LTIP: The application of EPS to the LTIP aligns management's objectives with those of shareholders for the longer term, whilst the use of a share price measure is directly aligned with shareholder value.

The Committee may vary or substitute any performance measure if an event occurs which causes it to determine that it is appropriate to do so (including to take account of acquisitions or divestments, a change in strategy or a change in prevailing market conditions), provided that any such variation or substitution is fair and reasonable and (in the opinion of the Committee) the change would not make the measure less demanding than the original measure would have been but for the event in question. If the Committee were to make such a variation, an explanation would be given in the next Directors' remuneration report.

Operation of share plans

The Committee may amend the terms of awards and options under its share plans in accordance with the plan rules in the event of a variation of the Company's share capital or a demerger, special dividend or other similar event or otherwise in accordance with the rules of those plans. The Committee may operate any such plan in accordance with its rules. Share awards granted under any such plan may be settled in cash or granted as a right to receive a cash amount calculated by reference to a number of notional shares, although the Committee would only do so where the particular circumstances made this the appropriate course of action (for example where a regulatory reason prevented the delivery of shares).

Remuneration policy continued

Shareholding guidelines

To align the interests of the Executive Directors with those of shareholders, the Committee has adopted formal shareholding guidelines. Executive Directors are required to retain half of all shares acquired under the LTIP (after sales to cover tax and any exercise price) until such a time as their holding as a value is equal to 200% of salary. Shares subject to LTIP awards which have vested but not been released (that is which are in a holding period), or which have been released but have not been exercised, and shares subject to deferred bonus awards, count towards the guidelines on a net of assumed tax basis.

The Committee has adopted a formal post-employment shareholding guideline, which will apply with effect from the approval of the Policy. Shares are subject to this guideline only if they are acquired pursuant to LTIP or deferred bonus awards granted after 1 May 2022. Following employment, an Executive Director must retain for one year such of their relevant shares as have a value (as determined by the Committee) equal to 200% of their salary (or, if fewer, all of their relevant shares). The Committee has discretion to waive or vary the post-employment shareholding guideline in exceptional circumstances (for example, in compassionate circumstances, or on a change of control or if a conflict of interest arises with an Executive Director's next appointment).

Policy for Non-Executive Directors

Component	Purpose and link to strategy	Operation	Maximum opportunity
Fees and benefits	To provide fees within a market competitive range reflecting the individual, responsibilities or the role and the expected time commitment. To provide benefits where appropriate which are relevant to the requirements of the role.	The fees of the Chair are determined by the Committee and the fees of the Non-Executive Directors are determined by the Board. Non-Executive Directors may be eligible to receive benefits such as travel and other reasonable expenses.	Fees are set taking into account the responsibilities of the role and expected time commitment. Non-Executive Directors are paid a single all-inclusive fee. A basic fee with additional fees paid for chairing of Committees and assuming the role of Senior Independent Director, may be introduced in the future. Where benefits are provided to Non-Executive Directors they will be provided at a level considered to be appropriate taking into account individual circumstances.

Policy for the remuneration of employees more generally

The Group aims to provide a remuneration package that is competitive and which is appropriate to promote the long term success of the Company. The Company intends to apply this policy fairly and consistently and does not intend to pay more than is necessary to attract and motivate colleagues. In respect of the Executive Directors, a greater proportion of the remuneration package is 'at risk' and determined by reference to the performance conditions.

Base salaries are reviewed annually together with all employees and increases ordinarily become effective from 1 May. The Committee is kept informed of salary increases across the wider workforce and how decisions are made.

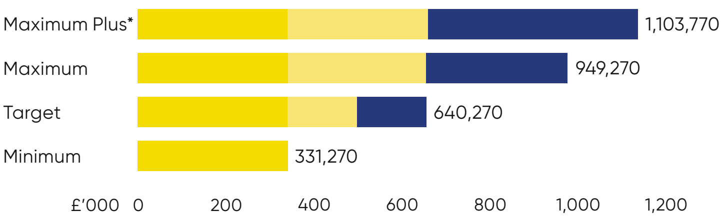
The Board believes that Group success should be shared amongst the wider workforce and therefore, where the business performs strongly, will reward employees taking into account levels of contribution and responsibility.

The Group operates a SAYE Scheme to encourage share ownership across the wider workforce and alignment in longer-term goals.

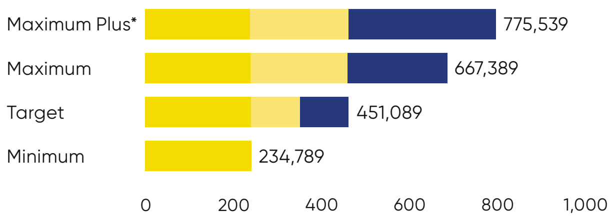
Illustration of Policy application

The following charts provide an illustration, for each of the Executive Directors, of the application of the Policy in FY23. The charts show the split of remuneration between fixed pay (that is base salary, benefits, employer pensions contributions/salary supplement), annual bonus and long-term incentive pay on the basis of minimum remuneration, remuneration receivable for performance in line with The Works' expectations, and maximum remuneration (including and excluding share price appreciation of 50% on the LTIP outcome).

Gavin Peck



Steve Alldridge



- Basic salary and benefits
- Bonus
- Long-term Incentives

* Total value of remuneration package plus 50% increase in share price.

	Fixed pay	Annual bonus	LTIP
Minimum performance	Base salary (being £309,000 in the case of Gavin Peck and £216,300 in the case of Steve Alldridge), employer pension contributions at an assumed rate of 3% on the latest known salary, and benefits disclosed in the single figure table on page 73 for the 2022 financial year.	No bonus	No LTIP vesting
Performance in line with expectations		Bonus equal to 50% of salary is earned	LTIP vests as to 50% of the maximum award, based on current practice
Maximum performance		Bonus equal to 100% of salary is earned	LTIP vests in full (100% of salary)
Maximum performance with share price appreciation of 50%		Bonus equal to 100% of salary is earned	LTIP vests in full (100% of salary) plus share price appreciation of 50%

Recruitment remuneration policy

When hiring a new Executive Director, the Committee will typically align the remuneration package with the Policy.

When determining appropriate remuneration arrangements, the Committee may include other elements of pay which it considers are appropriate. However, this discretion is capped and is subject to the limits referred to below.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate. Pension will be provided in line with the Policy.

The Committee will not offer non-performance related incentive payments (for example a guaranteed sign-on bonus).

Other elements may be included in the following circumstances:

- an interim appointment being made to fill an Executive Director role on a short term basis;
- if exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short term basis;
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long- term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; and
- if the Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or long-term incentive opportunity if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the next Directors' remuneration report.

The maximum level of variable remuneration which may be granted (excluding buyout awards as referred to below) is 300% of salary.

The Committee may make payments or awards in respect of hiring an Executive Director to 'buy out' remuneration arrangements forfeited in connection with leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure buyout awards or payments on a comparable basis to the remuneration arrangements forfeited. Any such payments or awards are excluded from the maximum level of variable remuneration referred to above. Buyout awards will ordinarily be granted on the basis that they are subject to forfeiture or clawback in the event of departure within 12 months of joining The Works, although the Committee will retain discretion not to apply forfeiture or clawback in appropriate circumstances.

Recruitment remuneration policy continued

Any share awards referred to in this section will be granted as far as possible under The Works ordinary share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements will continue in accordance with their terms.

Fees payable to a newly appointed Chair or Non-Executive Director will be in line with the policy in place at the time of the appointment.

Policy on service contracts

The Company's policy is for service agreements with Executive Directors to be capable of termination by either the Company or the Executive Director by the giving of not more than 12 months' notice. The Non-Executive Directors (including the Chair) do not have service contracts, but are instead engaged via letters of appointment. Information in relation to the Executive Directors' service agreements and the Non-Executive Directors' letters of appointment is set out on page 52.

Policy on payments for loss of office

The following table summarises the Company's policy on the determination of payments for loss of office by Executive Directors.

Provision	Treatment
Fixed remuneration	Salary/fees, benefits and pension will be paid to the date of termination.
Payment in lieu of notice	Where a payment in lieu of notice is made, this will include salary, benefits and pension (or a cash equivalent) until the end of the notice period that would otherwise have applied. Alternatively, the Company, may continue to provide the relevant benefits. Unless the Committee determines otherwise, amounts will be paid in equal monthly instalments. Mitigation will apply.
Annual Bonus	This will be reviewed on an individual basis taking into account the terms of the relevant service agreement. The decision whether or not to award a bonus in full or in part will be dependent on a number of factors including the circumstances of the departure, contribution to the business during the bonus period and the terms of the service agreement. Any bonus would typically be pro-rated to reflect time in service to termination and paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances). Any outstanding deferred bonus awards would typically continue (other than in the event of dismissal for gross misconduct, where the entitlement would lapse) and vest at the normal vesting date, although the Committee retains discretion to vest any such award at the date of cessation. In either case, the award will vest in full, unless the Committee determines the award should be reduced to take account of the proportion of the deferral period that has elapsed at cessation.
LTIP	If an Executive Director ceases employment with the Group as a result of death, ill-health, injury, disability or for any other reason at the Committee's discretion before an award under the LTIP vests, the award will usually be released on the ordinary release date (although the Committee retains discretion to release the award as soon as reasonably practicable after the cessation of employment or at some other time, such as following the end of the performance period in the case of an award that would otherwise be subject to a holding period). In either case, the award will vest to the extent determined by reference to the performance conditions and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at cessation. If an Executive Director ceases employment with the Group after an award under the LTIP has vested but before it is released (that is the Executive Director ceases employment during a holding period), the award will continue and be released at the normal release date (unless the cessation is due to dismissal for gross misconduct, in which case the awards will lapse). The award will be released to the extent it has vested by reference to performance conditions. The Committee retains discretion to release the award at cessation.
Change of control	In the event of a change of control, unvested awards under the LTIP will vest and be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the performance period that has elapsed. Any deferred bonus shares will vest on a change of control or other relevant event. Options under the SAYE Scheme will vest on a change of control.

Provision	Treatment
Other payments	The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. Payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his/her cessation of office or employment and payments in respect of accrued but untaken holiday. Where a buyout or other award is made in connection with recruitment, the leaver provisions would be determined at the time of the award. Options under the SAYE Scheme will vest on cessation in accordance with the plan rules, which do not allow discretionary treatment.

The Non-Executive Directors are not entitled to compensation for termination of their appointment.

Consideration of employment conditions elsewhere in the Group

Whilst the Committee does not formally consult with employees as part of its process when determining Executive Director pay, it does take into account pay practices and policies of employees across the wider Group. This includes the general basic salary increase, remuneration arrangements and employment conditions.

Consideration of shareholders' views

The Committee welcomes dialogue with its shareholders. Shareholder views are considered when evaluating and setting the remuneration strategy and the Committee has consulted with key shareholders in relation to the Policy, and will do so in relation to any significant change to it.

Legacy remuneration arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payments were agreed:

- either before the Policy comes into effect, provided that if they were agreed on or after 28 August 2019 (the date on which the Company's first shareholder approved Directors' Remuneration Policy came into effect) they are in line with the Directors' Remuneration Policy in effect at the date they were agreed; and
- or at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Annual report on remuneration

This report has been prepared in accordance with the applicable regulations and the Code.

Composition of the Committee

The members of the Committee are Catherine Glickman (Chair), Carolyn Bradley and Harry Morley.

Duties and responsibilities

The Committee's key responsibilities are:

- reviewing the on-going appropriateness and relevance of Remuneration Policy and agreeing a new policy for shareholders to approve at the 2022 AGM;
- reviewing and approving the remuneration packages of the Executive Directors;
- recommending and monitoring the level and structure of remuneration of senior management; and
- production of the annual report on the Directors' remuneration.

When determining the application of the Directors' Remuneration Policy in FY22, the Committee considered the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture as referred to in the Code. As with the approach in FY21, these were reflected, in particular, in the Executive Directors' LTIP awards which are subject to simple and transparent performance measures based on our appetite for risk, with specific monetary caps added as a further risk mitigation.

As part of its work, the Committee reviewed the remuneration for the wider workforce and related policies and takes these into account when setting the Policy for Executive Director and senior management remuneration.

Meetings and attendees

The Committee met a total of four times during the year and has met three times since the year end. All members attended those meetings.

Performance evaluation

The evaluation of the performance of the Board and its Committees during the year was conducted using questionnaires and was facilitated by the Company Secretary. The questionnaires included a section on the work of the Committee.

The evaluation outcome was discussed at the Remuneration Committee's April 2022 meeting. It confirmed that the Committee operates effectively but reiterated the need for the Committee to continue to ensure that the Remuneration Policy and incentive arrangements operate effectively to incentivise, motivate and retain the Executive and Operational Directors, and senior management.

Advisers

The following people have provided advice to the Committee during the year in relation to its consideration of matters relating to Directors' remuneration:

- Chair, CEO, CFO, People Director and Company Secretary; and
- Deloitte LLP (Deloitte).

Deloitte is retained to provide independent advice to the Committee as required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operated under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte fees for providing remuneration advice to the Committee were £23,950 for FY22. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account Remuneration Consultants Group Code of Conduct when considering this.

Deloitte was appointed by the Committee and has provided share scheme advice and general remuneration advice to the Company.

Single figure table – audited information

The following table sets out total remuneration in respect of FY22 for each person who served as a Director in that year, along with the corresponding remuneration for FY21:

		Salary and fees[1] £000	Benefits[2] £000	Pension[3] £000	Annual bonus[4] £000	Long-term incentive[5] £000	Total £000	Total fixed remuneration £000	Total variable remuneration £000
Executive Directors									
Gavin Peck[6]	**2022**	**300**	**13**	**9**	**234**	**56**	**612**	**322**	**290**
	2021	283	11	9	–	–	303	303	–
Steve Alldridge (appointed 14 May 2021)	**2022**	**203**	**12**	**6**	**163**	**–**	**384**	**221**	**163**
	2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Executive Directors									
Dean Hoyle (stepped down 30 September 2021)[7]	**2022**	**25**	**–**	**–**	**N/A**	**N/A**	**25**	**25**	**N/A**
	2021	67	–	–	N/A	N/A	67	67	N/A
Carolyn Bradley (appointed 30 September 2021)	**2022**	**59**	**–**	**–**	**N/A**	**N/A**	**59**	**59**	**N/A**
	2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Harry Morley[8]	**2022**	**55**	**–**	**–**	**N/A**	**N/A**	**55**	**55**	**N/A**
	2021	52	–	–	N/A	N/A	52	52	N/A
Catherine Glickman[8]	**2022**	**50**	**–**	**–**	**N/A**	**N/A**	**50**	**50**	**N/A**
	2021	47	–	–	N/A	N/A	47	47	N/A

1 **Salary and fees:** The amount of salary/fees earned in respect of the year. The salary and fees for 2021 (and 2022 in the case of Dean Hoyle) reflect the voluntary reductions referred to below.

2 **Benefits:** The taxable value of benefits received in the year: these are principally private medical insurance and car or car allowance. For Gavin Peck the 2022 benefits figure includes his SAYE option granted in August 2021, valued as the aggregate discount of the exercise price from the share price used to determine the exercise price.

3 **Pension:** The pension figure represents the cash value of pension contributions for the Executive Director to the defined contribution pension arrangement and any cash payments in lieu of pension contributions made in the year.

4 **Annual bonus:** The cash value of the bonus earned in respect of the financial year. Details in relation to the bonuses earned for FY22 are set out below.

5 **Long-term incentives:** Gavin Peck was granted an LTIP award in September 2019 which vested by reference to EPS performance over the three financial years ending with FY22. Details of the performance targets and the vesting outturn are set out below. In the single figure table, the value of the LTIP is calculated by reference to a share price of £0.57, being the three month average share price to the end of FY22.

6 As disclosed in the FY21 Directors' remuneration report, Gavin Peck's salary for FY22 remained at £300,000, and Steve Alldridge's was set at £210,000 on his appointment to the Board. In FY21, in response to the closure of stores and furloughing of colleagues due to the pandemic, Gavin Peck agreed to a 33% salary reduction from 1 April 2020 to 30 June 2020.

7 In FY21 in response to the closure of stores and furloughing of colleagues due to the pandemic, the then Chair, Dean Hoyle, agreed to a 100% fee reduction from 1 March 2020 to 31 May 2020 and to a further 100% fee reduction from 1 February 2021 to 30 June 2021.

8 Harry Morley and Catherine Glickman agreed to a 33% fee reduction from 1 April 2020 to 30 June 2020.

Details of Chair and Non-Executive Directors' fees are set out below. These are the same fee levels as have applied since Admission.

	Base fee £000
Chair's fee	100,000
Harry Morley	55,000
Catherine Glickman	50,000

Annual incentive plan – audited information

Each Executive Director was eligible to earn a bonus in respect of FY22 of up to 100% of salary. 90% of the award was based on stretching EBITDA targets, which took account of business rates relief during the year: this paid out at 76.1%. The remaining 10% was based on performance against key strategic objectives, as set out below, with any payout in respect of the strategic objectives element being subject to the achievement of a threshold level of EBITDA performance.

