Annual Report and Accounts 2024

Time Well Spent

Supporting families with affordable, feel-good ways to spend their time.

THE WORKS

Our purpose:

To inspire Reading, Learning, Creativity and Play

Contents

Financial highlights

Revenue
£282.6m

FY24 £282.6m
FY23 £280.1m

Like-for-like (LFL) sales variance[1]
(0.9%)

FY24 (0.9%)
FY23 +4.2%

Non-IFRS 16 Adjusted EBITDA[2]
£6.0m

FY24 £6.0m
FY23 Restated – £9.0m

Adjusted PBT[2]
£3.2m

FY24 £3.2m
FY23 Restated – £5.3m

Profit before tax[2]
£6.9m

FY24 £6.9m
FY23 Restated – £9.0m

Dividend
0.0p

FY24 0.0p
FY23 2.4p[3]

Basic EPS[2]
10.2p

FY24 10.2p
FY23 Restated – 15.0p

Adjusted basic EPS[2]
4.2p

FY24 4.2p
FY23 Restated – 9.2p

1 LFL sales growth has been calculated with reference to the FY23 comparative sales figures based on a 53-week period.

2 See Note 15 to the financial statements for information relating to the prior period adjustment.

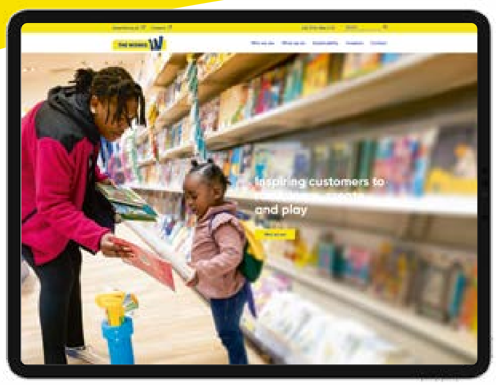
3 Final dividend for the period ended 1 May 2022 paid in FY23.

Operational highlights

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

Visit our retail website
theworks.co.uk

Visit our corporate website
corporate.theworks.co.uk



Creating a better business

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

Our purpose

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

Our mission

Supporting families with affordable, feel-good ways to spend their time.

Our better, not just bigger strategy

- **Develop our brand and increase customer engagement**
- **Enhance our online proposition**
- **Optimise our store estate**
- **Drive operational improvements**

Read more about our strategy on **pages 14 and 15**

Our strategic enablers

- **Our colleagues**
- **Our systems and data**
- **Our ESG commitments**

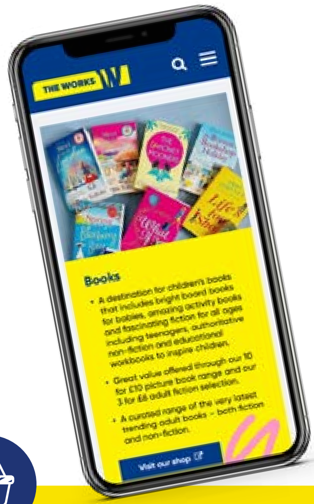
Read more about our ESG approach on **pages 25 to 29**

Underpinned by our values

Crafty **Caring** **Can-do**

Read more about our culture on **page 26**

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



Clear and relevant purpose

Our purpose – to inspire reading, learning, creativity and play – has significant relevance, particularly in a digital age when customers are looking for off-screen ways to connect.

Unique market position

Uniquely positioned in the market providing better value than specialist retailers and better choice and customer service than discounters.

Accessible and convenient multi-channel proposition

Store estate of over 500 stores in a wide range of locations across the UK and Ireland. Supported by an online presence that increases customer convenience and accessibility of our proposition.

Broad demographic appeal, in significant addressable markets

Diverse customer base across four addressable markets creates significant growth opportunity. Current market share is c.2%, providing significant headroom to grow.

Multiple levers for sales growth

Significant opportunity to drive sales growth through both stores and online sales channels, with initiatives including: growing brand awareness through bringing our evolved brand to life; increasing sales densities in stores by better tailoring space allocation in stores to meet local needs; better supporting families with their key everyday shopping missions to ensure they are connecting and having Time Well Spent; and better executing our plans in our sales channels through a more optimised operating model.

Improving operating margins

Opportunity to drive cost efficiencies and product margin improvement which, combined with sales growth, will help deliver our medium-term ambition to return to pre-IFRS 16 EBITDA margins of 5%.

A leading family friendly value retailer

Our brand purpose

Purpose	To inspire Reading, Learning, Creativity and Play
Problem	In a world full of screens, people want to find other ways to connect and spend their time
Mission	Supporting families with affordable, feel-good ways to spend their time
Positioning	Connecting people with screen-free things to do
Our strapline	Time Well Spent

Our proposition

Specialist categories	Books; Toys & Games; Art & Craft; Stationery
Convenient channels	511 stores (UK & Ireland) theworks.co.uk
Famous for	Great Value Fantastic Range Screen-Free Activities
Hero deals	10 for £10 Kids Books 3 for £6 Adult Books 2 for £12/3 for £15 Gifting
Own brands	11 own-brand, unique products and value

Store estate

- Diverse locations including high streets, shopping centres, retail parks, factory outlets and garden centres.
- Serve local communities and play a key role supporting local fundraising activities.
- 9 new store openings during FY24, 24 closures of mostly loss-making or low-profit stores, 5 relocations and 21 refits improved the quality of the store estate.

511
stores in the UK and Ireland

Multi-channel

- Fully transactional online store.
- Exclusive online product offerings.
- Convenient click & collect service.

41.2 million
website visits during FY24

Colleagues

- Loyal, dedicated and highly engaged colleagues are key to our success.
- Recognised as a very good company to work for by Best Companies in recognition of high levels of employee engagement.
- Ranked 15th Best Big Company to Work For in national list. Consistently ranked in the top 25 for the past six years.

c.4,000
colleagues

Product proposition

Own brand

Own brand is 52% of our sales and we are super proud of that. The creative and buying teams work closely together to continue to strengthen our own brands to ensure that they are successful within the marketplace and offer great quality and incredible value for money.

Arts & Crafts

Crawford & Black
- Ages: Adult
- Comprehensive range of art essentials at great value
- Easily accessible to all on a budget

Make & Create
- Ages: Teen – Adult
- Igniting the creative spark in crafty people who like to be unique and personalise
- Seasonal sub-brands for key customer moments: Christmas and Halloween

Make & Create – Easter
- Ages: 2 – 12 years
- Igniting the creative spark in crafty kids who like to be unique and personalise

Make & Create for Kids
- Ages: 2 – 12 years
- Inspiring learning through creativity and art

Kids' appeal
Activities to interact, entertain and engage. Kits and party bundles to create and play.

Adults' appeal
Family activities, new adoptees and the entry level hobbyist.

Stationery

Works Essentials
- Ages: Adult
- Complete range of stationery essentials at great value
- Easily accessible to all on a budget

Paper Place
- Ages: Adult
- Trade up stationery
- Offering incredible quality and ergonomic design

Scribblicious
- Ages: Teen – Adult
- Co-ordinated collections of fashion stationery

Jotz
- Ages: 2 – 12 years
- Co-ordinated collections of kids' stationery

Kids' appeal
Innovative, fun, co-ordinated collections. Party essentials, gift giving and back to school.