EBITDA element

	Performance (£m)	Vesting (% of maximum the EBITDA element)	Actual performance (£m)	Bonus earned for EBITDA element (% of maximum for EBITDA element)	Bonus earned for EBITDA element (% of salary)
Target	15	50%	16.6	76.1%	68.5%
Maximum	18	100%			

Strategic objectives element

Executive Director	Achievement against Objectives	Bonus earned for strategic objective element (% of salary)
Gavin Peck		
Develop The Works' brand, and communicate the value of the business externally	• Developed and communicated the updated purpose, values and three-year strategic plan externally and internally. • Increased positive analyst and media engagement during the year, and meetings with brokers and potential investors.	**9.5%**
Defining and developing The Works' brand proposition Lead the definition of the brand and customer proposition, and develop The Works' ESG strategy. Develop the brand and customer proposition to grow the customer base, improve customer engagement and optimise the loyalty programme.	• Brand evolution defined and approved by the Board, with clear articulation of brand differentiators and positioning. Plans developed to deliver this brand refresh across the business during FY23. • Product proposition reviewed, aligned to new purpose. Implementation underway with clear evidence of this driving sales growth and appealing to new customers. • Established and chaired the ESG steering group, signed off objectives and workstreams and delivered progress against workstreams. • Loyalty scheme reviewed and future strategy developed including evolution of branding and more proactive marketing of the offering.	
Develop our people – leadership and capability Increase leadership capability through embedding and developing a strong and well-functioning Operational Board.	• Appointment of Commercial Director, Head of Brand, Head of IT Service and Head of Profit Protection; investment in IT, Commercial Buying and Marketing teams to build capability. • Maintained status in Best Places to Work Colleague Survey, coming 13th amongst Top 25 Big Companies to work for with 2% improvement in Leadership score. • Leading a high-performing, collaborative and driven Operational Board; high-quality individual and collective targets set.	
Additional Achievement	• Highly effective leadership navigating global freight challenges and through the cyber attack; the investment in accelerating future IT investment has resulted in robust security.	
Steve Alldridge		
Stakeholder engagement Drive increased engagement with key stakeholders – shareholders and banks specifically post COVID-19.	• Proactive and constructive engagement with stakeholders during FY22, appropriately taking into consideration the stage of the Group's strategic and financial development. • Refinancing completed with commercially competitive terms and fees.	**9%**
Improving business insight and reporting Sponsor project to improve data and performance reporting capabilities, focused on trading performance and stock integrity and accuracy.	• Project plan developed to improve data and reporting; stymied because of other priorities during year. This will be reset as a FY23 priority: investment in additional IT resources will support delivery of this objective in the new financial year. • Investment in commercial financial planning resource and capability to develop team and drive improvement in data and performance reporting capabilities alongside investment in IT systems.	
Strengthen our ESG credentials – control environment Improve our financial control environment, by strengthening the finance team and reviewing key financial processes and controls, specifically stock.	• Significant strengthening of finance leadership and team, with improvement in engagement scores. • Review of key finance processes/controls completed; significant strengthening and embedding of disciplines ahead of FY23, including supporting the establishment of the new Profit Protection function. • Maintained tight internal cost control and cash flow management.	
Lead The Works' financial plan update	• 3 year financial plan updated and aligned with updated strategy.	

Gavin Peck and Steve Alldridge therefore earned a bonus equal to 78% of salary and 77.5% of salary respectively.

Long-term incentives

2019 LTIP award vesting

Gavin Peck was granted an LTIP award in September 2019 which vested by reference to EPS performance over the three financial years ending with FY22, as set out below. The award will not be released to Gavin so that he can exercise it until the end of a further two year holding period.

Shares under award	Threshold performance (compound annual growth in EPS)[2] 20% vesting	Maximum performance (compound annual growth in EPS)[2] 100% vesting	Actual performance (compound annual growth in EPS)	Vesting percentage	Vested shares	Value of vested shares[3]	Dividend equivalent[4]	Total value
250,617[1]	10%	22.1%	12.8%	38.4%	96,151	£54,806	£1,154	£55,960

1 In addition to his LTIP award, Gavin was granted a tax qualifying CSOP option over 37,037 shares with an exercise price of £0.81 per share. To the extent the CSOP award is exercised at a gain, the extent to which the associated LTIP award can be exercised shall be reduced by the amount of the gain so that there is no increase in the pre-tax value of the award. Accordingly, the CSOP award is ignored for the purposes of the table above.

2 Straight-line vesting applies for performance between threshold and maximum.

3 In the table above, the value of the vested shares is estimated based on the three-month average share price to the end of FY22 (£0.57).

4 In accordance with the LTIP rules and the Current Policy, Gavin Peck will be awarded additional shares in respect of dividends over the period to the release of the award. In the period to the date of vesting, these dividend equivalents have a value of £1,154. The number of shares will be determined following the release of the award.

The 2019 LTIP award was granted when the share price was £0.81. The value of the vested shares is estimated based on a share price of £0.57. Therefore, 0% of the value of vested shares is attributable to share price appreciation since the grant date. The Committee did not consider that it was necessary to exercise discretion in respect of share price movements since the grant date.

Long-term incentives - awards granted during the FY22 – Audited information

LTIP awards were granted to Gavin Peck and Steve Alldridge on 30 September 2022 equal to 100% of salary on the following basis:

	Type of award	Maximum opportunity	Number of shares	Face value at grant £[1]	% of award vesting at threshold	Performance period[2]
Gavin Peck	LTIP	100% of salary	638,297	299,999	20%	See footnote 2
Steve Alldridge	LTIP	100% of salary	446,808	209,999	20%	See footnote 2

1 For these purposes, the face value of an award is calculated by multiplying the number of shares over which the award was granted by 47 pence, the average closing share price for each of the three business days prior to the date of grant.

2 Each award is subject to performance conditions assessed over the Company's FY22, FY23 and FY24 financial years as regards the EPS element of the performance condition, with the share price element of the performance condition assessed following the announcement by the Company of its Full Year Trading Update for its FY24 financial year (as described further below). To the extent an award vests following the end of the performance period, it is subject to a further two-year holding period before the shares are released.

A summary of the performance conditions for these awards (with half of each award based on EPS, and half on share price) is set out on page 77. The Committee believes that the Executive Directors have direct influence over both measures, and that targets are stretching but achievable.

SAYE Scheme options granted during FY22 – audited information

Gavin Peck was granted a SAYE Scheme option on 31 August 2021 as detailed below as part of the SAYE Scheme offer made to all eligible colleagues.

	Type of award	Number of shares	Exercise price[1]	Face value at grant (£)[2]
Gavin Peck	SAYE option	16,363	£0.55	11,160

1 In line with the SAYE scheme, this is set at a 20% discount to 68.2 pence, the average closing share price on 3, 4 and 5 August 2021, the three business days prior to the date of invitation.

2 For these purposes, the face value of the option is calculated by multiplying the number of shares over which the option was granted by 68.2 pence the average closing share price for each of the three business days prior to the date of invitation.

Statement of Directors' shareholding and share interests – audited Information

The number of shares of the Company in which the Directors had a beneficial interest, together with details of the Executive Directors long-term incentive interests, as at 1 May 2022, are set out in the table below.

	Outstanding scheme interests' 1 May 2022			Beneficially owned shares		
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures	Total shares subject to outstanding scheme interests[1]	3 May 2021	1 May 2022	Total of all scheme interests and shareholdings at 1 May 2022
Executive Directors						
Gavin Peck	1,736,371	–	1,736,371	554,636	554,636	2,291,007
Steve Alldridge	446,808	–	446,808	–	–	446,808

1 The tax qualifying CSOP awards granted as part of the 2019 awards are not included in these numbers, reflecting that if they were to be exercised the LTIP element of those awards would be reduced to reflect the gain on the CSOP element, as referred to on page 77.

	Outstanding scheme interests' 1 May 2022			Beneficially owned shares		
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures	Total shares subject to outstanding scheme interests	3 May 2021	1 May 2022	Total of all scheme interests and shareholdings at 1 May 2022
Non-Executive Directors						
Carolyn Bradley	–	–	–	N/A	105,866	105,866
Harry Morley	–	–	–	100,000	200,000	200,000
Catherine Glickman	–	–	–	31,812	77,244	77,244

On 21 July 2022, Carolyn Bradley purchased 73,870 shares, bringing her total holding to 179,736. On 10 August 2022, Kate Morley (a person closely associated with Harry Morley), purchased 75,000 shares making Harry Morley's total holding 275,000 shares. On 18 August 2022, Catherine Glickman purchased 103,789 shares, bringing her total holding to 181,033. There have been no further changes to the beneficially owned interests of the Directors between 1 May 2022 and the date of this report other than the partial lapse of Gavin Peck's LTIP award granted in 2019, as referred to in the footnotes to the following table.

Executive Directors' interests under share schemes – audited information

The table below sets out the Executive Directors' interests in the LTIP.

The LTIP awards are subject to performance conditions as set out in the table below.

	Award date	Vesting, exercise or release date	As at 3 May 2021	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares at 1 May 2022	Exercise price
Gavin Peck								
LTIP	22 August 2018[1]	N/A	116,959	–	–	116,959	–	N/A
	3 September 2019[2]	September 2022	250,617	–	–	–	250,617	N/A
	15 February 2021	June 2023	847,457		–	–	847,457	N/A
	30 September 2021	June 2024		638,297			638,297	
SAYE	31 August 2021	1 October 2024	–	16,363			16,363	55 pence
Steve Alldridge								
LTIP	30 September 2021	June 2024	–	446,808	–	–	446,808	N/A

1 In addition to his LTIP award, Gavin Peck was also granted a tax qualifying CSOP awards over 17,543 shares with an exercise price of £1.71 (2018) and 37,037 shares with an exercise price of £0.81 (2019). To the extent a CSOP award is exercised at a gain, the extent to which the associated LTIP award can be exercised shall be reduced by the amount of the gain so that there is no increase in the pre-tax value of the award. The CSOP award granted in 2018 lapsed as referred to in the FY21 Directors' Remuneration Report.

2 38.4% of Gavin Peck's LTIP award granted in 2019 vested by reference to EPS performance over the three financial years ending with FY22. The remaining portion of the award has lapsed. The vested portion of the award will not be released to Gavin so that he can exercise it until the end of a further two year holding period.

The performance condition applying to Gavin Peck's LTIP award granted in 2019 is summarised on page 75.

Vesting of the LTIP award made in February 2021 is based on EPS and share price targets which are set out in the FY21 Directors' Remuneration Report, along with details of the performance underpin, 'windfall gains' underpin and cap.

Vesting of the LTIP awards made in September 2021 is based on EPS and share price targets as set out in the table below.

Measure	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
EPS[1]	50%	5.6 pence	15.6 pence
Share Price[2]	50%	£0.57	£2

1 Basic EPS for the Company's FY24, pre-IFRS16 and subject to such adjustments as the Remuneration Committee determines to ensure that performance is assessed on a fair and consistent basis.

2 Average share price over the period of four weeks beginning with the announcement by the company of its Full Year Trading Update for its 2023/2024 financial year.

The awards are subject to a general performance underpin, whereby the Committee shall assess overall financial performance of the Group over the performance period in determining the level of vesting and an assessment of whether any of the value of the awards on assessment of the performance conditions represents a 'windfall gain'. The awards are also subject to a cap such that the value of the vested shares, determined by reference to the price used to assess the share price element of the performance condition may not exceed £2,500,000 in the case of Gavin Peck's award and £1,750,000 in the case of Steve Alldridge's award.

Directors' share ownership guidelines – Audited information

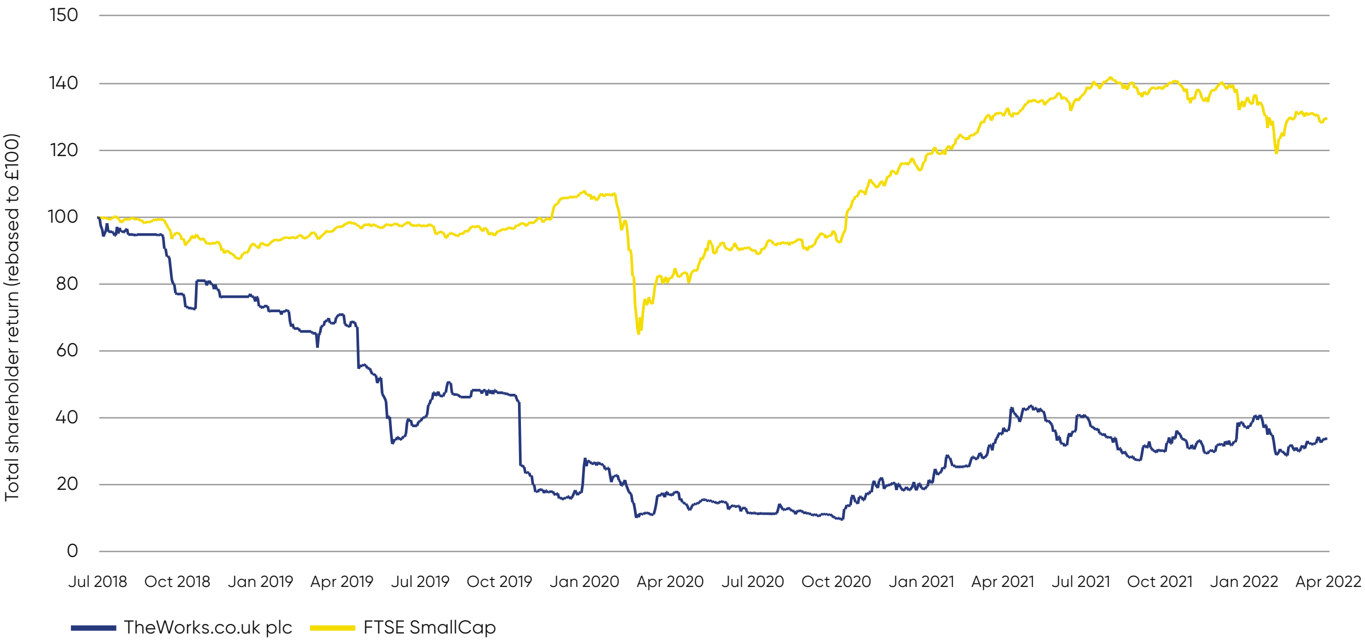
The Committee has adopted a shareholding guideline for the Executive Directors, which requires, as at the date of this Annual Report, a shareholding equivalent to 200% of base salary for the CEO and 100% of base salary for other Executive Directors. As noted above, under the Policy, the shareholding requirement will be increased to 200% of salary for all Executive Directors. Gavin Peck's and Steve Alldridge's shareholding as at 1 May 2022, is summarised below.

Executive Director	Number of shares counting towards the guideline at 1 May 2022	Value of shares counting towards the guideline[1]	Value of shares as a percentage of base salary	Shareholding guideline met?
Gavin Peck	554,636	£315,588	105%	In progress
Steve Alldridge	–	–	–	In progress

1 Based on a share price of 56.9 pence as at 29 April 2022 (being the last trading day prior to the year end of 1 May 2022).

Performance graph and historical CEO remuneration outcomes

The graph below shows the total shareholder return (TSR) performance for the Company's shares in comparison to the FTSE SmallCap for the period from Main Market Admission on 19 July 2018 to 1 May 2022. The TSR performance of the FTSE SmallCap index has been selected as it is considered the most appropriate comparator group. For the purposes of the graph, TSR has been calculated as the percentage change in the market price of the shares during the period, assuming that dividends are reinvested. The graph shows the value, as at 1 May 2022, of £100 invested in shares in the Company on 19 July 2018 compared with £100 invested in the FTSE SmallCap.



The table below sets out the CEO's total remuneration over the last four financial years, valued using the methodology applied to the single total figure of remuneration. The Committee does not believe that the remuneration paid in earlier years as a private company bears any comparative value to that paid in its time as a public company and, therefore, the Committee has chosen to disclose remuneration only for the four most recent financial years (with the figures for FY19 being for the period from Admission on 19 July 2018 to 28 April 2019):

Year (CEO)	Total single figure remuneration £000	Annual bonus payout (% of maximum opportunity)	LTIP vesting (% of maximum number of shares)
2022 (Gavin Peck)	612	78%	38.4%
2021 (Gavin Peck)	303	0%	0%
2020 (Gavin Peck – from 16 January 2020)	85	0%	N/A[1]
2020 (Kevin Keaney – until 16 January 2020)	267	0%	N/A[1]
2019 (Kevin Keaney)	288	0%	N/A[1]

1 There were no LTIP capable of vesting in respect of performance ending during the relevant year.

Change in remuneration of Directors compared to group employees

The table below sets out the annual change in salary and fees, benefits and bonus paid to each of the Directors from FY21 to FY22. The regulations also require a comparison of the change in the remuneration of the employees of TheWorks.co.uk plc. The Company has no employees other than the Executive Directors and, accordingly, strictly no disclosure is required. Given the added complexities of the impact in FY21 of furlough, the Company has not included the average employee salary changes between FY20 and FY21 or between FY21 and FY22, but, in the interests of transparency and having regard to the approach adopted in FY20 and FY21 has provided information on the approach to the change in salary of the Group's UK employees.

Steve Alldridge and Carolyn Bradley were appointed during FY22 and, accordingly, have been excluded from the table below. Notes to the table provide additional information in relation to the changes shown and additional information in relation to the changes in previous years is set out in the relevant previous Directors' remuneration reports.

		Executive Directors	Non-Executive Directors			UK employees' average
		Gavin Peck	Catherine Glickman	Harry Morley	Dean Hoyle	
Salary/Fees	FY20 – FY21	27%	(2%)	(2%)	(23%)	See note 5
	FY21 – FY22	6%[1]	6%[1]	6%[1]	24%[4]	
Taxable benefits	FY20 – FY21	0%	N/A	N/A	N/A	23.49%
	FY21 – FY22	18%[2]	N/A	N/A	N/A	(17.8%)[6]
Annual bonus	FY20 – FY21	N/A	N/A	N/A	N/A	(60.40%)
	FY21 – FY22	N/A[3]	N/A	N/A	N/A	See note 7

1 Gavin Peck's, Catherine Glickman's and Harry Morley's salaries were not increased for FY22, and the increase reflects their voluntary reduction in remuneration in FY21 as explained on page 73 and disclosed in the FY21 Directors' remuneration report.

2 Increase reflects increase due to SAYE discount included in taxable benefits.

3 No annual bonus was earned by Gavin Peck in respect of FY21. Therefore, the percentage change between FY21 and FY22 is not considered to be a meaningful disclosure.

4 Dean Hoyle stepped down from the Board on 30 September 2021. For the purposes of this table, his FY22 fees have been annualised to reflect the fees he would have earned had he not stepped down from the Board in order to provide a meaningful disclosure, but the voluntary reduction in his fees as referred to on page 73 is taken into account.

5 The vast majority of colleagues were furloughed for long periods of FY21, and the average change in employee salary between FY20 and FY21 and between FY21 and FY22 would not, therefore, be a meaningful disclosure. During FY21, rates for store and distribution colleagues were increased in line with increases in the National Living and Minimum Wages, with colleagues aged 25 plus receiving increases of 6.2% in April 2020 and 2.2% in April 2021. We applied an average 2% increase to non-minimum wage colleagues and maintained wage differentials for store teams. In FY22 rates for store and distribution colleagues were increased in line with increases in the National Living and Minimum Wages, with colleagues aged 23 plus receiving an increase of 6.6% in April 2022. We applied an average 3% increase to non-minimum wage colleagues and maintained a wage differential for store teams.

6 The decrease in the UK colleagues' average benefits predominantly reflects an increase in headcount through the year for those not in receipt of taxable benefits. Although this is a relatively large percentage decrease, this reflects a decrease in the average value of benefits provided from c.£145 to c.£119.

7 As reported in FY21, standard bonus schemes were removed and only a small number of exceptional bonuses were paid. In FY22 all colleagues (with the exception of those at Director grade and 2022 new starters) were paid one week's pay as a one-off bonus and therefore the percentage change between FY21 and FY22 is not considered to be a meaningful disclosure.

Relative importance of spend on pay

The following table sets out the total remuneration for all employees and the total shareholder distributions in FY21 and FY22. All figures provided are taken from the relevant Company accounts.

	FY21 £000	**FY22 £000**	Percentage change
Total remuneration for all employees (including Executive Directors)	49,988	**60,031**	20.1%
Dividends and share buy backs	0	**0**	0%

CEO pay ratio

The table below shows how the CEO's remuneration (as taken from the single figure remuneration table and, therefore, taking into account the CEO's voluntary reduction in remuneration in relevant years as disclosed in previous Directors' remuneration reports and on page 73) compares to equivalent remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

	Pay ratio				Remuneration values (£)			
Year	Method	25th percentile	Median	75th percentile		25th percentile	Median	75th percentile
FY22	Option C	33:1	31:1	28:1	Salary only	18,533	19,115	20,389
					Total remuneration	18,637	19,487	21,591
FY21	Option C	17:1	16:1	15:1	Salary only	18,138	18,720	19,448
					Total remuneration	18,138	18,720	19,675
FY20	Option C	21:1	19:1	17:1	Salary only	17,077	18,013	19,925
					Total remuneration	17,077	18,094	20,338

Annual report on remuneration continued

CEO pay ratio continued

Methodology applied to calculate pay ratios

1. The regulations set out three methodologies for determining the CEO pay ratio. We have chosen 'Option C' consistent with the FY20 and FY21 calculations.
2. As ratios could be unduly impacted by joiners and leavers who may not participate in all remuneration arrangements in the year of joining and leaving, the Committee has modified the statutory basis to exclude any employee not employed throughout the financial year.
3. Employee pay data is based on full-time equivalent (FTE) base pay for UK employees as at 31 March of the relevant year (based on FTE salary for salaried employees and hourly pay rates for hourly paid employees), to which actual pension contributions, bonus and benefits have been added, except that the value of SAYE options has been excluded (for the purposes of the FY20 and FY22 calculations) as their value is not considered to have a significant impact on the CEO pay ratios and sourcing the data for each employee is administratively burdensome. The employees have then been ranked by FTE pay and benefits calculated on this basis and the employees at the 25th percentile, 50th percentile (median) and 75th percentile have been identified. The FTE pay and benefits calculated on this basis for those three employees are then compared to the CEO single figure of remuneration to calculate the ratios; the calculations do not, therefore, take into account the impact of the identified employees having been furloughed during any year in which that was relevant.
4. For 2020 the CEO single figure of remuneration used comprises the single total figure for FY20 for Kevin Keaney, plus the single total figure for Gavin Peck for the period of the year from his appointment as CEO (16 January 2020) to 26 April 2020.

The CEO pay ratio has the potential to vary considerably year on year due to a significant proportion of the CEO's remuneration package comprising performance related variable pay. Gavin Peck earned a bonus equal to 78% of salary in respect of FY22 and the LTIP award granted to him in September 2019 is expected to vest at 38.4% of maximum in September 2022. Gavin Peck received no bonus and no LTIP vested in respect of FY21. The variance in incentive outcomes between FY21 and FY22 is the primary reason for the increase in the CEO pay ratio.

The Company considers that the median pay ratio is consistent with pay, reward and progression policies for the Company's employees as a whole.

Payments to past Directors and for loss of office – audited information

No payments for loss of office or to past Directors were made during FY21. As disclosed in the FY20 DRR, when Kevin Keaney, the Company's former CEO, left the business he retained his LTIP award granted in September 2019. This vested to the same extent as Gavin Peck's LTIP award granted in September 2019, meaning that after the time-based pro-ration to reflect the proportion of the performance period that had elapsed when Mr Keaney left the business, his award has vested in respect of 59,749 shares. The award, including dividend equivalents (valued at £717 at the date of vesting), will not be released to Mr Keaney until the end of a further two-year holding period.

Implementation of the Policy

Information on how the Committee intends to implement the Policy is set out on page 62 and 63.

Shareholder voting at AGM

The following table shows the results of the binding vote on the Directors' Remuneration Policy at our 2019 AGM, and the advisory vote on the Directors' remuneration report at our 2021 AGM:

	Approval of the Remuneration Policy		Approval of the Directors' remuneration report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	50,116,302	99.99	39,533,298	99.96
Against	1,500	0.01	15,288	0.04
Withheld	0	N/A	2,810	N/A

Approval

This report was approved by the Board on 23 September 2022 and signed on its behalf by:

Catherine Glickman
Chair of the Remuneration Committee
23 September 2022

Directors' report

The Directors present their report for the financial year ended 1 May 2022. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 and Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, can be located as follows:

Disclosure	Location
Future business developments	Strategic report – pages 01 to 46.
Environmental policy	ESG review – pages 28 to 38.
Employee engagement	Our stakeholders – pages 24 and 25. ESG review – pages 28 to 38. Corporate governance report – page 53.
Diversity policy	Nomination Committee report – page 58.
Viability	Viability statement – pages 45 and 46.
Section 172 statement	Page 26.
Stakeholder engagement in key decisions	Our stakeholders – pages 24 and 25. Section 172 statement – page 26. Corporate governance report – page 50.
Corporate governance compliance statement	Corporate governance report – page 50.
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 25 to the financial statements – pages 119 to 123.
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Note 25 to the financial statements – pages 119 to 123.
Details of long-term incentive schemes	Directors' remuneration report – page 75.
Statement of Directors' responsibilities	Page 84.

Directors

The Directors of the Company who held office throughout the period are set out below:

Gavin Peck (CEO)

Harry Morley (Senior Independent Director)

Catherine Glickman (Non-Executive Director)

During FY22 the following changes to the Directors of the Company occurred: on 30 September 2021, Carolyn Bradley was appointed a Director and became Chair of the Board; Steve Alldridge, having been appointed as permanent CFO, was appointed as a Director of the Company, with effect from 14 May 2021; Dean Hoyle retired as a Director on 30 September 2021.

Summaries of the current Directors' key skills and experience are included on pages 48 and 49.

Results and dividend

The results for the year are set out in the consolidated income statement on page 92. The Directors are proposing a final dividend for the year ended 1 May 2022 of 2.4 pence per share payable on 24 November 2022, to shareholders on the register on 4 November 2022.

Articles of Association

The rules governing the appointment and replacement of Directors are set out in the Company's Articles. The Articles may be amended by a special resolution of the Company's shareholders. The Articles also set out in full the powers of the Directors in relation to issuing shares and buying back the Company's own shares.

Share capital

Details of the Company's share capital, including changes during the year, are set out in Note 24 to the financial statements. As at 1 May 2022, the Company's issued share capital consisted of 62,500,000 ordinary shares of 1 pence each. There have been no changes to the Company's issued share capital since the financial period end.

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions of the size of a holding or on the transfer of the ordinary shares.

The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 30 September 2021, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of Section 693 of the Companies Act 2006) purchase up to a maximum of 6,250,000 of its ordinary shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire at the AGM to be held on 27 October 2022, and accordingly has an unexpired authority to purchase up to 6,250,000 ordinary shares with a nominal value of £62,500.00. A resolution to renew the authority for a further year will be proposed at the 2022 AGM.

Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 1 May 2022 is set out in the Directors' remuneration report on page 76.

Directors' indemnities

The Company's Articles provide, subject to the provisions of UK legislation, an indemnity for Directors and Officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers.

Directors' and Officers' liability insurance cover is maintained by the Company and is in place in respect of all the Company's Directors at the date of this report. The Company reviews its level of cover on an annual basis.

Compensation for loss of office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's LTIP and other share schemes may cause options and awards outstanding under such schemes to vest on a takeover. Further information is provided in the Directors' remuneration report on page 63.

Significant interests

The table below shows the interests in shares notified to the Company in accordance with the Disclosure Guidance and Transparency Rules as at 1 May 2022, and 13 September 2022 (being the latest practicable date prior to publication of this Annual Report):

	As at 1 May 2022		As at 14 September 2022	
Name of shareholder	Number of ordinary shares of 1 pence each held	Percentage of total voting rights held	Number of ordinary shares of 1 pence each held	Percentage of total voting rights held
Schroders plc	12,043,141	19.27%	12,043,141	19.27%
Dean Hoyle (including interest of Janet Hoyle)	10,329,378	16.53%	10,329,378	16.53%
Jupiter Fund Management plc	6,467,667	10.34%	5,317,667	8.50%
Standard Life Aberdeen plc	3,109,275	4.97%	3,109,275	4.97%
BennBridge Limited	3,054,597	4.89%	3,054,597	4.89%
Canaccord Genuity Group Inc.	–	–	3,000,000	4.80%
Downing Strategic Micro-Cap Investment Trust	–	–	1,950,000	3.12%
Graeme Coulthard	–	–	1,910,247	3.06%

Branches outside the UK

Other than ten stores located in the Republic of Ireland, the Company has no branches outside the UK.

Employee involvement

Information relating to employees of the Group and how the Company engages with its workforce can be found on pages 24 and 25.

Disabled employees

It is the policy of the Group to provide equal recruitment and other opportunities for all colleagues regardless of sex, age, religion, race, disability or sexual orientation. The Group gives full consideration to applications for employment from disabled people, where they adequately fulfil the requirements of the job. Once employed by the Group, we ensure that disabled colleagues have full access to training and career development opportunities. Where colleagues become disabled, it is the Group's policy to provide continuing employment and retraining where practicable.

Political donations

The Company did not make any political donations during the year.

Change of control – significant agreements

There are a number of agreements that may take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements and property lease arrangements.

The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the Company's committed bank facility dated 10 June 2022 which contains a provision such that, in the event of a change of control, the facility may be cancelled and all outstanding amounts, together with accrued interest, will become repayable on the date falling 30 days following written notice being given by the lenders that the facility has been cancelled.

Audit information

Each of the Directors at the date of the approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- the Director has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

KPMG LLP have indicated its willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held on 27 October 2022. The Notice of AGM is contained in a separate letter from the Chair accompanying this report.

Post-balance sheet events

Other than as disclosed in the Strategic report, there have been no material post-balance sheet events involving the Company or any of the Company's subsidiaries as at the date of this report.

The Strategic report on pages 1 to 46 and this Directors' report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

By order of the Board

Gavin Peck
Chief Executive Officer
23 September 2022

Statement of Directors’ responsibilities

Statement of Directors’ responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations. The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of UK adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with accounting standards including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group annual statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of UK adopted International Accounting Standards;
- for the Parent Company annual statements, state whether appropriate UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company annual statements;
- assess the Group and Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and that enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors’ report, Directors’ remuneration report and Corporate governance report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

By order of the Board

Gavin Peck
Chief Executive Officer
23 September 2022

Independent auditor's report
To the Members of TheWorks.co.uk plc

1. Our opinion is unmodified

We have audited the financial statements of TheWorks.co.uk plc ("the Company") for the 52 week period ended 1 May 2022 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement, Company statement of financial position and Company statement of changes in equity and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 1 May 2022 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 11 July 2018. The period of total uninterrupted engagement is for the 4 financial years ended 1 May 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole		£750k (2021:£500k) 0.29% (2021: 0.28%) of revenue
Coverage		100% (2021: 100%) of revenue
Key audit matters		**2022 vs 2021**
Recurring risks	Existence of inventory held in stores	◄►
	Going concern	◄►
	Carrying amount of Parent Company investment in subsidiaries	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The UK government COVID trading restrictions imposed on non-essential retailers in FY21 was regarded as an impairment trigger for all stores and in these circumstances we determined that the carrying value of stores had a high degree of estimation uncertainty, albeit lower than in FY20 due to the success of the government's vaccination programme. The COVID trading restrictions also interrupted the company's normal process for selling through terminal stock and in these circumstances we determined that there was a high degree of estimation uncertainty associated with the NRV provision. These restrictions no longer apply and, accordingly, we no longer consider these two matters to be a key audit matters.

	The risk	Our response
Existence of inventory held in stores £20.4 million; 2021: £21.2 million Refer to page 54 (Audit Committee Report), page 97 (accounting policy) and page 115 (financial disclosures).	**Subjective estimation** Inventory is a significant balance. It is held in stores, at the Company warehouse and at a third party logistics provider. The risks described below relate to inventory held at the stores. It is usual in a retail environment for differences to arise between the inventory records and physical quantities for a variety of reasons, including theft and other losses, often referred to as shrinkage. The existence and completeness of inventory and the extent of any shrinkage is assessed by management through sample inventory counts at every store throughout the year ("tactical counts") and full wall-to-wall at a number of stores ("4-wall counts") (together "management's count processes"). The inventory records are adjusted to reflect results of management's count processes. A shrinkage provision is established to cater for an estimate of the losses incurred between the count dates and the year end. Management's count processes in the stores during FY22 was disrupted by a cyber incident in March. As a result, management has not been able to conduct as many 4 wall counts as planned to confirm the existence and completeness of store inventory during the course of the year. Therefore, management has conducted 4-wall counts at a sample of stores and has estimated the level of shrinkage on this basis. It is possible that the results of the sample selected may not be representative of the population as a whole. The effect of these matters is that, as part of our risk assessment, we determined that the provision for shrinkage has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 17) disclose the sensitivity estimated by the group.	Our procedures included: • **Tests of detail:** We counted 1,485 lines items at 30 stores and compared our count results with the company inventory records; • **Assessing methodology:** We assessed the methodology used by the group to calculate the shrinkage provision; • **Independent reperformance:** We performed our own evaluation of the projected shrinkage based on our count results, which we compared to management's estimate; and • **Assessing transparency:** We assessed the adequacy of the group's disclosures about the degree of estimation involved in arriving at the shrinkage provision. We performed the detailed tests above rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. **Our results** We found the provision for existence of inventory held in the stores to be acceptable (2021: acceptable).