Adults' appeal
Core essentials for the office and school and collections to inspire and complement.

Toys & Games

PlayWorks
- Ages: 0 – 7 years
- Inspiring learning and creativity through play
- Covering pre-school, role-play, educational and boys'/girls' toys and puzzles

Corner Piece Puzzles
- Ages: 9 months – 99 years
- Improving cognitive skills with exclusive designs

Kids' appeal
Pocket money spends and hot playground trends. Social development, gift giving and second presents.

Adults' appeal
Family fun, play, entertainment and novelty gifting.

Seasonal & Events

Winterworks
- Ages: Kids – Adult
- Seasonally relevant ranges of items to enhance Christmas celebrations

Hip Hip Yay
- Ages: Kids – Adult
- Party celebration essentials
- Covering balloons, cards, wrap and decorations

All seasonal events optimise our purpose and support the one-stop-shop experience. Seasonal fun, games, craft and reading. Activities to keep the kids busy and get families doing.

Books

Kids' appeal
Books that they want to read (not be made to read). Fun learning, reading development and activity.

Adults' appeal
Credible offer of front list titles and key authors that we are known for, inspiring reading enjoyment.

This is a business with a clear purpose and strong value proposition

Introduction

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

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

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

FY24 performance

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

Strategy

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

Our Board and leadership

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

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

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

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

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

Capital distributions

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

Outlook

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

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

Steve Bellamy
Chair
1 October 2024

We finished the year in line with market expectations as a result of decisive action taken

Introduction

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

Trading performance and financial results

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

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

Pre-IFRS 16 Adjusted EBITDA for FY24 was £6.0m (FY23: £9.0m), which was lower than our expectations at the start of the year. We faced increased cost headwinds in FY24, both those that we had anticipated (e.g. higher business rates, increases to the National Living and Minimum Wages and investment in our merchandising team) and those we could not have foreseen (e.g. substantial increases in freight costs due to supply chain disruption). Faced with constrained profitability and uncertainty regarding a recovery in consumer confidence, in the second half of the year we implemented a programme to stabilise profitability. Action taken included:

- Transferring The Works from its Main Market listing to AIM which will result in lower corporate costs and has a more flexible regulatory environment.
- Moving our online fulfilment centre, operated by third-party provider iForce, to a more efficient facility in early January, which is expected to deliver a c.£1.0m per year reduction in operating costs.
- Ending our Together Rewards loyalty scheme to focus instead on maintaining everyday affordable prices. The scheme had c.2 million active members and although loyalty members typically spent more, it did not deliver adequate returns on the annual investment of over £2.0m.
- Improving product margins through negotiations with suppliers and more targeted promotional activity.
- Introducing changes to ways of working in our Distribution Centre and store labour models, which are expected to drive significant efficiencies.
- Negotiating rent savings with landlords, particularly for low-profit and loss-making stores with leases up for renewal.
- Restructuring our Operating Board to give us a more agile, streamlined and focused leadership team.

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

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

Strategy

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

Strategic progress in FY24 includes:

Developing our brand and increasing our customer engagement

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

Enhancing our online proposition

- Delivered improvements to the retail website to enhance the customer experience, supported by new analytical tools including revamping our homepage, optimising product pages and improving navigation across the site. These changes have seen an improvement on all key metrics, including conversion, and have laid the foundation for further improvements in FY25.
- Actively tested new trading mechanics to determine the most effective strategies for engaging our customers, testing a mix of limited-time discounts, web exclusives and bundles, as well as delivery initiatives to give better choice on delivery. Early results indicate that targeted promotions have not only increased sales but also enhanced key KPIs such as average order value (AOV) and profit per order.
- As part of our broader efforts to improve profitability across the business, we implemented changes to our online channel in H2, for example increasing the free delivery threshold and increasing delivery charges. This impacted sales but improved profitability.

Optimising our store estate

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

Product inspiration

Our Toys buying team took an inspirational trip to Chicago in FY24, and while it was there identified a trend in 'Busy Bags'. The pack it developed exclusively for The Works includes a selection of all our best-selling kids' products, and provides parents with a great alternative to keep kids entertained and away from too much screen time. It is perfect when on the go as it all comes in a handy zip-seal bag and is incredible value at just £5.

Driving operational improvements

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

Leadership and Operating Board changes

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

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

Colleagues

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

ESG

As a business, we remain committed to 'doing business better' and to making positive and sustainable changes which will enable us to continue to inspire reading, learning, creativity and play for generations to come.

We are taking steps to progress our ambition to be 'net zero' in Scope 1 by 2035, Scope 2 by 2030 and Scope 3 by 2045, with an ambition to achieve Scope 3 by 2040 to align with the BRC's climate action roadmap. We also made good progress in the year to support both Our People and Our Planet as outlined in pages 25 to 29 of this report.

Develop our brand and increase customer engagement

Brand proposition and customer engagement

Building on our purpose of inspiring reading, learning, creativity and play, this year we have launched our new creative platform. Our new strapline #TimeWellSpent reminds customers that the most valuable resource we have isn't money, it's time, and that there's a joy in spending it wisely. There's also a nod to the value we offer; money spent at The Works is money wisely spent. With a new brand lock-up, 'Time Well Spent' will start to live and breathe across our stores, our websites and our communications, connecting emotionally with existing and new customers.

Outlook

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

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

Gavin Peck
Chief Executive Officer
1 October 2024

We are uniquely positioned in the value retail sector

Our purpose, which is 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.

Spending trends

Market drivers

While there is an improving outlook for discretionary spend, real household disposable income will not recover in the short term, with the bottom half of the income distribution not expected to recover to pre-pandemic levels until 2027/28. For the core demographic of customers who shop at The Works, money is tight and they are seeking good value quality products.

Our response

Our price proposition, range and convenience position us well. We believe in great value, offering a range of products that are accessible and affordable to all. We are focused on delivering key value entry prices and our key multi-buy promotions across books, jigsaws and gifting. We offer a point of difference in the market. Our proposition also appeals to higher demographic customers allowing us to benefit from their increasing disposable income.

Link to strategy

Evolving shopping habits

Market drivers

Despite an uncertain macroeconomic backdrop and consumers being more cost conscious than ever, demand for convenient and enjoyable shopping experiences continues to grow.