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Going concern Refer to page 54 (Audit Committee Report), page 97 (accounting policy).	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were those associated with the revenues forecasts and how thy might be impacted by the effect of inflation on disposable incomes and consumer demand. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures included: • **Funding assessment:** Considering the availability and sufficiency of the financing arrangements in place at the Group, including the headroom on financial covenants in place on the Group's renewed revolving credit facility; • **Sensitivity analysis:** Challenging the stress testing performed by the Directors considering the severe but plausible scenarios that could arise; • **Historical comparisons:** Assessing historical forecasting accuracy, by comparing previous forecast results to those actually achieved by the Group; • **Assessing assumptions:** Assessing the key assumptions (including growth rates in turnover and margin expectations) as included in the directors' business plans and approved at the period-end date by considering historic store performance, recent trading and sector knowledge to set our own expectations; • **Evaluating directors' intent:** Evaluating the achievability of the actions the directors consider they would take to improve the position should the risks materialise, taking into account the extent to which the directors can control the timing and outcome of these; • **Comparing assumptions:** Considering whether the forecasts and assumptions used by the Directors are consistent with other forecasts used by the Group (including those used to assess recoverability of Parent Company investments in subsidiaries and recoverability of store assets); • **Conducting sensitivity analysis:** We considered the directors' downside scenario, including performing our own sensitivity analysis and comparing that to management's and, as a result, required management to consider a more severe downside in more detail; and • **Assessing transparency:** Considering whether the going concern disclosure in the basis of preparation of the accounts gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and corresponding assumptions. **Our results** We found the going concern disclosures in the basis of preparation of the accounts without any material uncertainty to be acceptable (2021: acceptable).

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Carrying amount of Parent Company investment in subsidiaries £57.3 million (2021: 57.3 million) Refer to page 54 (Audit Committee Report), page 97 (accounting policy) and page 129 (financial disclosures).	**Forecast-based assessment** The carrying amount of the Parent Company's investments in subsidiaries represents 100% (2021: 80.1%) of the Parent Company's total assets. The net assets of the subsidiaries are less than the carrying amount of the Parent Company's investment which is therefore assessed with reference to their discounted forecast future cash flows. This is inherently judgemental due to the subjectivity and uncertainty involved in selecting the appropriate key assumptions and preparing future discounted cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of the parent company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (Note 33) disclose the sensitivity estimated by the Company.	Our procedures included: **Our sector experience:** We used our sector knowledge and understanding of the business and considered whether or not they had been appropriately captured in the impairment models; **Our valuation expertise:** We used our experience to assist us in assessing appropriateness of the methodology and assumptions. In addition we performed an independent calculation of the discount rate based on market data to assist us in assessing the discount rate assumptions used by the Group; **Assessing assumptions:** Assessing the key assumptions (including growth rates in turnover and margin expectations) as included in the directors' business plans and approved at the period-end date by considering historic performance and industry forecasts to set our own expectations; **Sensitivity analysis:** We applied sensitivities to key assumptions to assess their impact on the recoverability of the assets; **Historical comparison:** We evaluated the historical accuracy of the Group's forecasts by comparing previous budget to actual results; **Comparing valuations:** We compared the results of discounted cash flows against the Group's market capitalisation, after adjusting for intercompany debt to assess the reasonableness of those cash flows; and **Assessing transparency:** We also considered the adequacy of the Group's disclosure of the key risks and sensitivity around the outcome, and whether that disclosure reflected the risks inherent in the valuation of investments in subsidiaries. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** The results of our testing were satisfactory and we found the impairment recorded and the resulting carrying value of the investment in subsidiaries to be acceptable (2021: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £750k (2021: £500k), determined with reference to a benchmark of revenue of £265m (2021: £181m) of which it represents 0.28% (2021: 0.28%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £600k (2021: £400k), This is lower than the materiality we would otherwise have determined with reference to a benchmark of Company net assets, of which it represents 80% (2021: 80%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2021: 75%) of materiality for the financial statements as a whole, which equates to £487.5k (2021: £375k). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies in the control environment during the prior period.

3. Our application of materiality and an overview of the scope of our audit continued

Performance materiality for the parent Company was set at 75% (2021: 75%) which equates to £450k (2021: £300k). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £37.5k (2021: £25k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

As disclosed on page 8, the company experienced a cyber security incident involving unauthorised access to its computer systems which temporarily affected till systems, replenishment deliveries to stores and delayed the fulfilment of online orders. With support from our cyber security specialists, we considered management's response to this incident and assessed the risks of misstatement that it gave rise to and determined that the impact on the audit approach was limited given its substantive nature.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality and performance materiality levels set out above.

4. Going concern

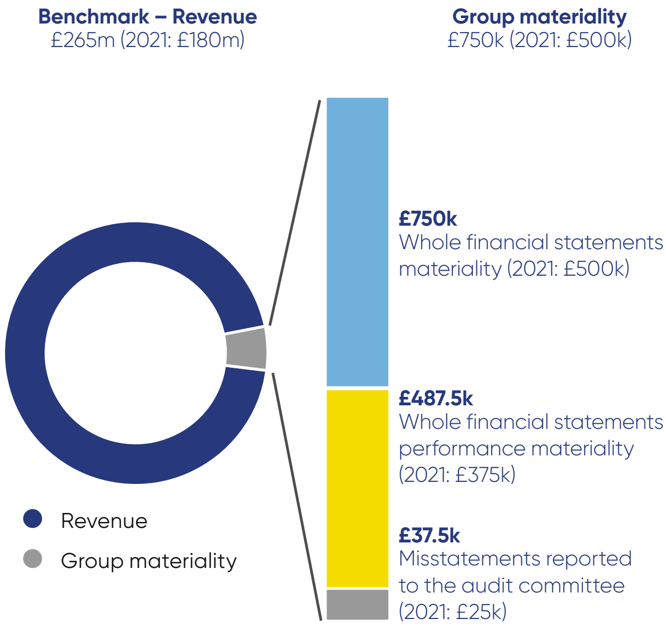
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 81 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.



5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, audit committee, and remuneration committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for directors and how these are impacted by separately disclosed items; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition due to the simple recognition criteria the majority of revenue streams, which are recognised at the point of sale and the limited opportunity for management to manipulate the revenue recognised.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included: unusual revenue pairings and unusual journals with a credit or debit entry to cash.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other information in the Annual Report continued

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement page 45 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement, set out on page 45 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 84, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Anthony Sykes
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
23 September 2022

Consolidated income statement

For the period ended 1 May 2022

		52 weeks to 1 May 2022			53 weeks to 2 May 2021 (Restated – Note 5, Note 7)		
	Note	Result before Adjusting items £000	Adjusting items £000	Total £000	Result before Adjusting items £000	Adjusting items £000	Total £000
Revenue	3	**264,630**	**–**	**264,630**	180,680	–	180,680
Cost of sales		**(216,082)**	**29**	**(216,053)**	(170,342)	975	(169,367)
Gross profit		**48,548**	**29**	**48,577**	10,338	975	11,313
Other operating income	4	**(111)**	**–**	**(111)**	17,081	–	17,081
Distribution expenses		**(9,128)**	**–**	**(9,128)**	(6,440)	–	(6,440)
Administrative expenses		**(24,004)**	**–**	**(24,004)**	(19,088)	(199)	(19,287)
Operating profit	7	**15,305**	**29**	**15,334**	1,891	776	2,667
Finance income		**16**	**–**	**16**	18	–	18
Finance expenses		**(5,192)**	**–**	**(5,192)**	(5,486)	–	(5,486)
Net financing expense	9	**(5,176)**	**–**	**(5,176)**	(5,468)	–	(5,468)
Profit/(loss) before tax		**10,129**	**29**	**10,158**	(3,577)	776	(2,801)
Taxation	10	**(1,436)**	**–**	**(1,436)**	502	–	502
Profit/(loss) for the period		**8,693**	**29**	**8,722**	(3,075)	776	(2,299)
Profit/(loss) before tax and IFRS 16	5	**9,525**	**(241)**	**9,284**	(3,395)	(94)	(3,489)
Basic earnings per share (pence)	12	**13.9**		**14.0**	(4.9)		(3.7)
Diluted earnings per share (pence)	12	**13.7**		**13.7**	(4.9)		(3.7)

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

Consolidated statement of comprehensive income
For the period ended 1 May 2022

	FY22 £000	FY21 £000
Profit/(loss) for the year	**8,722**	(2,299)
Items that may be recycled subsequently into profit and loss		
Cash flow hedges – changes in fair value	**4,181**	(2,865)
Cash flow hedges – reclassified to profit and loss	**(321)**	252
Cost of hedging reserve – changes in fair value	**(83)**	(90)
Cost of hedging reserve – reclassified to profit and loss	**94**	(160)
Tax relating to components of other comprehensive income	**–**	536
Other comprehensive income/(expense) for the period, net of income tax	**3,871**	(2,327)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Parent	**12,593**	(4,626)

Consolidated statement of financial position

As at 1 May 2022

	Note	FY22 £000	FY21 (Restated – Note 14) £000
Non-current assets			
Intangible assets	13	**2,672**	2,463
Property, plant and equipment	14	**13,970**	17,524
Right-of-use assets	14, 15	**94,351**	112,542
Deferred tax assets	16	**3,477**	2,852
		114,470	135,381
Current assets			
Inventories	17	**29,387**	29,132
Trade and other receivables	18	**8,427**	6,913
Derivative financial asset	25	**2,393**	–
Current tax asset		**–**	704
Cash and cash equivalents	19	**16,280**	8,315
		56,487	45,064
Total assets		**170,957**	180,445
Current liabilities			
Interest-bearing loans and borrowings	20	**–**	7,095
Lease liabilities	15, 20	**25,434**	31,552
Trade and other payables	21	**35,958**	26,188
Provisions	22	**204**	718
Derivative financial liability	25	**–**	1,649
Current tax liability		**1,115**	–
		62,711	67,202
Non-current liabilities			
Lease liabilities	15, 20	**85,702**	104,362
Provisions	22	**913**	–
Derivative financial liability	25	**–**	53
		86,615	104,415
Total liabilities		**149,326**	171,617
Net assets		**21,631**	8,828
Equity attributable to equity holders of the Parent			
Share capital	24	**625**	625
Share premium	24	**28,322**	28,322
Merger reserve		**(54)**	(54)
Share-based payment reserve		**2,252**	1,601
Hedging reserve		**2,227**	(1,203)
Retained earnings		**(11,741)**	(20,463)
Total equity		**21,631**	8,828

These financial statements were approved by the Board of Directors on 23 September 2022 and were signed on its behalf by:

Steve Alldridge
Chief Financial Officer

Company registered number: 11325534

Consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Hedging reserve[1] £000	Retained earnings £000	Total equity £000
Balance at 26 April 2020	625	28,322	(54)	1,506	1,171	(18,164)	13,406
Total comprehensive income for the period							
Loss for the period	–	–	–	–	–	(2,299)	(2,299)
Other comprehensive income/(expense)	–	–	–	14	(2,341)	–	(2,327)
Total comprehensive income/(expense) for the period	–	–	–	14	(2,341)	(2,299)	(4,626)
Hedging gains and losses and costs of hedging transferred to the cost of inventory (Note 25)	–	–	–	–	(33)	–	(33)
Transactions with owners of the Company							
Share-based payment charges	–	–	–	81	–	–	81
Total transactions with owners	–	–	–	81	–	–	81
Balance at 2 May 2021	625	28,322	(54)	1,601	(1,203)	(20,463)	8,828
Total comprehensive income for the period							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**8,722**	**8,722**
Other comprehensive income	**–**	**–**	**–**	**–**	**3,871**	**–**	**3,871**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**3,871**	**8,722**	**12,593**
Hedging gains and losses and costs of hedging transferred to the cost of inventory (Note 25)	**–**	**–**	**–**	**–**	**(441)**	**–**	**(441)**
Transactions with owners of the Company							
Share-based payment charges	**–**	**–**	**–**	**651**	**–**	**–**	**651**
Total transactions with owners	**–**	**–**	**–**	**651**	**–**	**–**	**651**
Balance at 1 May 2022	**625**	**28,322**	**(54)**	**2,252**	**2,227**	**(11,741)**	**21,631**

1 Hedging reserve includes £175,956 (FY21: £155,124) 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.

Consolidated cash flow statement

For the period ended 1 May 2022

	FY22 £000	FY21 (Restated – Note 14) £000
Profit/(loss) for the year (including Adjusting items)	**8,722**	(2,299)
Adjustments for:		
Depreciation of property, plant and equipment	**5,005**	5,187
Impairment of property, plant and equipment	**416**	957
Reversal of impairment of property, plant and equipment	**(175)**	(1,000)
Depreciation of right-of-use assets	**20,029**	23,311
Impairment of right-of-use assets	**710**	4
Reversal of impairment of right-of-use assets	**(980)**	(874)
Amortisation of intangible assets	**806**	947
Derivative exchange gain	**289**	(444)
Financial income	**(16)**	(18)
Financial expense	**692**	617
Interest on lease liabilities	**4,500**	4,869
Loss on disposal of property, plant and equipment	**244**	262
Loss on disposal of right-of-use assets	**2,066**	373
Profit on disposal of lease liability	**(2,340)**	(464)
Loss on disposal of intangible assets	**–**	311
Share-based payment charges	**651**	81
Taxation	**1,436**	(502)
Operating cash flows before changes in working capital	**42,055**	31,318
(Increase)/decrease in trade and other receivables	**(1,514)**	1,217
Increase in inventories	**(892)**	(2,284)
Increase in trade and other payables	**9,336**	167
Increase/(decrease) in provisions	**399**	(261)
Cash flows from operating activities	**49,384**	30,157
Corporation tax paid	**(222)**	(30)
Net cash inflow from operating activities	**49,162**	30,127
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,936)**	(1,869)
Acquisition of intangible assets	**(1,015)**	(526)
Interest received	**16**	18
Net cash outflow from investing activities	**(2,935)**	(2,377)
Cash flows from financing activities		
Payment of lease liabilities (capital)	**(25,969)**	(14,327)
Payment of lease liabilities (interest)	**(4,500)**	(4,869)
Payment of RCF fees	**–**	(619)
Other interest paid	**(157)**	(279)
Repayment of bank borrowings	**(7,500)**	(10,000)
Issue of bank loan	**–**	7,500
Net cash outflow from financing activities	**(38,126)**	(22,594)
Net increase in cash and cash equivalents	**8,101**	5,156
Exchange rate movements	**(136)**	218
Cash and cash equivalents at beginning of year	**8,315**	2,941
Cash and cash equivalents at end of year	**16,280**	8,315

Notes to the consolidated financial statements
(Forming part of the financial statements)

1. Accounting policies

Where accounting policies are particular to an individual note, narrative regarding the policy is included with the relevant note; for example, the accounting policy in relation to inventory is detailed in Note 17 (Inventories).

(a) General information

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

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

These consolidated financial statements for the 52 weeks ended 1 May 2022 (FY22 or the 'Period') comprise the results of the Company and its subsidiaries (together referred to as the 'Group'), and are presented in pounds sterling. All values are rounded to the nearest thousand (£000), except when otherwise indicated.

(b) Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards.

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

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

(i) Going concern

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

The Directors have assessed the prospects of the Group, taking into account its current position and the potential impact of the principal risks documented in the Strategic report on pages 39 to 44.

The Group has prepared cash flow forecasts for a period of at least twelve months from the date of approval of these financial statements, based on the Board's forecast for FY23 and its 3 Year Plan, referred to as the 'Base Case' scenario. In addition, a 'severe but plausible' 'Downside Case' sensitivity has been prepared to support the Board's conclusion regarding going concern, by stress testing the Base Case to indicate the financial headroom resulting from applying more pessimistic assumptions.

In assessing the basis of preparation the Directors have considered:

- the external environment;
- the Group's financial position including the quantum and expectations regarding availability of bank facilities;
- the potential impact on financial performance of the risks described in the Strategic report;
- the output of the Base Case scenario, which represents the Group's 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; and
- the response to situations in which consumer market conditions are even more severe than the Downside Case.

These factors are described below.

External environment

The risks which were most prominent in the Board's consideration of going concern are those relating to the economy and the market, with the nature of these risks having altered significantly since last year's Annual Report. COVID-19 was the dominant factor in making this judgement in relation to the financial statements for FY20 and FY21, but the Board's assessment is that there is now only a residual risk associated with this. Instead, the risk of weaker consumer demand is now considered to be the greatest risk, due to the factors that have been widely reported externally in recent months, including a much higher level of inflation and concerns about its effect on household budgets and consumer spending on discretionary items.

The potential adverse impact on trading in the event of a further weakening of consumer demand due to general economic or market weakness is considered to be of a smaller magnitude than the impact of the full national lockdowns which were experienced during periods of the COVID-19 pandemic.

Risks relating to Brexit are not considered significant for the Group and therefore are not expected to have any bearing on the basis of preparation of the financial statements.

1. Accounting policies continued

(b) Basis of preparation continued

(i) Going concern continued

Financial position and bank facilities
The cash and borrowings of the Group at the period end are shown in the financial statement Notes 19 (Cash and cash equivalents) and 20 (Borrowings). In addition, Note 25 (Financial instruments) describes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

At 1 May 2022 the Group held net cash (excluding lease liabilities) of £16.3m (FY21: net cash (excluding lease liabilities) of £0.8m).

The Group's bank facilities were renewed in June 2022, and now comprise a larger revolving credit facility (RCF), increased to £30.0m which terminates at the end of November 2025. The facility includes two financial covenants which are structured in a way that is typical for a retail business of this size. The covenants are tested quarterly:

1. the level of net debt to LTM (last twelve months' rolling) EBITDA (maximum ratio 2.5x).
2. the 'Fixed Charge Cover' or ratio of LTM EBITDA prior to deducting rent and interest, to LTM rent and interest (minimum ratio 1.20x until 31 October 2023, 1.25x until 31 October 2024 and 1.30x thereafter).

The bank facility is larger than the Group expects to use, and has been sized in this way to provide the Board and stakeholders with additional assurance as to the availability of liquidity, given the current heightened levels of uncertainty as regards the economy and external environment, and to provide such assurance beyond the going concern period.

Potential impact of risks on Base Case and Downside Case scenarios
The 'Principal risks and uncertainties' section of the Strategic report, on pages 39 to 44, sets out the main risks that the Board considers could threaten the Group's business model, future performance, solvency or liquidity.

It is considered unlikely that all the risks would manifest themselves to adversely affect the business at the same time. The Directors have estimated what the most likely combination of risks might be that could materialise within the going concern assessment period and how the business might be affected; this combination of risks is reflected in the Base Case assumptions. As noted above, the most prominent risk in the near term is considered to be the risk of lower consumer spending due to a weakened economy, which could affect sales, costs and liquidity.

During FY22 the Group experienced a cyber security incident. This had a limited immediate/direct impact on trading towards the end of FY22 and there was a residual effect on trading during early FY23 as the Group took the decision to implement a very cautious and low risk approach to reinstating its systems, whilst simultaneously introducing significantly strengthened cyber security measures. As a result of these measures the Board considers that the risk of a material impact from any future cyber security attack is lessened.

The Downside Case scenario takes into consideration the same risks as the Base Case but assumes that their effects are more severe, especially the level of disruption that could be experienced if consumer spending weakens significantly from its already reduced level, during the coming peak trading season.

Base Case scenario
The Base Case scenario assumptions are aligned with the Group's internal forecast:

- during FY22 sales were adversely impacted during the peak trading season by significant disruptions to the flow of stock into the business due to problems in the ocean freight system and store sales were also affected by the Omicron COVID-19 variant. The Base Case assumes that sales are not affected by these factors during the going concern period;
- online sales levels during the early part of FY23 have been lower than expected. The Base Case assumes that online sales improve from their recent levels but not to the level initially expected, despite the fact that the Group plans to implement measures to improve online sales;
- the gross margin assumptions include provision for the continuation for a longer period than initially expected of higher than normal ocean container freight costs, until the end of FY23. Thereafter it is assumed that any reduction in freight rates will, broadly, be offset by a less favourable currency exchange rate than the hedged rate during FY23;
- the Base Case provides for known or expected inflationary increases including those associated with significantly higher electricity prices which are assumed to double and not to reduce during the going concern period, and wage rates including further increases in the National Living Wage;
- capital expenditure levels are in line with the Group's strategic plan, which would enable a reduction in capital expenditure in the event of a Downside scenario occurring; and
- the plan allows for the resumption of dividend payments.

Under the Base Case scenario, the Group's forecasts show that it will not draw on its bank facility at any point. Whilst it may not be relevant given it is not envisaged that the facility would be used under the Base Case scenario, nevertheless the Base Case indicates that the financial covenants are complied with at all times.

The output of the Base Case model scenario therefore indicates that the Group would have sufficient financial resources to continue to meet its liabilities as they fall due over the going concern period.

STRATEGIC REPORT CORPORATE GOVERNANCE FINANCIAL STATEMENTS

1. Accounting policies continued

(b) Basis of preparation continued

(i) Going concern continued

Measures to maintain or increase liquidity in the event of a significant downturn in trading
During the COVID-19 pandemic the Group demonstrated that it was capable of taking measures to maintain or improve liquidity, and subsequently, during FY22, the Group has continued to generate positive cash flow.

If deemed necessary, mitigating actions would be taken in response to a significant downturn in trading, which would increase liquidity. These may 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 have been noted as additional measures that may be taken in practice 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 conditions compared to the Base Case:

- store LFL sales are assumed to be 5% lower than the Base Case during the peak period prior to Christmas 2022, to allow for the possibility that consumer spending is adversely affected for the reasons described above. Recent store sales levels have been slightly above the Base Case level;
- online sales are assumed to be lower than in the Base Case, reflecting the possibility that the recent performance is due to external factors beyond our control, such as a shift in consumer shopping patterns away from online sales, and/or the failure by the Group to successfully implement some or all of its plans to improve the online sales performance;
- the gross margin assumptions are consistent with the Base Case, which the Board believes already takes a sufficiently cautious view of expected freight rates, even allowing for a severe but plausible Downside scenario; and
- volume related costs in the Downside Case are lowered where they move directly with sales levels; for example, online fulfilment and marketing costs are assumed to reduce to correspond with the lower online sales. The model also reflects certain steps which could be taken to mitigate the effect of lower sales levels, depending on management's assessment of the situation at the time. These include adjustments to stock purchases, reducing capital expenditure, reductions in headcount or labour usage, a reduction in discounts allowed as part of the Group's loyalty scheme and suspending the payment of dividends.

Under the Downside Case scenario, due to the mitigations built into the model, the Group's forecasts show that it will not draw on its bank facility at any point during the going concern period. Again, whilst it is may not be relevant if the facility is not actually required, nevertheless the Downside Case also indicates that the financial covenants are complied with at all times.

Having considered the output of the Downside Case and the additional mitigating steps available, the Board's conclusion is that the business would continue to have adequate resources to continue in operation under this severe but plausible set of assumptions.

Consideration of more severe scenarios
Given the current rate of inflation and its potential impact on consumer confidence and spending, the Board believes that the Works value proposition positions it well to benefit from any tendency consumers may have to trade down in pursuit of better value. However, the Board also recognises that more severe downside scenarios than those modelled might arise.

Accordingly, it has considered a range of more severe possibilities than are reflected in the Downside Case, including a 10% reduction in sales between January 2023 and April 2024 on the basis that consumers may prioritise Christmas, but cut back on spending thereafter if their disposable incomes reduce for a sustained period. In these circumstances, in addition to the measures included in the Downside Case, further mitigating measures would be required and are available which when implemented, would generate additional profit and/or cash and provide further liquidity headroom and/or further headroom in relation to the financial covenants. Such measures could include further reductions in capital expenditure and further reductions in discretionary expenditure in areas such as travel, training and professional fees.

Conclusion regarding basis of preparation
The current economic environment, characterised by higher inflation than has been experienced for a number of years, and a high level of uncertainty about how long the situation will persist and whether it will become worse before it improves, creates a higher than normal level of uncertainty with regard to the strength of consumer spending. However, the Board's assessment is that, despite this, the overall level of risk is not as high as was represented by COVID-19, which resulted in a complete inability to operate the majority of the Group's business for significant periods of time. The resilience demonstrated by the business during those periods, in very challenging conditions, provides additional assurance about the Group's ability to continue as a going concern in the event of an extended economic downturn due to high inflation etc.

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

(ii) New accounting standards

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 3 May 2021:

- COVID-19 Related Rent Concessions (Amendments to IFRS 16)
- Interest Rate Benchmark Reform: Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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

1. Accounting policies continued

(b) Basis of preparation continued

(ii) New accounting standards continued

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

- IFRS 17 Insurance Contracts
- Property, Plant and Equipment – Proceeds Before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements)

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

(c) Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities (including derivative instruments), which are held at fair value.

(d) Basis of consolidation

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

(e) Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred, less the fair value of identifiable assets acquired and liabilities assumed. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Costs related to the acquisition are expensed to the income statement as incurred.

(f) 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 accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions or sources of estimation uncertainty, this will represent a key source of estimation uncertainty.

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

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

Description	Note	Page
Going concern	1	97
Inventory – shrinkage provision	17	115

2. Segmental reporting

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

The Group has one operating segment with two revenue streams, in store 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

Accounting policy

Revenue represents receipts from the sale of goods to customers, less deductions for actual and expected returns, discounts and vouchers redeemable by members of the Group's loyalty scheme, and is stated net of value added tax and other sales taxes. Revenue is recognised when performance obligations are satisfied and goods are delivered to the customer and the control of goods is transferred to the buyer.

Transactions that result in customers earning points under the Group's loyalty scheme are accounted for as multiple element revenue transactions and the fair value of the consideration received is allocated between the goods supplied and the points granted. The consideration allocated to the points is measured by reference to their fair value – the amount for which the points could theoretically be sold separately. The consideration allocated to the points is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the points are redeemed and the Group's obligations have been fulfilled.

	FY22 £000	FY21 £000
Sale of goods		
UK	**260,087**	177,730
EU	**4,543**	2,950
Total revenues	**264,630**	180,680

Seasonality of operations

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

4. Other operating income

Accounting policy

The business was classified as a 'non-essential retailer' and was therefore required to close its shops during periods of lockdown in the prior financial year. Accordingly, the Group made full use of the support schemes available from the Government to partially mitigate the loss of profit caused by the various periods of closure of the retail stores. Support has been received through three mechanisms, described below, and as summarised in the table:

1. the Coronavirus Job Retention Scheme (CJRS), the Government's support measure relating to employment. This provided grants to cover wages of furloughed colleagues with payments available of up to 80% of colleagues' wages, up to a maximum of £2,500 per month plus National Insurance and auto-enrolled pension contributions, to the extent these could be claimed;
2. business rates relief; and
3. local business support grants.

Amounts received relating to the CJRS scheme and local business support grants must be classified as a government grant and accounted for in accordance with IAS 20 Government Grants. Such grants are recognised in the income statement in the period in which the associated costs for which the grants are intended to compensate are incurred. The grant income is reported as 'other operating income' in the income statement. The £119k charge noted below is a correction of an immaterial overstatement of the CJRS income reported in respect of the prior period.

The total business rates relief received during the year was £5,828k (FY21: £14,165k).

	FY22 £000	FY21 £000
COVID-19 furlough scheme grants receivable	**(119)**	15,309
COVID-19 business grants receivable	**–**	1,765
Rent receivable	**8**	7
	(111)	17,081

5. Alternative performance measures (APMs)

Accounting policy

The Group tracks a number of 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.

5. Alternative performance measures (APMs) continued

Like-for-like (LFL) sales

LFL sales are normally defined by the Group as the year-on-year growth in gross sales from stores which have been opened for a full 63 weeks (but excluding sales from stores closed for all or part of the relevant period or prior year comparable period), and from the Company's online store, calculated on a calendar week basis. The LFL sales increase has been calculated with reference to the FY20 comparative sales figures, or two-year LFL, because the extended periods of enforced store closures during FY21 prevent that period from forming the basis of meaningful comparisons. For the last five weeks of the period, it has been necessary to calculate the LFL percentages with reference to the corresponding weeks in FY19, because the equivalent weeks during FY20 were also affected by the first period of enforced store closures. Similar comparison periods are also used for the total sales growth figures quoted. The measure is used widely in the retail industry as an indicator of sales performance.

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

	FY22 £000	FY21 £000
Sales from LFL stores	**219,308**	128,901
Online sales	**41,747**	62,084
Total LFL	**261,055**	190,985
Non-LFL store sales	**37,360**	15,176
Total gross sales	**298,415**	206,161
VAT	**(33,511)**	(24,290)
Loyalty points	**(274)**	(1,191)
Revenue per consolidated income statement	**264,630**	180,680
Memo: total store gross sales (LFL plus non-LFL)	**256,668**	144,077

EBITDA, Adjusted EBITDA and Adjusted profit after tax

EBITDA is defined by the Group as earnings before interest, tax, depreciation, amortisation and profit/loss on the disposal of fixed assets. Adjusted EBITDA is calculated by adding back or deducting Adjusting items to EBITDA. See Note 6 for a description of Adjusting items.

The Group also reports another measure of Adjusted EBITDA, which removes the impact of IFRS 16, to provide a measure that is consistent with internal reporting and is as used by the Group in its investment appraisals. The table provides a reconciliation of Adjusted EBITDA to profit/(loss) after tax and the impact of IFRS 16:

	FY22 £000	FY21 £000
Non-IFRS 16 Adjusted EBITDA[1]	**16,562**	4,285
IAS 17 income statement charges not recognised under IFRS 16	**24,433**	27,454
Foreign exchange difference on euro leases	**120**	59
Post-IFRS 16 Adjusted EBITDA[1]	**41,115**	31,798
Loss on disposal of right-of-use assets recognised under IFRS 16	**(2,066)**	(353)
Profit on disposal of lease liability recognised under IFRS 16	**2,340**	464
Loss on disposal of property, plant and equipment	**(244)**	(262)
Loss on disposal of intangible assets	**–**	(311)
Depreciation of property, plant and equipment	**(5,005)**	(5,187)
Depreciation of right-of-use assets	**(20,029)**	(23,311)
Amortisation	**(806)**	(947)
Finance expenses	**(5,192)**	(5,486)
Finance income	**16**	18
Tax (charge)/credit	**(1,436)**	502
Adjusted profit/(loss) after tax	**8,693**	(3,075)
Adjusting items (including impairment charges and reversals)	**29**	776
Tax charge	**–**	–
Profit/(loss) after tax	**8,722**	(2,299)

1 Also adjusted for profit and loss on disposal of right-of-use assets and liabilities, property, plant and equipment and intangible assets.

5. Alternative performance measures (APMs) continued

Profit before tax and IFRS 16

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

	FY22			FY21 (Restated[1])		
	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000
Profit/(loss) before tax before IFRS 16 adjustments	**9,525**	**(241)**	**9,284**	(3,395)	(94)	(3,489)
Remove IAS 17 rental charge	**24,306**	**–**	**24,306**	27,331	–	27,331
Remove hire costs from hire of equipment	**126**	**–**	**126**	124	–	124
Remove depreciation charged on the existing assets	**276**	**–**	**276**	329	–	329
Remove interest charged on the existing liability	**31**	**–**	**31**	44	–	44
Depreciation charge on right-of-use assets	**(20,029)**	**–**	**(20,029)**	(23,311)	–	(23,311)
Interest cost on lease liability	**(4,500)**	**–**	**(4,500)**	(4,869)	–	(4,869)
Loss on disposal of right-of-use assets	**(2,066)**	**–**	**(2,066)**	(353)	–	(353)
Profit on disposal of lease liability	**2,340**	**–**	**2,340**	464	–	464
Foreign exchange difference on euro leases	**120**	**–**	**120**	59	–	59
Additional impairment charge under IAS 36	**–**	**270**	**270**	–	870	870
Net impact on profit/(loss)	**604**	**270**	**874**	(182)	870	688
Profit/(loss) before tax	**10,129**	**29**	**10,158**	(3,577)	776	(2,801)

1 In the prior year financial statements, the allocation of fixed asset impairment charges between the right-of-use asset and property, plant and equipment categories was incorrect. The prior year balances have therefore been restated, resulting in an increase in the right of use asset balance of £801k, and a decrease in the property plant and equipment balance of £801k. As such, this has increased the prior year loss before tax before IFRS 16 adjustments by £801k.

Adjusted profit metrics

Key profit measures including operating profit, profit before tax, profit for the period and earnings per share are calculated on an adjusted basis by adding back or deducting Adjusting items. These adjusted metrics are included within the consolidated income statement and consolidated statement of other comprehensive income, with further details of Adjusting items included in Note 6.

6. Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size and unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has a proper understanding of the Group's financial performance and that there is comparability of financial performance between periods.

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

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

In relation to FY22, the items classified as 'Adjusting', as shown below, were related to transactions that had been treated as Adjusting in prior periods.

	FY22 £000	FY21 £000
Cost of sales		
Impairment charges[1]	**1,126**	961
Impairment reversals[1]	**(1,155)**	(1,873)
HMRC duty provision[2]	**–**	(63)
Total cost of sales	**(29)**	(975)
Administrative expenses		
Salary and other costs[3]	**–**	322
Packaging waste costs provision release[4]	**–**	(123)
Total administrative expenses	**–**	199
Total Adjusting items	**(29)**	(776)

1 These relate to fixed asset impairment charges and reversals of prior year impairment charges.

2 This relates to a provision recognised regarding a HMRC review of the Group's duty rates.

3 Salary and other costs relate to payments to past Directors, and other associated costs.

4 This related to the release of a provision recognised regarding packaging waste cost penalties from FY18.

7. Operating profit

Operating profit (before Adjusting items) is stated after charging/(crediting) the following items:

	FY22 £000	FY21 £000
Loss on disposal of property, plant and equipment	**244**	262
Loss on disposal of intangible assets	**–**	310
Loss on disposal of right-of-use assets	**2,066**	353
Profit on disposal of lease liability	**(2,340)**	(464)
Depreciation	**25,034**	28,498
Amortisation	**806**	947
Adjusting items (see Note 6)	**(29)**	(776)
Operating lease payments:		
– Hire of plant and machinery[1]	**389**	392
– Other operating leases[1]	**1,549**	439
Net foreign exchange losses	**(128)**	135
Cost of inventories recognised as an expense	**106,954**	69,364
Staff costs	**60,031**	49,989

1 These balances relate to non-IFRS 16 operating lease rentals during the year; please refer to Note 15 for further details of these balances.