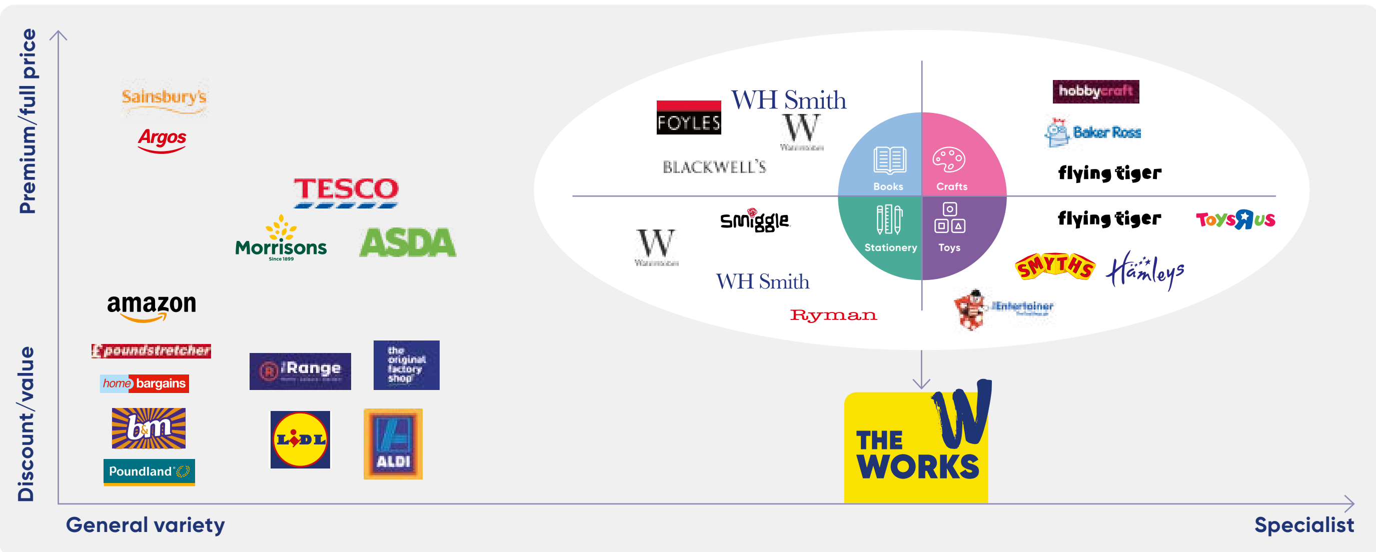
Our response

Our strategy is focused on making the overall shopping experience as straightforward and convenient as possible for customers shopping in store and online.

During the year we continued to optimise our store estate ensuring we have the right stores in the right locations for our customers. We opened 9 new stores, closed 24 stores, relocated 5 others and completed refits of 21 existing stores. Our aim is to provide better in-store experiences through improved space planning, making our stores easier to shop in (e.g. by reducing the number of fixtures and amount of stock on the shop floor) and enhancing our click & collect channel.

Link to strategy

Read more about our strategy on **pages 14 to 15**



A range aligned to our purpose in all our markets

Market drivers
We have good demand in four diverse product pillars, with the highest shopped category being Books and the highest growth in sales in Toys & Games.

Our response
Our point of difference is an amazing product proposition that is unique to us, is in line with our purpose and great value. Known for genuinely caring about and delivering to, our purpose through our product offer and customer communication to 'inspire reading, learning, creativity and play - making lives more fulfilled' is what gives us a competitive edge in the market.

We offer a diversity of product supporting families with affordable, feel-good ways to spend their time with products that surprise and delight with innovation and a momentum of newness.

Link to strategy

Connecting people with screen-free things to do

Market drivers
Money is tight, and the world is changing incredibly fast. In a world full of screens and overload, people want to find other ways to connect and spend their time.

Our response
We believe there's so much to learn from page-turning and colourful doodling, that hands are for crafting as well as for clicking and that the best play is messy and loud. We welcome customers through our doors and help them find inspiration amongst our incredible range of feel-good things to do. Things that won't break the bank and will help people connect; with each other and themselves. We are within reach locally in a store or online, full of friendly advice and crafty ideas. We are here for important things like pocket money spend, party times, puzzles and presents; to help customers find new passions, re-discover old ones and ignite new imaginations. At The Works we enable people to enter a world of reading, learning creativity and play, pause the screen and connect them with screen-free things to do.

Link to strategy

Enhance our online proposition

In our ongoing efforts to enhance our online offer and profitability, we have been actively testing trading mechanics to determine the most effective strategies for engaging our customers. We have been testing a mix of limited-time discounts on next day delivery, web exclusives and bundles, as well as delivery initiatives to give better choice on delivery (free next day delivery options, faster click & collect and Evri Parcel Shop). Early results indicate that targeted promotions have not only increased sales but also enhanced key KPIs such as average order value and profit per order. As we continue to test we will be fully analysing this data and refining our promotional approaches to ensure we deliver compelling offers that resonate with our audience as well as delivering profitable growth.

Building on our core strengths

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

Key inputs

Colleagues

- Approximately 4,000 colleagues who are key to the success of our business.
- Loyal and dedicated.
- Highly engaged.

Brand value

- Exclusive own brands developed in house.
- Clear purpose, focused on inspiring reading, learning, creativity and play.
- Time Well Spent to be launched in FY25.

Suppliers

- Approximately 250 supplier relationships.
- Located in 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 26.**

Our proposition and how we create value

Our competitive advantage

Affordable

Customer focused

Family friendly

Convenient

Multi-channel

Empowering

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 throughout the year.
- Four clear product zones: Books; Arts & Crafts; Toys & Games; and Stationery, complemented by seasonal offerings.

11
own brands

10
sub-brands

c.6,500
new product lines introduced in FY24

Evolving and growing our business to make it better, not just bigger

Read more about our strategy on **pages 14 and 15.**

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 approximately 250 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.250
stock suppliers

157,000
sq ft retail warehousing and distribution facility

Sell to customers through convenient channels

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

511
stores

Optimise our store estate

Drive operational improvements

The value we create

Our people

Employment and a rewarding career for c.4,000 colleagues.

15th

Best Big Company to Work For

Our customers

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

Our community

£195k
fundraising in FY24 for Cancer Research UK, Mind, SAMH, Inspire and National Literacy Trust. Many other local charities supported at store level.

Our shareholders

We are focused on realising the significant growth potential through generating medium-term profit growth and enhanced shareholder value.

Strategy

Against the backdrop of challenging trading conditions and constrained profitability we took the decision to scale back investments in some areas and refocus our efforts on stabilising profitability. Despite this, our teams rallied together and delivered good strategic progress in FY24. Our strategy is currently under review and will communicate this in the early part of 2025.

Develop our brand and increase our customer engagement

Progress

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

Priorities for FY25

- Design and embed a new brand framework across the business to support the launch of Time Well Spent.
- Continued evolution of product proposition under the direction of the new Commercial Director.

Links

Link to KPIs

A B

Link to risks

1 2 3 4 5
6 7 8 9 10 11

Enhance our online proposition

Progress

- Delivered improvements to the website to enhance the customer experience, supported by new analytical tools including revamping our homepage, optimising product pages and improving navigation across the site. These changes have seen an improvement on all key metrics, including conversion, and have laid the foundation for further improvements in 2024.
- Actively tested new trading mechanics to determine the most effective strategies for engaging our customers, testing a mix of limited-time discounts, web exclusives and bundles, as well as delivery initiatives to give better choice on delivery. Early results indicate that targeted promotions have not only increased sales but also enhanced key KPIs such as average order value and profit per order.
- As part of our broader efforts to improve profitability across the business, we implemented changes to our online channel in H2, for example increasing the free delivery threshold and increasing delivery charges. This impacted sales but improved profitability.

Priorities for FY25

- Improve our digital analytics capabilities to support data driven decisions for tactical trading plans and for future strategic initiatives.
- Continue to focus on improving the profitability of the website through increasing average order value whilst reducing cost to serve.