Expenses reclassification

Certain online costs relating to fulfilment and website maintenance previously treated as distribution or administrative expenses have been reclassified to cost of sales in the FY22 accounts as this more accurately reflects their nature. The prior year balances have been reclassified to maintain consistency; the effect on gross profit, distribution expenses and administrative expenses is summarised in the table below:

	Per FY21 financial statements £000	Adjustment £000	FY21 restated balance £000
Cost of sales	(159,758)	(9,609)	(169,367)
Gross profit	20,922	(9,609)	11,313
Other operating income	17,081	–	17,081
Distribution expenses	(15,075)	8,635	(6,440)
Administrative expenses	(20,261)	974	(19,287)
Operating profit	2,667	–	2,667

Auditor's remuneration:

	FY22 £000	FY21 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**300**	180
Amounts payable in respect of other services to the Company and its subsidiaries		
Audit of the accounts of subsidiaries	**40**	40
Audit related assurance services	**1**	1
Total services	**341**	221

Please refer to the Audit Committee report for details regarding the safeguarding of auditor objectivity and independence.

8. Staff numbers and costs

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

	Number of employees	
	FY22	FY21[1] (Restated)
Store support centre colleagues	**216**	209
Store colleagues	**3,468**	3,474
Warehouse and distribution colleagues	**140**	135
	3,824	3,818

1 The prior year number of store colleagues has been restated to include the seasonal staff employed during the peak trading months from October to December.

The corresponding aggregate payroll costs were as follows:

	FY22 £000	FY21 £000
Wages and salaries	**55,600**	46,479
Social security costs	**3,654**	2,867
Contributions to defined contribution pension schemes	**777**	643
Total employee costs	**60,031**	49,989
Agency labour costs	**1,505**	1,022
Total staff costs	**61,536**	51,011

9. Finance income and expense

Accounting policy

Finance expense comprises interest charges. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are capitalised as part of the cost of that asset, and subsequently amortised to finance expenses over the appropriate life.

Finance income comprises interest income and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest is recognised in profit as it accrues, using the effective interest method.

Recognised in consolidated statement of comprehensive income

	FY22 £000	FY21 £000
Finance income		
Bank interest receivable	**16**	18
Total finance income	**16**	18
Finance expense		
Bank interest payable	**401**	322
Other interest payable	**291**	295
Interest on lease liabilities	**4,500**	4,869
Total finance expense	**5,192**	5,486

10. Taxation

Accounting policy

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

Current tax

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

Deferred tax

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

10. Taxation continued

Accounting policy continued

Deferred tax continued

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

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

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

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

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

Current tax and deferred tax for the year

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

Recognised in consolidated income statement

	FY22 £000	FY21 £000
Current tax expense		
Current year	**2,059**	–
Adjustments for prior years	**3**	22
Current tax expense	**2,062**	22
Deferred tax credit		
Origination and reversal of temporary differences	**(17)**	(423)
Increase in tax rate	**(825)**	–
Adjustments for prior years	**216**	(101)
Deferred tax credit	**(626)**	(524)
Total tax expense/(credit)	**1,436**	(502)

The UK corporation tax rate for FY22 and FY21 was 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

As the deferred tax assets and liabilities should be recognised based on the corporation tax rate applicable when they are anticipated to unwind, the assets and liabilities on UK operations have been recognised at a rate of 25% (FY21: 19%). Assets and liabilities arising on foreign operations have been recognised at the applicable overseas tax rates.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. As such the UK deferred tax liability as at 1 May 2022 was calculated at 25%.

10. Taxation continued

Reconciliation of effective tax rate

	FY22 £000	FY21 £000
Profit/(loss) for the year	**10,158**	(2,801)
Tax using the UK corporation tax rate of 19%	**1,930**	(532)
Non-deductible expenses	**182**	105
Effect of tax rates in foreign jurisdictions	**(40)**	4
Tax under/(over) provided in prior periods	**219**	(79)
Utilisation of unrecognised tax losses brought forward	**(116)**	–
Deferred tax not recognised	**86**	–
Change in tax rate	**(825)**	–
Total tax expense/(credit)	**1,436**	(502)

The Group's total income tax expense in respect of the period was £1,436k (FY21: credit of £502k). The effective tax rate on the total profit before tax was 14.1% (FY21: 17.9% on the loss before tax) whilst the effective tax rate on the total profit before Adjusted items was 14.2% (FY21: 14.0% on the loss before Adjusted items). The difference between the total effective tax rate and the Adjusted tax rate relates to fixed asset impairment charges and reversals within Adjusting items being non-deductible for tax purposes.

11. Dividends

Accounting policy

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

No dividends were paid to shareholders during FY21 or FY22.

Dividend equivalents totalling £175k (FY21: £74k) were accrued in the year in relation to share-based long-term incentive schemes.

The Board has recommended the payment of a 2.4 pence per share final dividend in respect of FY22 (FY21: £Nil).

12. Earnings per share

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

Diluted earnings per share is based on the weighted average number of shares in issue for the period, Adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares represent shares that may be issued in connection with employee share incentive awards.

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

	FY22 Number	FY21 Number
Number of shares in issue	**62,500,000**	62,500,000
Number of dilutive share options	**940,673**	–
Number of shares for diluted earnings per share	**63,440,673**	62,500,000

	£000	£000
Profit/(loss) for the financial period	**8,722**	(2,299)
Adjusting items	**(29)**	(776)
Total Adjusted profit/(loss) for Adjusted earnings per share	**8,693**	(3,075)

	Pence	Pence
Basic earnings per share	**14.0**	(3.7)
Diluted earnings per share	**13.7**	(3.7)
Adjusted basic earnings per share	**13.9**	(4.9)
Adjusted diluted earnings per share	**13.7**	(4.9)

13. Intangible assets

Accounting policy

Goodwill

Goodwill arising on consolidation represents any excess of the consideration paid and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment in value is recognised within the income statement.

Software

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

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

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 3 May 2021	**16,180**	**8,043**	**24,223**
Additions	**–**	**1,015**	**1,015**
Balance at 1 May 2022	**16,180**	**9,058**	**25,238**
Amortisation and impairment			
Balance at 3 May 2021	**16,180**	**5,580**	**21,760**
Amortisation charge for the year	**–**	**806**	**806**
Balance at 1 May 2022	**16,180**	**6,386**	**22,566**
Net book value			
At 3 May 2021	–	2,463	2,463
At 1 May 2022	**–**	**2,672**	**2,672**

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 27 April 2020	16,180	8,415	24,595
Additions	–	526	526
Disposals	–	(898)	(898)
Balance at 2 May 2021	16,180	8,043	24,223
Amortisation and impairment			
Balance at 27 April 2020	16,180	5,221	21,401
Amortisation charge for the year	–	947	947
Disposals	–	(588)	(588)
Balance at 2 May 2021	16,180	5,580	21,760
Net book value			
At 27 April 2020	–	3,194	3,194
At 2 May 2021	–	2,463	2,463

Goodwill impairment testing

Goodwill of £16.2m was impaired to £Nil in FY20; therefore, no further impairment testing is necessary in relation to this.

14. Property, plant and equipment

Accounting policy

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

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

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

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

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

Borrowing costs

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

IFRS 16

IFRS 16 creates the concept of right-of-use assets. The accounting policy and description of the accounting treatment in respect of IFRS 16 is included within Note 15.

Impairment of tangible and intangible assets

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

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 pre-tax 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. Where the carrying value exceeds the recoverable amount a provision for the 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. For intangible assets that have an indefinite useful life the recoverable amount is estimated at each annual balance sheet date.

Measuring recoverable amounts

The key assumptions for the value in use calculations are those regarding the growth rates of sales and gross margins, operating costs, long-term growth rates, maintenance capital expenditure and the pre-tax discount rate used to discount the assumed cash flows to present value.

Impairment triggers

In FY21, due to COVID-19 and its impact on the UK economy and the Group, an impairment review was performed on all stores. As at 1 May 2022 only stores with an indicator of impairment have been included within the impairment assessment, including 38 stores with a budgeted loss at EBITDA level and an additional 30 stores which have historically been loss making and management is considering the closure or relocation of the store at the lease break date. An additional 50 stores with a prior year impairment charge have also been included in the FY22 assessment.

14. Property, plant and equipment continued

Key assumptions

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

The pre-tax discount rate is derived from the Group's weighted average cost of capital, which has been estimated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium, a forecasting risk premium and a risk adjustment (beta). The post-tax WACC is subsequently adjusted to reflect the specific amount and timing of the future tax cash flows.

	FY22	FY21
Pre-tax discount rate	**17.9%**	16.8%
Long-term growth rate	**2.0%**	2.0%

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

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

- rates of growth in sales and gross margins, which have been determined on the basis of the factors described in Note 1(b)(i) (Going concern);
- operating cost estimates reflect expected changes in the variables that underpin them and, in particular, expected increases in the National Living Wage; and
- maintenance capital expenditure includes estimates of ongoing capital expenditure required to maintain the store network, but excludes any significant growth capital initiatives not committed.

Cash flows beyond the corporate plan period (2026 and beyond) have been determined using the long-term growth rate; this is based on management's future expectations, reflecting, amongst other things, current market conditions and future trends and has been based on historical data from both external and internal sources. Severe weather has been considered when modelling forecasts and it is not deemed to have a material affect on the projected numbers in the impairment review.

Impairment charge

As at the end of FY21, an impairment charge of £2,588k was recorded against right-of-use assets, property, plant and equipment relating to 80 stores. Evidence is available from internal reporting that indicates that the economic performance of 48 of these stores has improved and is expected to continue to do so. As a result, an impairment reversal of £1,155k has been recognised relating to these stores. Conversely, during FY22 an impairment charge of £1,126k was recognised against a 39 stores, reflecting the underperformance of these stores for a variety of reasons. A net reversal of £29k has therefore been shown as an Adjusting item on the face of the consolidated income statement.

Sensitivity analysis

Whilst the Directors believe the assumptions adopted are realistic, reasonably possible changes in key assumptions could occur which would cause the recoverable amount of certain stores to be lower or higher than the carrying amount. The Directors consider that the only key assumption that could reasonably be different and cause a material change in the impairment charge is sales growth. A reduction in sales of 5% from the Base Case plan to reflect a potential Downside Scenario would result in an increase in the impairment charge of £422k relating to a total of 41 stores, and a decrease in the impairment reversal of £212k relating to 46 stores. An increase in sales of 5% from the Base Case plan would increase the impairment reversal by £189k relating to 53 stores and decrease the impairment charge by £321k relating to 33 stores.

Reasonably possible changes to other key assumptions, including a 200 basis point increase in the pre-tax discount rate across all stores or a 200 basis point reduction in the long-term growth rate, would not result in a significant change to the impairment charges or reversals, either individually or in combination.

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

14. Property, plant and equipment continued

	RoUA – property £000	RoUA – plant and equipment £000	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost						
Balance at 3 May 2021	**154,047**	**1,913**	**10,682**	**3,376**	**26,167**	**196,185**
Additions	**3,126**	**508**	**(38)**	**476**	**1,498**	**5,570**
Disposals	**(5,768)**	**–**	**(229)**	**(34)**	**(407)**	**(6,438)**
Balance at 1 May 2022	**151,405**	**2,421**	**10,415**	**3,818**	**27,258**	**195,317**
Depreciation and impairment						
Balance at 3 May 2021	**42,442**	**976**	**5,555**	**2,762**	**14,384**	**66,119**
Depreciation charge for the year	**19,597**	**432**	**808**	**640**	**3,557**	**25,034**
Impairment charge	**710**	**–**	**155**	**15**	**246**	**1,126**
Impairment reversals	**(980)**	**–**	**(54)**	**(8)**	**(113)**	**(1,155)**
Disposals	**(3,702)**	**–**	**(147)**	**(21)**	**(258)**	**(4,128)**
Balance at 1 May 2022	**58,067**	**1,408**	**6,317**	**3,388**	**17,816**	**86,996**
Net book value						
At 3 May 2021	111,605	937	5,127	614	11,783	130,066
At 1 May 2022	**93,338**	**1,013**	**4,098**	**430**	**9,442**	**108,321**

	RoUA – property £000	RoUA – plant and equipment £000	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost						
Balance at 27 April 2020	140,992	1,724	10,591	2,539	25,738	181,584
Additions	18,404	189	151	859	859	20,462
Disposals (Restated[1])	(5,349)	–	(60)	(22)	(430)	(5,861)
Balance at 2 May 2021 (Restated[1])	154,047	1,913	10,682	3,376	26,167	196,185
Depreciation and impairment						
Balance at 27 April 2020	25,494	459	4,586	2,185	11,036	43,760
Depreciation charge for the year	22,794	517	975	594	3,618	28,498
Impairment charge (Restated[2])	4	–	150	49	758	961
Impairment reversals	(874)	–	(149)	(49)	(802)	(1,874)
Disposals (Restated[1])	(4,976)	–	(7)	(17)	(226)	(5,226)
Balance at 2 May 2021 (Restated[1])	42,442	976	5,555	2,762	14,384	66,119
Net book value						
At 27 April 2020	115,498	1,265	6,005	354	14,702	137,824
At 2 May 2021 (Restated[2])	111,605	937	5,127	614	11,783	130,066

1 In the prior year financial statements leases which had expired and had a nil net book value were not captured within the IFRS 16 disposals assessment. The carried forwards property right-of-use asset cost and depreciation figures were incorrectly grossed up by £4,725k; as such these prior year balances have been adjusted. Note that this adjustment has no impact on the FY21 closing net book value of the right-of-use assets or property, plant and equipment.

2 In the prior year financial statements, the allocation of fixed asset impairment charges between the right-of-use asset and property, plant and equipment categories was incorrect. The prior year balances have therefore been restated, resulting in an increase in the right-of-use asset balance of £801k, and a decrease in the property plant and equipment balances of £801k.

	Per FY21 financial statements £000	Adjustment £000	FY21 restated balance £000
Right-of-use assets	111,741	801	112,542
Property, plant and equipment	18,325	(801)	17,524

15. IFRS 16

Accounting policy

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 requires the use of a single definition of leases, which recognises a right-of-use asset (RoUA) and a lease liability for all leases, with exceptions only permitted for short-term and low-value leases. Accordingly, the impact of IFRS 16 is to require recognition of a lease liability and a corresponding RoUA in relation to leases previously classified as operating leases, which were hitherto accounted for via a single charge to the profit and loss account.

The most significant impact is that the Group's retail store operating leases are recognised on the balance sheet as right-of-use assets representing the economic benefits of the Group's right to use the underlying leased assets, together with the associated future lease liabilities.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date.

Identifying an IFRS 16 lease

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

Recognition exceptions

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

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

(i) leases with a term of twelve months or less; and

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

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

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

Lessee accounting under IFRS 16

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

Initial measurement

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

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

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

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

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

Subsequent measurement

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

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

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

15. IFRS 16 continued

Lessee accounting under IFRS 16 continued

Depreciation of right-of-use assets

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

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options and break clauses. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, and therefore the amount of lease liabilities and right-of-use assets recognised.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For property leases the following factors are the most relevant:

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

COVID-19 concessions

The Group has elected to account for qualifying COVID-19 related rent concessions as variable lease payments, recognising the concession in the period in which the event or condition that triggers the payments occurs. Rent concessions are qualifying if the following conditions are met:

(i) the concession is a direct consequence of the COVID-19 pandemic;

(ii) the change in lease payments resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(iii) the reduction in lease payments only affects payments due on or before 30 June 2022; and

(iv) there is no substantive change to other terms and conditions of the lease.

The Group has applied this practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances.

Amounts recognised in the balance sheet

Right-of-use assets

	FY22 £000	FY21 (Restated – Note 14) £000
Land and buildings	**93,338**	111,605
Plant and equipment	**1,013**	937
Total right-of-use assets	**94,351**	112,542

Additions to the right-of-use assets during FY22 were £3,634k (FY21: £18,593k).

Lease liabilities

Lease liabilities included in the statement of financial position as at the financial year end:

	FY22 £000	FY21 £000
Current	**25,434**	31,552
Non-current	**85,702**	104,362
	111,136	135,914

Maturity analysis – contractual undiscounted cash flows:

	FY22 £000	FY21 £000
Less than one year	**31,592**	35,978
Two to five years	**83,017**	86,601
More than five years	**21,862**	30,158
Total undiscounted lease liabilities	**136,471**	152,737

15. IFRS 16 continued

Amounts recognised in the statement of profit and loss

	FY22 £000	FY21 (Restated – Note 14) £000
Depreciation charge on right-of-use assets (RoUA)	**20,029**	23,311
Interest cost on lease liability	**4,500**	4,869
Loss on disposal of RoUA	**2,066**	353
Profit on disposal of lease liability	**(2,340)**	(464)
Foreign exchange difference on euro leases	**120**	59
Additional impairment charge under IAS 36	**(270)**	(870)
Operating lease rentals – hire of plant and equipment		
– Low-value leases	**389**	392
Total plant and equipment operating lease rentals	**389**	392
Operating lease rentals – store leases		
– Stores with variable lease rentals	**454**	20
– Concession leases (the landlord has substantial substitution rights)	**943**	1,310
– Low-value leases	**(11)**	(23)
– Lease is expiring within 12 months or has rolling break clauses	**87**	98
– Lease has expired	**484**	149
– Variable lease payments as a result of COVID-19 concessions	**(408)**	(1,115)
Total store operating lease rentals	**1,549**	439

Depreciation of right-of-use asset by class:

	FY22 £000	FY21 £000
Land and buildings	**19,597**	22,794
Plant and equipment	**432**	517
Total right-of-use asset depreciation	**20,029**	23,311

Other lease rental commitments

Non-cancellable operating lease rentals for leases excluded from the IFRS-16 assessment are as follows:

	FY22			FY21		
	Motor vehicle leases £000	Concession store leases £000	Total £000	Motor vehicle leases £000	Concession store leases £000	Total £000
Less than one year	**386**	**589**	**975**	247	326	573
Between one and five years	**200**	**729**	**929**	230	51	281
More than five years	**–**	**–**	**–**	–	–	–
Total operating lease commitments	**586**	**1,318**	**1,904**	477	377	854

16. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Assets		Liabilities	
	FY22 £000	FY21 £000	FY22 £000	FY21 £000
Property, plant and equipment	**1,637**	732	**–**	–
Leases	**1,645**	1,420	**–**	–
Temporary timing differences	**195**	372	**–**	–
Financial assets/liabilities	**–**	328	**–**	–
Tax assets	**3,477**	2,852	**–**	–

16. Deferred tax assets continued

Recognised deferred tax assets continued

Movement in deferred tax during the year

	Fixed assets £000	Leases £000	Temporary timing differences £000	Financial assets/ liabilities £000	Total £000
At 3 May 2021	732	1,420	372	328	2,852
Adjustment in respect of prior years	–	–	(216)	–	(216)
Deferred tax credit/(charge) to profit and loss	905	225	39	(328)	841
Deferred tax credit/(charge) in equity profit and loss	–	–	–	–	–
At 1 May 2022	**1,637**	**1,645**	**195**	**–**	**3,477**

17. Inventories

Accounting policy

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

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

Inventory summary

	FY22 £000	FY21 £000
Gross stock value	**29,817**	31,045
Less: stock provisions for shrinkage and obsolescence	**(3,252)**	(4,391)
Goods for resale net of provisions	**26,565**	26,654
Stock in transit	**2,822**	2,478
Inventory	**29,387**	29,132

The cost of inventories recognised as an expense during the period was £107.7m (FY21: £69.0m).

Stock provisions

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

The calculation of stock provisions entails the use of estimates and judgements combined with mechanistic calculations and extrapolations. The shrinkage provision represents a key source of estimation uncertainty.

Shrinkage provision

As at the end of FY21 the unrecognised shrinkage provision was £2.6m, which was significantly higher than the amount usually required in a normal, non-COVID-19 impacted year. This was due to the closure of stores for extended periods of FY21, which significantly interrupted the stock counting process and the corresponding routine process of correcting the stock file.

During the course of FY22, the Group has carried out 'tactical' (perpetual inventory basis) stock counts in its retail stores on a regular basis, such that at the end of the financial year a significant proportion of stock in stores had been counted and stock file adjustments made to correct errors indicated by the counts. In addition, full four wall counts (i.e. a controlled count of all stock in a store) were performed in 71 stores during the last 6 weeks of the financial year, and an additional 53 four wall counts were performed in the month following the financial year end. Through these processes, the Group establishes that its accounting records are maintained to reflect the actual quantities of stock in stores. This process also provides the Group with an indication of the typical percentage of stock loss, which is used to calculate, by extrapolation, unrecognised shrinkage at the balance sheet date.

The stock records were updated to reflect the results of stock counts during the financial year, as a result of which the provision required for unrecognised shrinkage materially decreased compared with the value at the end of FY21, by £0.7m, to £1.9m.

The percentages used in calculating the unrecognised shrinkage provision were based on data obtained from the full four wall counts performed towards the end of the financial year and during the first month of FY23. The shrinkage provision was £1.9m at the period end (FY21: £2.6m), representing 8.6% of gross store stock (FY21: 12.3%). The provision relates to store stock with a value of £22.2m (FY21: £21.2m). This represents management's best estimate of the likely level of stock losses experienced, but the actual level of stock loss will only be established once all products in all locations have been counted. A 20% increase/(decrease) in the shrinkage percentage used would result in an increase/(decrease) to the shrinkage provision of £334k to £2.3m/(£1.6m). This represents a reasonably possible range of estimation uncertainty with regard to the unrecognised shrinkage provision.

The shrinkage provision has been estimated based on the results the four wall counts which may not be representative of the store population as a whole. Due to the level of the provisions, combined with the risk that the sample on which it is based may not be representative of the populations as a whole, the calculation of the stock shrinkage provision is considered a key source of estimation uncertainty for the FY22 financial statements.

17. Inventories continued

Stock provisions continued

Obsolescence provision

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

During the prior financial year, the closures of the stores due to the COVID-19 pandemic interrupted the orderly process of selling through terminal stock, particularly during the UK-wide lockdown implemented between January and April 2021, which coincided with the period when the January sale would normally have taken place. As a result, at the end of FY21, the Group carried a higher than normal level of terminal stock and the obsolescence provision was higher than normal, at £1.8m.

During FY22 a high degree of focus has been placed on clearing terminal stock and at the period end the Group held significantly less terminal stock than the prior year. Consequently, the obsolescence provision has reduced by £0.5m to £1.3m.

18. Trade and other receivables

	FY22 £000	FY21 £000
Current		
Trade receivables	**2,606**	2,214
Other receivables	**1,793**	423
Prepayments	**4,028**	3,362
Accrued income	**–**	914
Trade and other receivables	**8,427**	6,913

Trade receivables are attributable to sales which are paid for by credit card and are classified as finance assets at amortised cost; they are all current. No credit is provided to customers. The value and nature of trade receivables is such that no material credit losses occur; therefore no loss allowance has been recorded at the period end (FY21: £Nil).

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

The accrued income balance in the prior year relates to the COVID-19 furlough scheme Government grants receivable as detailed in Note 4.

19. Cash and cash equivalents

	FY22 £000	FY21 £000
Cash and cash equivalents per balance sheet	**16,280**	8,315
Net cash and cash equivalents	**16,280**	8,315

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

	FY22 £000	FY21 £000
Sterling	**12,198**	3,385
Euro	**3,102**	1,138
US dollar	**980**	3,792
Net cash and cash equivalents	**16,280**	8,315

At 1 May 2022 the Group held net cash (excluding lease liabilities) of £16.3m (FY21: net cash (excluding lease liabilities) of £0.8m). This comprised cash of £16.3m (FY21: cash of £8.3m and a draw down of £7.5m against a term loan).

For the year ended 1 May 2022 the Group's bank facilities comprised a revolving credit facility (RCF) of £22.5m, with an expiry date of 30 September 2022. The RCF limit reduced to £20.0m in January 2022 and remained at this level until its expiry. From 10 June 2022 the Group's bank facilities comprise an RCF of £30m expiring 30 November 2025.

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.

20. Borrowings

Accounting policy

Interest-bearing bank loans and overdrafts, loan notes and other loans are recognised in the balance sheet at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method. A summary of the Group's objectives, policies, procedures and strategies with regard to financial instruments and capital management can be found in Note 25.
At 1 May 2022 all borrowings were denominated in sterling (FY21: sterling).

	FY22 £000	FY21 £000
Non-current liabilities		
Lease liabilities	**85,702**	104,362
Non-current liabilities	**85,702**	104,362
Current liabilities		
Secured bank loans	**–**	7,500
Lease liabilities	**25,434**	31,552
Unamortised debt issue costs	**–**	(405)
Current liabilities	**25,434**	38,647

Reconciliation of borrowings to cash flows arising from financing activities

	FY22 £000	FY21 £000
Borrowings at start of year (excluding overdrafts)	**143,009**	142,129
Changes from financing cash flows		
Payment of lease liabilities (capital)	**(25,969)**	(14,327)
Payment of lease liabilities (interest)	**(4,500)**	(4,869)
Proceeds from loans and borrowings	**–**	7,500
Repayment of bank borrowings	**(7,500)**	(10,000)
Payment of RCF fees	**–**	(619)
Total changes from financing cash flows	**(37,969)**	(22,315)
Other changes		
Lease liability additions	**3,634**	18,593
Disposal of lease liabilities	**(2,340)**	(464)
The effect of changes in foreign exchange rates	**(120)**	(59)
Interest expense	**4,922**	5,125
Total other changes	**6,096**	23,195
Borrowings at end of year (excluding overdrafts)	**111,136**	143,009

Net debt reconciliation

	FY22 £000	FY21 £000
Net debt (excluding unamortised debt costs)		
RCF	**–**	7,500
Cash and cash equivalents	**(16,280)**	(8,315)
Net bank cash	**(16,280)**	(815)
Non-IFRS 16 lease liabilities	**485**	766
Non-IFRS 16 net cash	**(15,795)**	(49)
IFRS 16 lease liabilities	**110,651**	135,148
Net debt including IFRS 16 lease liabilities	**94,856**	135,099

21. Trade and other payables

	FY22 £000	FY21 £000
Current		
Trade payables	**20,091**	15,309
Other tax and social security	**2,792**	194
Accrued expenses	**13,075**	10,685
Trade and other payables	**35,958**	26,188

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

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

Accrued expenses comprise various accrued property costs, payroll costs and other expenses, including £453k (FY21: £677k) of deferred income in relation to the customer loyalty scheme. The increase in the balance from FY21 is due to an increase in the bonus accrual.

The Group has net US dollar denominated trade and other payables of £4.9m (FY21: £2.9m).

22. Provisions

Accounting policy

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

	Dilapidations £000	Total £000
Balance as at 3 May 2021	718	718
Provisions made during the year	399	399
Provisions used during the year	–	–
Provisions released during the year	–	–
Balance as at 1 May 2022	**1,117**	**1,117**
Non-current	913	913
Current	204	204

Dilapidation provision

In accordance with IAS 37 Provisions, the Group recognises provisions for the cost of reinstating certain Group properties at the end of their lease term, based on the conditions set out in the terms of the individual leases. The timing of the outflows will match the ends of the relevant leases, which range from 1 to 14 years. The average remaining term of the estate is 3.7 years.

23. Defined contribution pension plans

Accounting policy

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

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £777k (FY21: £643k).

At the end of the year contributions of £155k (FY21: £65k) were outstanding.

24. Share capital and share premium

Accounting policy

The following describes the nature and purpose of each reserve within equity:

- **Share premium account:** Proceeds received in excess of the nominal value of shares issued, net of any transaction costs.
- **Hedging reserve:** Cumulative gains and losses on hedging instruments deemed effective in cash flow hedges.
- **Merger reserve:** Created in 2018 on the formation of TheWorks.co.uk plc, it represents the difference between the cost of the investment in The Works Investment Limited (and its subsidiaries, The Works Stores Limited and The Works Online Limited) of £51,499,891 and the nominal value of the ordinary shares issued in exchange of £109.
- **Share-based payment reserve:** Represents the cumulative charges to income under IFRS 2 Share-based Payment on all share options and schemes granted, net of share option exercises.
- **Retained earnings:** All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Ordinary shares are classified as equity.

	FY22 Number	FY21 Number
Share capital		
Allotted, called up and fully paid ordinary shares of 1p:		
At the start of the period	**62,500**	62,500
Issued in the period	**–**	–
At the end of the period	**62,500**	62,500

	FY22 £000	FY21 £000
Share capital		
At the start of the period	**625**	625
Issued in the period	**–**	–
At the end of the period	**625**	625
Share premium		
At the start of the period	**28,322**	28,322
Issued in the period	**–**	–
At the end of the period	**28,322**	28,322

25. Financial instruments

Accounting policy

Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents. The Group classifies all its non-derivative financial assets as financial assets at amortised cost. Financial assets at amortised cost are initially measured at fair value plus directly attributable transaction costs, except for trade and other receivables without a significant financing component that are initially measured at transaction price. Subsequent to initial recognition, non-derivative financial assets are carried at amortised cost using the effective interest method, subject to impairment.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group measures loss allowances at an amount equal to lifetime expected credit loss.

Cash and cash equivalents comprise cash in hand, at bank and on short-term deposit for less than three months. Bank overdrafts, within borrowings, that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

Non-derivative financial liabilities

Non-derivative financial liabilities comprise bank borrowings and trade and other payables. Non-derivative financial liabilities are initially recognised at fair value, less any directly attributable transaction costs, and subsequently stated at amortised cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are mandatorily categorised as fair value through profit or loss (FVTPL), except to the extent they are part of a designated hedging relationship and classified as cash flow hedging instruments. The Group utilises foreign currency derivative contracts to manage the foreign exchange risk on future US dollar denominated purchases.

Gains and losses in respect of foreign exchange derivative financial instruments that are not part of an effective hedging relationship are recognised within cost of sales and net finance expense.

25. Financial instruments continued

Accounting policy continued

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships and applies a hedge ratio of 1:1. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in the hedging reserve separately as costs of hedging.

When foreign exchange hedged forecast transactions subsequently result in the recognition of inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the inventory.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is included in the cost of inventory on its initial recognition.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Fair value estimation

The techniques applied in determining the fair values of financial assets and liabilities are disclosed below.

Foreign currency

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the Company.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. The majority of currency transactions that are not in the functional currency of the trading entity relate to inventory purchases. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within cost of sales, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign currency gains and losses are reported on a net basis.

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

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

Financial risk management

The Board has overall responsibility for managing risks and uncertainties and these are reviewed on an ongoing basis. The principal financial risks faced by the Group include market risk, currency risk, cash flow interest rate risk, credit risk and liquidity risk.

In order to manage the Group's exposure to these risks, in particular the Group's exposure to currency risk, the Group enters into forward foreign currency contracts. No transactions in derivatives are undertaken for speculative purposes.

Further details of the Group's approach to managing risk are included in the 'Principal Risks and Uncertainties' section of the Strategic report and in the Corporate governance report.

(a) Market risk

The Group's activities expose it to two types of market risk, being currency risk and cash flow interest rate risk. The Group's policies for managing currency risk and interest rate risk are set out below.

(i) Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated. A significant proportion of the Group's retail products are procured from overseas suppliers in transactions denominated in US dollars.

The Group uses foreign currency derivative contracts and US dollar denominated cash balances to manage the foreign exchange risk on US dollar denominated inventory purchases.

As described above, the Group takes a prudent, but flexible, approach to hedging the risk of exchange rate fluctuations. At 1 May 2022, the Group held forward contracts with a nominal value of $30.0m (FY21: $43.2m), all with maturity dates of less than two years. These contracts have an average forward rate of $1.3964 (FY21: $1.3144).

25. Financial instruments continued

Financial risk management continued

(a) Market risk continued

(i) Currency risk continued

Exposure to currency risk

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

	Liabilities		Assets	
	FY22 £000	FY21 £000	**FY22 £000**	FY21 £000
US dollar	**4,905**	2,878	**980**	3,793
Euro	**454**	767	**3,092**	1,415

Currency sensitivity analysis

The Group is exposed to the US dollar and, to a significantly lesser extent, the euro.

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

	USD impact		Euro impact	
	FY22 £000	FY21 £000	**FY22 £000**	FY21 £000
Profit/(loss) for the period	**357**	(83)	**(240)**	(59)

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

The sensitivity analysis above represents the inherent foreign exchange risk as at the year end, but is not reflective of the exposure, and therefore the profit impact, to foreign currency exchange movements during the year.

(ii) Interest rate risk

The Group is also exposed to the effects of fluctuations in the interest rate on its banking facility. The sensitivity analysis below has been determined based on an increase in the interest rate of 1.0% on the average cash balances throughout the year.

	FY22 £000	FY21 £000
Variable rate instruments (100 bp increase)	**123**	56
Variable rate instruments (100 bp decrease)	**(123)**	(56)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group does not offer any credit to customers; therefore, the credit risk with respect to exposure to customers is low.

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

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of the financial assets recorded in the financial statements represents the Group's and the Company's exposure to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows, excluding interest, based on the earliest date on which the Group can be required to pay.

25. Financial instruments continued

Contractual maturity of financial liabilities

	Within 1 year £000	1–5 years £000	5+ years £000	Total £000
1 May 2022				
Interest bearing	**–**	**–**	**–**	**–**
Non-interest bearing	**32,917**	**913**	**–**	**33,830**
Finance lease liability (undiscounted cash flows)	**31,592**	**83,017**	**21,862**	**136,471**
Derivative				
Forward currency contracts	**–**	**–**	**–**	**–**
	64,509	**83,930**	**21,862**	**170,301**
2 May 2021				
Interest bearing	7,500	–	–	7,500
Non-interest bearing	26,035	–	–	26,035
Finance lease liability (undiscounted cash flows)	35,978	86,601	30,158	152,737
Derivative				
Forward currency contracts	1,649	53	–	1,702
	71,162	86,654	30,158	187,974

Hedge accounting

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a qualitative and forward-looking approach to assessing hedge effectiveness.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of counterparties and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

Fair value measurements

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

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

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 year.