Links

Link to KPIs

A B C D E

Link to risks

1 2 3 4 6
7 8 10 11

Our KPIs are set out on **page 16**

Our principal risks are set out on **pages 38 to 43**

Optimise our store estate

Progress

- Focused on maintaining the overall quality of our store portfolio, ensuring we have the right stores in the right locations for our customers. This included 9 openings, 24 closures, 5 relocations and 21 refits. The business traded from 511 stores at the year end, of which over 96% are profitable.
- New stores performed in line with their investment models and with strong payback of c.12 months. The majority of closures were of loss-making or low-profit stores where we were unable to agree suitable terms with the landlord.
- Successfully negotiated with landlords on FY24 lease renewals, delivering £0.8m in annual rent savings.

Priorities for FY25

- Continue to drive rent savings with a particular focus on marginally performing stores.
- Focus on improving the estate through selective refits, relocations, closures of underperforming stores and opening of a small number of carefully selected stores.
- Increase in-store sale densities.

Links

Link to KPIs

A B C D E

Link to risks

1 2 7 10 11

Drive operational improvements

Progress

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

Priorities for FY25

- Continue to enhance stock flows with a particular focus on the top performing stores.
- Formalise IT system roadmap to support strategic system changes.

Links

Link to KPIs

C D E

Link to risks

1 2 7 10 11

We use five KPIs to monitor performance and 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

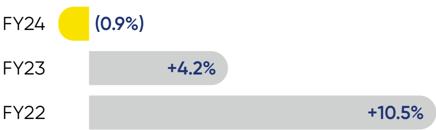
+0.9%

Definition

The percentage year-on-year change in Group total sales which excludes VAT and is stated after deducting the cost of loyalty points. A reconciliation between total sales and statutory revenue is included on page 88.

B Like-for-like (LFL) sales growth

(0.9%)



Definition

The FY24 and FY23 like-for-like (LFL) sales decrease/increase has been calculated with reference to the previous year's comparative sales figures. In FY24, 53 weeks has been compared to the equivalent 53 week period in FY23. In FY22, two-year comparatives were used because the use of a normal one-year LFL comparative was prevented by the various disruptions to store trading brought about by COVID-19 restrictions in the FY21 comparative period. LFL sales are defined by the Group as the year-on-year growth in gross sales from stores which have been trading for a full financial year prior to the current year and have been trading throughout the current financial period being reported on, and from the Company's online store, calculated on a calendar week basis.

C Adjusted profit before tax

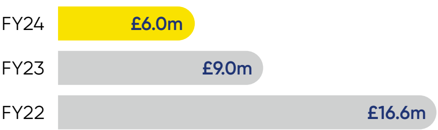
£3.2m

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.

D Pre-IFRS 16 Adjusted EBITDA

£6.0m



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.

E Adjusted diluted earnings per share

4.2p

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.

Well positioned to return to profit growth in FY25

The result for FY24 was in line with market expectations, reflecting our focus on tighter cost control and action taken to grow gross margins."

Rosie Fordham
Chief Financial Officer

1 See Note 15 to the financial statements for information relating to the prior period adjustment.

2 53-week LFL sales growth has been calculated with reference to the prior 53-week comparative sales period. LFL sales growth is the growth in gross sales from stores which have been trading for the full financial period (current and previous year), and from the Group's online store.

3 See Note 4 to the financial statements.

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

Overview

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

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

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

- Revenue increased by £2.5m (+0.9%) compared with the prior period due, in part to an extra week of trading and LFL store sales growth of 0.6%, along with the effect of closing a net 15 stores in the period. Online sales declined by 12.4%, as we focused on improving profitability, pulling total sales growth lower.
- Pre-IFRS 16 Adjusted EBITDA of £6.0m, compared to £9.0m in the prior period, reflects lower than anticipated sales and significant cost headwinds. We partially offset some of these headwinds through proactive operational changes at the start of the year. In light of lower sales ahead of and during the peak trading period, we took further action to refocus on improving gross margins and further reduce costs post-Christmas. This resulted in us achieving the forecast for FY24.
- Group profit before tax includes a credit of £3.7m (restated FY23: £3.6m credit) of Adjusting items, comprising of a £1.4m reversal of impairment charges (as a result of following the requirements of the IFRS 16 accounting standard), (restated FY23: charge £1.1m), and £3.5m (FY23: £4.7m) profit on disposal of right of use assets and lease liabilities. These were partially offset by other non-recurring costs of £1.2m relating to the Group's move to AIM (£0.5m) and restructuring costs (£0.7m).
- The Group ended the period with net cash of £1.6m. The comparable 52-week period to 28 April 2024 ended with net cash of £6.5m, which compares to net cash of £10.2m at the end of FY23. The Group continues to have access to, and utilises, a revolving credit facility (RCF) of £20.0m to support the build of stock prior to peak trading (pages 84 to 86).
- As part of the Company's move to AIM, the fixed charge covenant was successfully renegotiated under the Group's banking facility, thereby creating additional headroom when modelling the various scenarios in the Board's going concern assessment. The accounts have therefore been prepared on a going concern basis with no inclusion of a material uncertainty (pages 84 to 86).
- In light of the lower profit delivered in FY24, the Board will not be proposing a final dividend in relation to FY24. Future shareholder distributions will be kept under consideration as profitability improves and net cash allows.

Overview continued

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

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

Revenue analysis

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

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

H1 headlines

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

H2 headlines

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

Store numbers

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

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

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

Product gross margin and gross profit

	FY24		FY23 (Restated)			
	£m	*% of revenue*	£m	*% of revenue*	*Variance £m*	*Variance %*
Revenue	**282.6**		280.1		*2.5*	*0.9*
Less: cost of goods sold	**(120.5)**		(118.8)		*(1.7)*	*(1.4)*
Product gross margin	**162.1**	***57.3***	161.3	*57.6*	*0.8*	*0.5*
Store payroll	**(50.2)**	***(17.8)***	(46.8)	*(16.7)*	*(3.4)*	*(7.3)*
Store property and establishment costs	**(49.3)**	***(17.4)***	(51.8)	*(18.5)*	*2.5*	*4.8*
Store PoS and transaction fees	**(2.7)**	***(1.0)***	(2.3)	*(0.8)*	*(0.4)*	*(17.4)*
Online variable costs	**(15.8)**	***(5.6)***	(18.4)	*(6.6)*	*2.6*	*14.1*
Total non-product related cost of sales	**(118.0)**	***(41.8)***	(119.4)	*(42.6)*	*1.4*	*1.2*
Store depreciation	**(1.9)**	***(0.7)***	(3.7)	*(1.3)*	*1.8*	*49.0*
Adjusting items	**3.7**	***13.1***	3.6	*1.3*	*(0.1)*	*(2.8)*
IFRS 16 impact	**5.9**	***2.1***	6.1	*2.8*	*0.2*	*3.3*
Gross profit per financial statements	**51.8**	***18.3***	47.9	*17.1*	*3.9*	*8.1*

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

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

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

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

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

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

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

- The majority of the reduction was driven by business rates. £2.8m related to the 2023 business rates revaluation and a further £0.6m of credits were received from historical backdated rate reductions.
- The renegotiation of expiring leases across the LFL store estate resulted in a reduction in rents which was further supported by the release of rent accruals established where the effective date of the rent decrease was back dated to a prior period (in these situations, we continue to accrue for the higher rent level until the reduction is confirmed in writing).
- Full period electricity costs increased £1.6m as previously contracted hedging agreements resulted in a slower unwind of market led energy price reductions.

Drive operational improvements – iForce move to Corby

Our e-commerce Distribution Centre is operated by our third-party provider, iForce. During the year we agreed with iForce to move to a more modern Distribution Centre with much higher levels of automation and increased efficiencies.

- 21% reduction in our operating space leading to lower occupancy costs.
- Increased pick rate (nearly three times faster than a manual pick process) leading to lower cost per item to dispatch allowing greater flexibility in what we can sell profitably through our website.

The move took place in January 2024 and is so far delivering savings that are expected to result in a reduction of c.£1.0m per annum in operating costs.

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

Operating profit and pre-IFRS 16 EBITDA

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

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

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

Adjusting items were £3.7m credit in FY24 (restated FY23: £3.6m credit) and include other non-recurring costs of £1.2m relating to the Group's move to AIM (£0.5m) and restructuring costs (£0.7m). These costs are more than offset by a credit of £1.4m (restated FY23: impairment charge £1.1m), resulting from the reversal of impairment charges relating to the notional right of use asset created as a result of following the requirements of the IFRS 16 accounting standard and £3.5m (restated FY23: £4.7m) profit on disposal of right of use assets and lease liabilities. This is described in Note 15 of the financial statements.

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

Net financing expense

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

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

Tax

	FY24 £m	FY23 (Restated) £m
Current tax expense/(credit)	–	(0.4)
Deferred tax expense	0.5	–
Total tax expense/(credit)	**0.5**	(0.4)

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

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

Earnings per share

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

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

Other items

Prior period restatements reflect adjustments wholly related to IFRS 16. Further details can be found in Note 15.

Capital expenditure

Capital expenditure in the period was £5.8m (FY23: £6.7m). It predominately relates to:

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

FY25 capex is expected to be approximately £5.0m.

Inventory

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

Cash flow

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

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

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

Bank facilities and financial position

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

Capital distributions

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

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

Employee Benefit Trust funding for the purposes of share schemes

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

Rosie Fordham
Chief Financial Officer
1 October 2024

Optimising our store estate

During FY24 there was a continued focus on optimising the store estate, to ensure we operate the right stores in the right locations for our customers and make commercial returns. We targeted low-profit and loss-making stores with a focus on improving profitability of the estate and sought to improve operational performance as well as targeting rent reductions on lease renewals. During FY24, 62 leases were renegotiated with a total annual rent saving of c.£800k which equates to approximately a 24% reduction in the annual rent for those stores. We closed 24 stores, the majority of which were loss-making or low-profit stores. We opened 9 new stores and relocated 5, all of which are performing in-line with their investment models and are expected to generate, on average, payback of circa 12 months.

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 as part of our decision-making process. Our Section 172 Companies Act statement is set out over the page.

Our people

Enable us to fulfil our purpose and deliver our strategy.

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.

Group-wide engagement

- Interaction through various channels including MyWorks communications and engagement platform and regular briefings.
- Annual engagement survey to give us an independent view of what we are doing well and where we can improve.
- Local-level engagement including team meetings, video calls and briefings.

Board-level engagement

- Regular Director store visits and meetings with senior management and store colleagues.
- Presentations to the Board by the Chief People and Retail Officer covering people and talent strategy, development of an Employee Value Proposition and linkage to the Group's purpose, culture and strategy.
- Chief People and Retail Officer regularly provides updates at Board, and Nomination and Remuneration Committee meetings.

Outcomes

- Ranked 15th Best Big Company to Work For nationally by Best Companies™ reflecting 'very good' levels of employee engagement.

Read more on **page 26**

Our customers

Buy our products.

What matters to them

- Wide variety of great products.
- Good value and quality.
- Customer experience.
- Reliable and convenient service.

Group-wide engagement

- Active social media engagement.
- Customer surveys and polls.
- Day-to-day interactions between customers and store colleagues.

Board-level engagement

- Regular Director store visits including direct engagement with customers.
- Chief Commercial Officer, Chief Retail and People Officer and Head of Brand regularly provide customer feedback to the Board.

Outcomes

- Monitor emerging trends and create products that customers want and need.

Read more on **page 4 to 5**

Our suppliers
Support our sourcing and distribution activities.

What matters to them
- Long-term relationships.
- Fair treatment.
- Payment in accordance with contractual terms.
- Responsible business practices.

Group-wide engagement
- Regular commercial dialogue.
- 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 are integral to the supply of our products.
- Our sourcing team drives key partnerships via robust communication and enforcement of supplier standards.
- Our sustainability team engages with suppliers to investigate and appraise their commitments to the environment in line with our roadmaps.

Board-level engagement
- Chief Commercial Officer provides regular updates to the Board on supplier matters and relationships.
- The Board and Audit Committee review the Group's payment practices.

Outcomes
- Board review of payment practices ensures that suppliers are treated fairly.
- Promote fair and ethical business practices through supply chain management.
- Development of social and ethical compliance programme in conjunction with Verisio (see page 29).
- Long-term supplier relationships.
- Increasing collaboration with key publishers.

Read more on **page 29**

Communities
Impacted by our activities.

What matters to them
- Employment opportunities.
- Positive social impact.
- Sustainable operations.

Group-wide engagement
- 'Giving Something Back' programme (see page 27).
- Local community initiatives (see page 27).

Board-level engagement
- Board oversees development of ESG strategy and monitors progress.
- Internal ESG working groups and external advisers regularly update the Board on relevant ESG matters.
- Board in-depth review of the Group's community engagement activities.

Outcomes
- Strengthening ESG strategy given growing importance to stakeholders (see pages 25 to 29).
- Launched our new corporate and charity fundraising partnership with the National Literacy Trust (NLT) raising £66k in FY24.
- £109k raised in partnership with Mind, SAMH and Inspire during FY24.
- Successfully trialled 'Play It Forward' product take-back scheme in partnership with Barnardo's.

Read more on **page 27**

Shareholders
Seek returns on their investment.

What matters to them
- Competent execution of strategy.
- Good governance.
- Sustainable and growing returns.
- Regular and clear communications and transparency.
- ESG performance.

Group-wide engagement
- Extensive investor information, including announcements, results and presentations, is available on the Company's website.

Board-level engagement
- Annual General Meeting.
- The Chair and Committee Chairs are available to shareholders to discuss specific matters as they arise.
- CEO and CFO have regular meetings and calls with investors and analysts, both directly and through their NOMAD, and provide Board updates following such engagement.

Outcomes
- Delisted the Company from the LSE Main Market, readmitting on AIM given the size and structure of the Group, significantly reducing compliance cost base.
- Reorganised leadership structure, enhancing the functional efficiency of the Operating Board.
- Strengthening ESG strategy given growing importance to stakeholders.
- Reconsidered the nature and timing of capital distributions.
- Approved the appointment and reappointment of Board members.

Read more on **page 3**

Promoting the Company's long-term success

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

The Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006 in their decision-making processes.

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 53-week period ended 5 May 2024 (FY24).

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.
- The need to act fairly as between members of the Company.

AIM move

The Board began to consider the possibility of moving the Company's listing from the Main Market to AIM following the finalisation of the FY23 year-end process, with the process, benefits and impact discussed over the course of a number of Board meetings.