Derivative financial instruments

The fair value of derivative financial instruments at the balance sheet date is as follows:

	FY22 £000	FY21 £000
Net derivative financial instruments		
Foreign exchange contracts	**2,393**	(1,702)

25. Financial instruments continued

Classification of financial instruments

The table below shows the classification of financial assets and liabilities as at 1 May 2022.

The fair value of financial instruments has been assessed as approximating to their carrying value.

	Mandatorily at FVTPL £000	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
As at 1 May 2022				
Financial assets measured at fair value				
Derivative financial instruments	–	2,393	–	–
Financial assets not measured at fair value				
Trade and other receivables	–	–	8,427	–
Cash and cash equivalents	–	–	16,280	–
Financial liabilities measured at fair value				
Derivative financial instruments	–	–	–	–
Financial liabilities not measured at fair value				
Unsecured bank loans	–	–	–	–
Lease liabilities	–	–	–	(111,136)
Trade and other payables	–	–	–	(35,958)
As at 1 May 2022	–	2,393	24,707	(147,094)

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

26. Equity-settled share-based payment arrangements

Accounting policy

The Group operates an equity-settled share-based compensation plan.

The cost of the awards to employees is expensed to the income statement, together with a corresponding adjustment to equity, on a straight-line basis over the vesting period of the award. The cost of awards to employees of subsidiary undertakings is recognised as an increase in the investment in the subsidiary. The total income statement charge is based on the Company's estimate of the number of share awards that will eventually vest in accordance with the vesting conditions. The awards granted during FY22 include market-based vesting conditions. At each balance sheet date, the Company revises its estimate of the number of awards that are expected to vest. Any revision to estimates is recognised in the income statement, with a corresponding adjustment to equity.

During FY22, the Group had two (FY21: two) share-based payment schemes, which are described below.

TheWorks.co.uk Long Term Incentive Plan (LTIP)

Further details of the Group's LTIP arrangements are included in the Directors' remuneration report. The LTIP rules provide for the grant of performance related and restricted awards.

The LTIP awards are subject to a three-year vesting period and will usually only vest following the satisfaction of performance conditions. Vested shares will not be released until the end of an additional holding period of two years beginning on the vesting date. Performance measures under the LTIP are based on financial measures. For FY22 the vesting conditions require three years' service from the grant date and the achievement of an EPS target and a share price target (FY21 awards: three years' service from the grant date and the achievement of an EPS target and a share price target).

Restricted stock awards have previously been granted to certain employees, with a three-year vesting period. Restricted share awards are not subject to performance conditions.

Save As You Earn Scheme (SAYE)

A Save As You Earn Scheme is established which is a UK tax-qualified scheme under which eligible employees (including Directors) may save up to a maximum monthly limit of £250 (as determined by the Remuneration Committee) over a period of three years. Participants are granted an option to acquire shares at up to a 20% discount to the price as at the date of grant. The number of shares under option is that which can be acquired at that price using savings made.

	LTIP	SAYE
Number of share options		
Outstanding at 3 May 2021	2,595,915	1,376,686
Granted	1,085,105	1,209,189
Forfeited	(36,664)	(521,872)
Restricted stock awards granted	601,693	–
Outstanding at 1 May 2022	**4,246,049**	**2,064,003**

	LTIP	SAYE
Weighted average exercise price (£)		
Outstanding at 3 May 2021	0.47	0.58
Granted	0.47	0.55
Forfeited	0.73	0.57
Restricted stock awards granted	0.59	–
Outstanding at 1 May 2022	**0.48**	**0.56**
Weighted average remaining contractual life (years)	3.65	1.30

The exercise prices of outstanding share options as at 1 May 2022 range from £0.21 to £0.81.

Expense recognised in the Income statement

	FY22 £000	FY21 £000
LTIP – share-based payment expense	**584**	25
SAYE – share-based payment expense	**67**	56
Total IFRS 2 charges	**651**	81

27. Capital commitments

At 1 May 2022 the Group had capital commitments of £139k (FY21: £46k).

28. Related party transactions

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. Transactions between the Group and its associates are disclosed below.

Transactions with key management personnel

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

	FY22 £000	FY21 £000
Key management remuneration – including social security costs	**2,077**	1,965
Pension contributions	**134**	124
Long Term Incentive Plan – including social security costs	**621**	29
Total transactions with key management personnel	**2,832**	2,118

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

29. Subsidiary undertakings

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

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

30. Post balance sheet events

On 10 June 2022, the Group renewed its bank facility, increasing the size of the committed facility to £30.0m, and extended the expiry date to the end of November 2025, providing significant additional liquidity headroom.

The Strategic report on pages 1 to 46 and this Directors' report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Company statement of financial position

As at 1 May 2022

	Note	FY22 £000	FY21 £000
Fixed assets			
Investment	34	**57,537**	57,279
		57,537	57,279
Current assets			
Deferred tax assets	35	**–**	341
Trade and other receivables	36	**20**	10
Loan receivable	37	**–**	13,847
		20	14,198
Total assets		**57,557**	71,477
Current liabilities			
Trade and other payables	38	**916**	455
Total liabilities		**916**	455
Net assets		**56,641**	71,022
Share capital	39	**625**	625
Share premium	39	**28,322**	28,322
Share-based payment reserve		**2,252**	1,546
Retained earnings		**25,442**	40,529
Total equity		**56,641**	71,022

These financial statements were approved by the Board of Directors on 23 September 2022 and were signed on its behalf by:

Steve Alldridge
Chief Financial Officer

Company registered number: 11325534

Company statement of changes in equity

	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Balance at 26 April 2020	625	28,322	1,489	11,562	41,998
Total comprehensive income for the period					
Profit for the period	–	–	–	28,967	28,967
Other comprehensive expense	–	–	(24)	–	(24)
Total comprehensive (expense)/income for the period	–	–	(24)	28,967	28,943
Transactions with owners of the Company					
Share-based payment charge	–	–	81	–	81
Transactions with owners of the Company	–	–	81	–	81
Balance at 2 May 2021	**625**	**28,322**	**1,546**	**40,529**	**71,022**
Total comprehensive income for the period					
Loss for the period	**–**	**–**	**–**	**(15,087)**	**(15,087)**
Total comprehensive expense for the period	**–**	**–**	**–**	**(15,087)**	**(15,087)**
Transactions with owners of the Company					
Share-based payment charge	**–**	**–**	**706**	**–**	**706**
Transactions with owners of the Company	**–**	**–**	**706**	**–**	**706**
Balance at 1 May 2022	**625**	**28,322**	**2,252**	**25,442**	**56,641**

Notes to the Company financial statements

31. Accounting policies

(a) Basis of preparation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The financial statements have been prepared under the historical cost convention.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of issue of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis. Refer to Note 1(b)(i) for further information regarding the basis of preparation.

Principal accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

New accounting standards

The Company has applied the following new standards and interpretations for the first time for the annual reporting period commencing 3 May 2021:

- COVID-19 Related Rent Concessions (Amendments to IFRS 16)
- Interest Rate Benchmark Reform: Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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

(b) Income statement

The Company made a loss after tax of £15.1m for the period relating to the impairment of the investment balance following the waiver of an intercompany loan (FY21: profit of £29.0m). As permitted by Section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of the financial statements.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- cash flow statement and related notes;
- comparative period reconciliations for share capital;
- transactions with wholly owned subsidiaries;
- capital management;
- the effects of new but not yet effective IFRS; and
- the compensation of key management personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 share-based payments in respect of Group-settled share-based payments.

(c) Key sources of estimation uncertainty

The preparation of financial statements requires the Company 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 Company accounting policies. Where a significant risk of materially different outcomes exists due to the requirement to make assumptions in arriving at a figure, this will represent a key source of estimation uncertainty.

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

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

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

Description	Note	Page
Impairment of investments in subsidiaries	34	129

32. Employee costs

The Company has no employees other than the Board of Directors. Full details of Directors' remuneration are set out in the Directors' remuneration report.

33. Dividends

Accounting policy

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

No dividends were paid to shareholders during FY21 or FY22.

Dividend equivalents totalling £175k (FY21: £74k) were accrued in the year in relation to share-based long-term incentive schemes.

The Board has recommended the payment of a 2.4 pence per share final dividend in respect of FY22 (FY21: £Nil).

34. Investments in subsidiaries

Key source of estimation uncertainty

The carrying value of the investment in subsidiary undertakings is reviewed for impairment on an annual basis. The recoverable amount is determined based on value in use. The value in use method requires the Group to determine appropriate assumptions (which are key sources of estimation uncertainty) in relation to the growth rates of sales and gross margins, operating costs, future capital maintenance expenditure, long-term growth rates and the pre-tax discount rate used to discount the assumed cash flows to present value. Estimation uncertainty arises due to changing economic and market factors.

	FY22 £000
At 3 May 2021	57,279
Additions	14,105
Impairment charge	(13,847)
At 1 May 2022	**57,537**

Investments in subsidiaries represent the Company's investment in its subsidiary, The Works Investments Limited.

Loan waiver

The intercompany loan balance of £13.8m was waived in full in FY22, resulting in an addition to the investment balance of £13.8m during the period.

Impairment of investments in subsidiaries

The Company evaluates its investments in subsidiaries annually for any indicators of impairment. The Company considers the relationship between its market capitalisation and the carrying value of its investments, among other factors, when reviewing for indicators of impairment.

As described above, key assumptions for the value in use calculation include those regarding the discount rate, long-term growth rates, and expected trading performance (sales, gross margin and operating costs). In FY20 the Company recognised an impairment charge of £32.7m in respect of its investment in The Works Investments Limited; £23.5m of this impairment was reversed in the prior year financial statements.

The recoverable amount of the investment in The Works Investments Limited has been re-evaluated based on the Group's latest forecast post-tax cash flows included in its Base Case plan (see Note 1(b)(i)) covering the Projection Period, which have regard to historical performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows. The cash flows include estimates of ongoing capital expenditure required to maintain the store network, but exclude any significant growth capital initiatives. Severe weather has been considered when modelling forecasts and it is not deemed to have a material affect on the projected numbers in the impairment review.

Cash flows beyond the Projection Period are extrapolated using an estimated average long-term growth rate of 2.0%.

Management estimates discount rates that reflect the current market assessment of the time value of money and the risks specific to the Group. The pre-tax discount rate is derived from the Group's pre-tax weighted average cost of capital (WACC) which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium, forecasting risk premium and risk adjustment (beta). The rate used to discount the forecast cash flows is 17.88% (FY21: 16.78%).

As a result of this analysis, an impairment charge of £13.8m has been recognised during FY22 relating to the investment addition in the year due to the intercompany loan waiver.

Sensitivity analysis

As disclosed in the accounting policies note, the cash flows used within the impairment model, the long-term growth rate and the discount rate are sources of estimation uncertainty and changes in these assumptions could lead to further impairment.

Management has performed sensitivity analysis on the assumptions in the impairment model using reasonably possible changes in these key assumptions. Reasonably possible changes to these key assumptions, including a 200 basis point increase in the pre-tax discount rate, a 200 basis point reduction in the long-term growth rate, or a 5% reduction in cash flows from the Base Case plan would not result in a material increase to the impairment charge. In the event that all three were to occur simultaneously, there would not be a material increase to the impairment charge.

35. Deferred tax asset

Accounting policy

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

	FY22 £000	FY21 £000
Deferred tax asset	**–**	341
	–	341

Deferred tax assets of £341k in FY21 related to temporary differences arising from trading.

36. Trade receivables

	FY22 £000	FY21 £000
Prepayments and accrued income	**20**	10
	20	10

37. Loans receivable

Accounting policy

Loans to subsidiaries are initially recorded at fair value. After initial recognition, they are measured at amortised cost, less any impairment losses. The loans are non-interest bearing and repayable on demand. The provision for impairment of loans receivable is based on lifetime expected credit losses. Lifetime expected credit losses are reassessed at each reporting date and any movement in the provision is recognised in the Company income statement.

	£000
At 26 April 2020	28,500
Loans waived	(14,653)
At 2 May 2021	13,847
Loans waived	(13,847)
At 1 May 2022	**–**

The loan balance of £13,847k in FY21 related to a non-interest-bearing intercompany loan repayable on demand by subsidiary undertaking The Works Investments Limited. The full amount was waived during the year as part of a rationalisation of various intercompany balances.

38. Trade payables

	FY22 £000	FY21 £000
Non-trade payables and accrued expenses	**208**	185
Accruals	**92**	246
Amounts owed to Group undertakings	**616**	24
	916	455

Amounts owed to Group undertakings are non-interest bearing and repayable on demand.

39. Share capital and share premium

Accounting policy

The following describes the nature and purpose of each reserve within equity:

- **Share premium account:** Proceeds received in excess of the nominal value of shares issued, net of any transaction costs.
- **Share-based payment reserve:** Represents the cumulative charges to income under IFRS 2 Share-based Payment on all share options and schemes granted, net of share option exercises.
- **Retained earnings:** All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

	FY22 Number	FY21 Number
Share capital		
Allotted, called up and fully paid ordinary shares of 1p:		
At the start of the period	**62,500**	62,500
Issued in the period	**–**	–
At the end of the period	**62,500**	62,500

	FY22 £000	FY21 £000
Share capital		
At the start of the period	**625**	625
Issued in the period	**–**	–
At the end of the period	**625**	625
Share premium		
At the start of the period	**28,322**	28,322
Issued in the period	**–**	–
At the end of the period	**28,322**	28,322

40. Equity-settled share-based payment arrangements

Accounting policy

The Group operates an equity-settled share-based compensation plan.

The cost of the awards to employees is expensed to the income statement, together with a corresponding adjustment to equity, on a straight-line basis over the vesting period of the award. The cost of awards to employees of subsidiary undertakings is recognised as an increase in the investment in the subsidiary. The total income statement charge is based on the Company's estimate of the number of share awards that will eventually vest in accordance with the vesting conditions. The awards granted during FY22 include market-based vesting conditions. At each balance sheet date, the Company revises its estimate of the number of awards that are expected to vest. Any revision to estimates is recognised in the income statement, with a corresponding adjustment to equity.

During the period, the Company had two (FY21: two) share-based payment schemes, which are described below.

TheWorks.co.uk Long Term Incentive Plan (LTIP)

Further details of the Group's LTIP arrangements are included in the Directors' remuneration report. The LTIP rules provide for the grant of performance related and restricted awards.

The LTIP awards are subject to a three-year vesting period and will usually only vest following the satisfaction of performance conditions. Vested shares will not be released until the end of an additional holding period of two years beginning on the vesting date. Performance measures under the LTIP are based on financial measures. For FY22 the vesting conditions require three years' service from the grant date and the achievement of an EPS target, and a share price target (FY21 awards: three years' service from the grant date and the achievement of an EPS target, and a share price target).

Restricted stock awards have previously been granted to certain employees, with a three-year vesting period. Restricted share awards are not subject to performance conditions.

40. Equity-settled share-based payment arrangements continued

Save As You Earn Scheme (SAYE)

A Save As You Earn Scheme is established which is a UK tax-qualified scheme under which eligible employees (including Directors) may save up to a maximum monthly limit of £250 (as determined by the Remuneration Committee) over a period of three years. Participants are granted an option to acquire shares at up to a 20% discount to the price as at the date of grant. The number of shares under option is that which can be acquired at that price using savings made.

For more information, refer to Note 26.

Expense recognised in the Company income statement

	FY22 £000	FY21 £000
Share-based payment expenses		
Expense/(credit) recognised in the Company income statement	**396**	(5)
Expense recognised in the subsidiary income statement	**310**	86
Total IFRS 2 charges recognised in the Group income statement	**706**	81

41. Related party transactions

	FY22 £000	FY21 £000
Loans receivable from subsidiary undertaking The Works Investments Limited	**–**	13,847

The Works Investments Limited is a 100% owned subsidiary, with a principal place of business and registered office address the same as that of the Company. The loan is non-interest bearing and repayable on demand.

Advisers and contacts

Corporate Brokers
Investec Bank plc
30 Gresham Street
London
EC2V 7QP
Tel: 020 7597 4000

Legal Advisers
Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP
Tel: 0113 284 7000

Auditor
KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH
Tel: 0121 740 3516

Principal Bankers
HSBC Bank Plc
Birmingham Corporate Centre
6th Floor, 120 Edmund Street
Birmingham
B3 2QZ
Tel: 03455 852 569

Registrars
Equiniti Limited
Aspect House, Spencer Road
Lancing
West Sussex
BN99 6DA

Financial Public Relations and Investor Relations
Sanctuary Counsel
5-8 The Sanctuary
Westminster
London
SW1P 3JS
Tel: 0207 340 0395

Registered Office
Boldmere House, Faraday Avenue
Hams Hall Distribution Park
Coleshill
Birmingham
B46 1AL
Tel: 0121 313 6050

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Birmingham B46 1AL