Although there was a short-term impact on management time in order to deliver the move, the Board's conclusion was that moving to AIM was in the long-term interests of the Company; the AIM regulatory regime was considered to be more appropriate for the size and structure of the Company, and there was the possibility to save significantly on costs related to the Main Market listing (particularly around the audit fee) with the Board being optimistic that those savings would ultimately lead to increased shareholder value. The potential impact on shareholders was also considered, with particular reference to ensuring that existing major shareholders would not be prohibited from maintaining their interest following the move to AIM. The Board consulted with its key shareholders to assess support for the move prior to initiating the project.

Having considered all relevant factors, the Board unanimously agreed that recommending the move to AIM was in the best interests of the Company and its members, having had due regard to relevant factors under Section 172 of the Companies Act 2006.

Environmental, social and governance (ESG) statement

Our mission
As a business, we remain committed to 'doing business better' and to making positive and sustainable changes which will enable us to continue to inspire reading, learning, creativity and play for generations to come. We continue to evolve our ESG strategy, which we have refined in FY24 to focus on people and planet.

Our ESG governance
The Board holds overall accountability for approval of the strategy for and delivery of the Group's ESG commitments. A member of the Operating Board has been assigned responsibility for each of the pillars of our ESG strategy, and is supported by working groups across the Group. Further details are shown in the CFD statement on pages 30 to 37.

Our people

Colleagues

We care about our people.
We will focus on learning and development, health and wellbeing, and diversity and inclusion to help us ensure that The Works is an engaging and inspiring place to work.

Our colleagues are fundamental to delivering great customer experience in a challenging and competitive retail environment. They are what makes The Works so special. Attracting and retaining great people is what makes us successful, and our culture is key to that.

Each year we invite our colleagues to participate in the Best Companies™ 'Make a Difference' engagement survey. This well-recognised third-party survey covers various areas including Leadership, My Manager, Personal Growth, Wellbeing, Fair Deal and Giving Something Back. As well as completing the set questions, colleagues also have the option to add comments on what is great about working at The Works and what could be better. 77% of our team completed the 2023 full survey and we were awarded a one-star rating (with three stars being the highest rating) in recognition of very good workplace engagement.

Learning and development

Our learning and development system, the Can-Do Academy, provides all colleagues with online learning covering compliance, management and leadership skills training. This year we have expanded our talent development team and introduced several new initiatives including The Works Welcome induction event, providing our new Support Centre, Distribution Centre and store managers a warm and informative welcome to our team.

Health and wellbeing

Health and safety (H&S)

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 continuous improvement we operate a web-based portal and online reporting system which allows all stores to immediately record accidents, incidents and near misses. Our store managers all use streamlined H&S checklists that focus 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 the wellbeing of our colleagues is a key part of our people strategy and our ESG commitments. This April we launched our wellbeing strategy to ensure we support all aspects of our colleagues' wellbeing. Colleagues have access to:

- MyWorks, our communications and engagement platform, which provides information on physical, mental and financial wellbeing.
- Our employee Assistance Programme through our partnership with the Retail Trust.
- Wellbeing Warriors , who are available across the business. These colleagues are specifically trained to support the mental wellbeing of their peers, act as an impartial, confidential, listening ear and provide unbiased support to colleagues.

Diversity and inclusion (D&I)

We have launched our D&I strategy and are making good progress across the four key priorities:

- Further improve our understanding of D&I across our business.
- Improve D&I training and enhance awareness.
- Review our internal processes to ensure barriers to inclusion are removed.
- Ensure everyone at The Works is accountable for their role in creating an inclusive workplace.

Gender Pay Gap Report

Our 2023 Gender Pay Gap Report is available at theworks.co.uk.

As at 5 April 2023, when measured as a median average, hourly paid male colleagues were equal to our female colleagues and when measured as a mean average the hourly rate of pay for male colleagues was 12.1% higher than female colleagues. This is because we have more men than women in senior leadership roles, a position we are working to address through the implementation of our D&I strategy.

The gender diversity profile across the Group as at 5 May 2024 is detailed below.

	Male	Female
Board[1]	4/71%	3/29%
Operating Board[2]	2/40%	3/60%
Direct reports[3]	14/50%	14/50%
Senior leadership[4]	11/58%	8/42%
Other employees[5]	995/26%	2,805/74%

1 The Board (see pages 44 and 45) includes three Non-Executive Directors and two Executive Directors.

2 Information about the members of the Operating Board, which includes the two Executive Directors, is available at https://corporate.theworks.co.uk/who-we-are/our-leadership. As at the date of this Annual Report the gender diversity profile of the Operating Board was 2/40% male and 3/60% female.

3 Direct reports to senior management (the Operating Board).

4 Senior leadership includes heads of department or equivalent.

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

Communities

We care about giving something back.
We will support both local and national charities & organisations which help us achieve our business purpose.

Giving something back

Making a difference to society is not only a part of our ESG responsibilities, but also part of our culture. We are proud to work with national charity partners, and local causes, to give back in the communities which we serve. Whether it's through fancy-dress fundraising, our Where's Wally? Fun Run or an in-store fundraising activity, giving something back is part of our everyday life.

We launched our new corporate and charity fundraising partnership with the National Literacy Trust (NLT), an independent charity working with schools and communities to give disadvantaged children the literacy skills to succeed in life.

We have worked, and will continue to work, closely with the NLT to improve access to, and awareness of the importance of, literacy for all, helping us fulfil our purpose of inspiring reading, learning, creativity and play.

We continue to partner with Mind, SAMH and Inspire. This year we launched our first commercial charity range that supported all our national partners.

Our partnership with World Book Day is a great example of our purpose coming to life by inspiring reading, learning, creativity and play. As well as selling World Book Day books and redeeming vouchers, our colleagues encouraged our customers to develop a love for reading through fancy-dress initiatives, story sessions and book recommendations, supporting its mission to 'Read Your Way'. We sold more than 205k books supporting children to develop their love of reading.

October saw the launch of our trial 'Play It Forward' product take-back scheme in partnership with Barnardo's. The successful trial provided collection bins for customers and colleagues to donate their good quality new and pre-loved books, games, toys and stationery in our stores. As part of the partnership Barnardo's then collected these donations to resell in its charity stores to help raise vital funds for its work, or recycle items which are not in a resalable condition.

FY24 impact

National partnerships

Cancer Research UK (CRUK)

£17.5k

£1.3m since August 2016 (partnership closed in FY23)

Mind, SAMH and Inspire

£109k

National Literacy Trust (NLT)

£66k

Partnership launched in FY24

We care about good ethical business practices and 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.

Our planet

Environment

We care about our impact on the planet.
We are committed to reducing our carbon footprint, minimising waste, and sourcing more environmentally friendly materials and products where possible.

Our targets

In FY23 we set the carbon emission reduction targets detailed below. Our Scope 1 and Scope 2 targets, together with our Scope 3 ambition, align with the British Retail Consortium's climate action roadmap. In FY24 we completed our second carbon balance sheet, with an improvement in methodology, allowing us to directly compare our footprint for the first time against FY23 – which will now be our baseline year.

Carbon net zero targets[1,2]

Scope 1 – Net zero by
2035

Scope 2 – Net zero by
2030

Scope 3 – Net zero by
2045[3]

1 Scope 1 consumption and emissions include direct combustion of natural gas and fuels utilised for transportation operations. Scope 2 consumption and emissions refer to indirect emissions related to the consumption of purchased electricity in day-to-day business operations. Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by the Group.

2 We aspire to achieve our net zero targets through a 90% absolute reduction in our emissions and by offsetting the remaining 10%. Our targets have been established using a market-based methodology and our FY22 carbon emissions performance is the baseline against which we will measure our absolute reductions.

3 With an ambition to achieve net zero by 2040.

FY24 progress highlights

Emissions

Our carbon emissions across Scope 1, 2 and 3 decreased by 8% vs FY23, and by 9% vs our FY22 baseline. The majority of this decrease came from Scope 3.

	FY24 performance
Scope 1	Increased vs FY23 and FY22 baseline year due to an increase in company car mileage as a result of returning to post-COVID-19 travel. Scope 1 emissions make up less than 1% of our total carbon footprint.
Scope 2	Increased by 7% vs FY23 but reduced 2.5% vs FY22 baseline due to an increase in electricity consumption.
Scope 3	Decreased by 8.7% vs FY23 and by 9.4% vs FY22 baseline. Purchased goods and services reduced by 9.8% vs FY23 due to an overall decrease in total spend on paper products (-22%), which has the highest emissions factor compared to other materials used.

Products and packaging

Examples of progress we have made are:

- Removed outer shrink wrap packaging from 95% of our kids' own brand jigsaws.
- In our PlayWorks and Outdoor Toys ranges, reduced plastic packaging, switching to 30% recycled content where possible, as well as introducing paper packaging.
- Our best-selling 'Create Your Own Christmas' bag and stockings are now made from 100% recycled bottles.
- We hit our FY23 target of increasing the number of books that are FSC certified from 45% to 60%.

Plans for FY25

Carbon emission reduction

- Develop an energy efficiency behaviour change programme for all colleagues.
- Engage with landlords to identify and implement energy efficiency opportunities across the store estate, tailoring efforts where necessary.

Products and packaging

- Increase the number of books that are FSC certified across our entire books range from 60% in FY24 to 75% by the end of FY25.
- Achieve an average of at least 50% of plastic packaging across all our imported products containing a minimum of 30%+ recycled content for the whole of FY25.

Waste

- Reduce the use of packaging in our products and ensure compliance with EU and UK regulations.
- Improve our recycling rates in our stores, Distribution Centre & Support Centre.

Barnardo's 'Play It Forward' scheme

In the last year we launched the trial of our 'Play It Forward' scheme in partnership with Barnardo's. The scheme enables customers and colleagues to donate their good quality new and pre-loved books, games, toys and stationery at our donation points in store. Barnardo's resells all good quality items in its charity stores to help raise vital funds for its work, or recycles any items which are not in a resalable condition.

After a successful trial, we are looking to roll out the scheme to all eligible UK stores in FY25. Working in partnership with Barnardo's, we are pleased to have the opportunity to help our colleagues and customers raise funds that will help children, young people, and their families to feel safer, happier, healthier and more hopeful.

Supply chain

We care about ethical business practices.

Through robust supplier engagement, regular audits and a clear Code of Conduct, we will ensure our suppliers meet our expectations when deciding on who, what and where we source from.

People update

In order to the support the execution of our supply chain objectives, this year we have recruited a dedicated sourcing manager whose role will be to lead and take ownership for implementing new ways of working both internally across the commercial teams and externally within our supplier base. This individual is responsible for driving and co-ordinating our key supplier relationships, supplier assessment, supplier strategy and supplier engagement; maximising efficiencies in how we operate and the end-to-end management of our key partners.

During the course of FY24, we have introduced a quality assurance team, whose primary responsibilities relate to the management of, and adherence to, all applicable product safety, quality and sustainability standards within the UK and EU. Since the quality assurance team's inception, we have made significant progress in ensuring our suppliers are aligned with our standards in these areas.

Supplier data

Our goal is to implement a transparent process to understand and hold relevant data on our total supplier base, with the ability to assess them and engage with them to drive key partnerships. In the last year we have laid the foundations for achieving this goal through establishing a supplier database so that it can be used as an effective tool for stakeholders to understand an individual supplier's status, or to evaluate our supplier base on a more holistic level.

We have made significant progress in supply chain transparency, which has been aided by our recently formed relationship with our ethical supply chain partner, Verisio, enabling us to engage with our total supplier base to map our tier 1 supply chain, whilst also capturing factory ethical audit reports as part of the process.

Supplier standards

As part of our Supplier On-Boarding process, we require all suppliers to sign our Terms and Conditions of Purchase and our Ethical Trading Code of Conduct, and agree to the requirements set out in our Supplier Manual.

We have refreshed our Ethical Trading Code of Conduct to contain an enhanced set of supplier requirements, which has been signed by all active suppliers.

In FY25 we will be setting out our audit requirements for our own brand suppliers and their factories, which will become a mandatory condition for purchase. All audit reports obtained as part of this ongoing project will be risk assessed by Verisio, using a risk matrix defined by the Group, and factories will be graded.

For our branded suppliers and publishers, we will issue a Self-Assessment Questionnaire (SAQ) which will capture information required to ensure that they are managing their factory sites in line with our requirements.

Sourcing strategy

In FY24, we have identified the need to develop a process to assess our supplier base objectively. We have categorised our suppliers into distinct groups based on various parameters, which include factors such as the supplier's significance to the business, their performance, the level of risk they pose, and their strategic value.

In FY25, we aim to improve this approach by ensuring the categorisation process is as comprehensive as possible, capturing tangible feedback based on pre-defined criteria. The output of this process will be in the form of a supplier scorecard. The supplier scorecard will provide a structured and visual manner to comprehend the dynamics of the supplier base, enabling us to make informed decisions about supplier management.

We have identified supplier rationalisation opportunities in order to streamline the business' spend to fewer suppliers and drive better value from those relationships. These opportunities will be explored further during FY25.

Climate-related Financial Disclosure (CFD) statement

We have followed the Task Force on Climate-related Financial Disclosures (TCFD) framework for the previous two years. With our move to AIM on 3 May 2024, we are now mandated by the Climate-related Financial Disclosure (CFD) requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. We have complied with all of the eight BEIS mandatory CFD requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Overview

With over 500 stores in the UK and Ireland, the Group's business focuses on selling a wide variety of books, toys, arts, crafts and stationery products and its operations are consequently impacted by the sourcing and distribution chains associated with these products. Although the impacts of climate change do not currently pose a significant direct threat to the Group, several risks and opportunities have been identified that could influence the business. During FY24, we have assessed the impact of climate change on our strategy and financial planning, aiming to mitigate these risks and leverage potential opportunities. We remain committed to reducing the environmental impact of our operations.

Governance

In FY24, the Group continued to actively work to reduce its carbon footprint through the adoption of sustainable practices and utilisation of energy efficient solutions. Our governance policies promote transparency and accountability by incorporating climate change considerations into our strategy, increasing the resilience of the business. We continued to develop our governance structure to ensure there are Committees responsible for identifying, assessing and mitigating the impacts of climate change (see structure below). The Group is committed to building capacity internally and equipping our senior management with the appropriate knowledge to deliver on our objectives as a business.

The Board has overall responsibility for climate change. Annually, the Board and Audit Committee review the Group's risk register and the principal risks facing the Group. Environmental risk (including climate change) has been incorporated as a principal risk in the Group's risk register since FY22. Members of the Operating Board presented the proposed Group risk register to the Audit Committee, which agreed to include it as a principal risk, as a result of the actual and potential financial costs associated and impact on the Group's sales.

The sustainability team supports the Boards and the Audit Committee in developing and implementing strategy, managing climate-related issues, and assessing climate-related risks and opportunities.

plc Board	• Overall accountability and approval of overall strategy and commitments. • Bi-annual updates on progress.
Operating Board	• Decides on ESG spend and strategy. • Provides oversight and support to the ESG focus groups. • Monitors progress against targets, goals and risks in quarterly meetings.
ESG Workstream Action Groups **Environment** / **Colleagues** / **Supply Chain** / **Communities**	Each Action Group drives activity on workstream (including meeting cadence) • Brings together expert and cross-business/functional experience. • Facilitates and engages with workstream communities. • Builds and delivers against an action plan and a budget. • Sponsored by one or more Directors, has a Lead for each workstream who meet monthly. • Reports to the Operating Board.
ESG Workstream Communities	• Ambassadors, Champions and Allies for Action Group activity and delivery. • Provide broad input into ESG strategy, and identify emerging themes, needs and desires. • Gain updates on progress from Action Groups and insight from experts (speaker slots/briefings). • Meet as and when required dependent on objective.
ESG Communication Team	• Communicates our efforts (required and desired) both internally and externally.

Risk management

We have an established framework used by the Group for managing general risks, which incorporates processes to make decisions to manage or accept those risks, and to monitor steps taken to achieve risk mitigation. The management of climate-related risks uses the same framework process.

The processes for identifying and assessing climate-related risks

To support management in its identification and assessment of climate-related risks, we conducted a climate scenario analysis across all our operations in FY24 for the second time. A climate risk workshop was run by Inspired ESG in FY24. Taking into consideration the details of existing processes, and mitigation strategies across the business, the climate-related risks and opportunities identified were assessed and classified. In FY24, we took additional steps to understand and begin to quantify the impact of climate-related risks, where possible, for the Group's financial planning. The most consequential climate-related risks and opportunities identified are detailed in the tables on pages 32 to 34; for each risk we have highlighted in which scenario there will be the greatest impact, and the measures we are implementing to increase our resilience. The priority of mitigation measures is determined from the likelihood and impact scores assigned, using low, medium or high. This process will be repeated annually. Items scoring 'high' will be the top priority. All material climate-related risks and opportunities identified through our scenario analysis are outlined in the tables on pages 32 to 34. Climate scenario analysis will be conducted annually to identify the transition and physical risks. Transition risks were identified at a Group level, and physical risks were identified on a site level across our Global operations.

The process for managing climate-related risks

Through the internal stakeholder engagement process, we identified existing mitigation processes, which could be developed to mitigate the impact of climate change. The Operating Board is responsible for managing the Group's climate-related risks and opportunities and is supported by the sustainability team. The sustainability team works closely with the members of the Operating Board and heads of department to ensure sustainability and climate change criteria are integrated into decision making when fulfilling their roles across the business.

Integration of processes for identifying, assessing and managing climate-related risks into overall risk management

Annually, a comprehensive operational risk review is conducted by the CFO identifying environmental (including climate change) risks, which are then integrated into the updated risk register.

We have considered our existing risk process and structure of our risk register when creating a climate risk register, to ensure climate-related risks and opportunities are easily integrated into existing business functions, where appropriate. We mapped our existing business risks against those outlined by the CFD guidance to identify risk owners.

The Board and Audit Committee review the Group's principal risks, including climate change risk, twice per year. The CFO is responsible for the climate risk register to ensure climate-related risks and opportunities are reported annually. The climate risk register contains all transition and physical risks highlighted and informs the annual assessment of the environmental (including climate change) risk.

Strategy

The climate-related risks and opportunities identified over the short, medium and long term

In December 2023, we conducted a climate scenario analysis on 15 of our key sites, based on net turnover, to identify and assess the potential impact of physical risks and transition risks. The climate modelling considered the transition risks for The Works at a Group level.

Our climate scenario analysis considered climate-related risks and opportunities under the three warming pathways that reflect differing severities of irreversible climatic shifts, leading to permanent new climate states that could be detrimental to society. Multiple scenarios were used to analyse how different variables can result in varying outcomes. The climate models used for this analysis include data from established third-party sources.

In performing the Group's climate scenario analysis, the Group has considered the following additional factors, again in line with CFD guidance. This included different time horizons to understand whether risks are likely to occur in the short term (2023-2027), medium term (2028-2037) or long term (2038-2052) and the impacts of climate change extend beyond traditional business planning horizons. The medium-term scenario aligns with the Group's Scope 1 and Scope 2 net zero target. Since the UK has a net zero target for 2050, the long-term time horizon has been aligned with this timeframe. The impact of the climate-related risks was also considered across three warming pathways (page 32).

Transition risks are those risks related to moving towards a decarbonised economy. These include potential issues with policy and legal, technology, market and reputational matters. Physical risks are due to climate events that may impact a business, such as flooding, rising mean temperatures and water stress, and are categorised as acute (occurring over a short period of time) or chronic (occurring over a long period of time).

Strategy continued

The scenario warming pathways that were considered in the climate risk and opportunities analysis

Scenario warming pathways

Below 2°C scenario (Proactive)	Between 2–3°C scenario (Reactive)	Above 3°C scenario (Inactive)
Organisations follow a co-ordinated and orderly transition to a low-carbon economy, aligning closely with the Paris Agreement and Science Based Targets initiative (SBTi), and therefore set net zero targets by 2050. Governments introduce policies in a structured manner, with companies investing in low-emission technology.	The events in this scenario result from the commitments made at COP26. The response to climate change is delayed, with governments implementing policies and legislation in an unco-ordinated manner, leading to high transition risks in the medium term. Business continues as usual in the short term, whilst decarbonisation efforts remain in the high-emitting sectors.	Businesses continue as normal with limited climate action occurring, and emissions rise until 2040, resulting in a worst-case climate scenario. Governments are under pressure to take climate action, with policies introduced in a sporadic manner, and energy markets are highly volatile.

Physical risks

Physical risks primarily materialise in a scenario where global temperatures surpass 3°C in the long term, where numerous climate tipping points would be reached due to the unchecked increase in carbon emissions. Physical risks could cause disruption to the business, for example, if employees and customers are unable to access the stores. Extreme weather can occur, especially during winter. As a substantial part of the Group's profit is currently generated during the Christmas peak sales period, this can potentially impact the Group's revenue. However, as the majority of stores are short leaseholds, we can change store locations if we are likely to be impacted by physical risks or have already been impacted. We will continually monitor physical risks by running an annual climate scenario analysis and expanding the scope of this to include further aspects of our supply chain in subsequent years of reporting.

The Group's physical risks and mitigations for FY24

Category	Trend and highest impact	Potential impact	Risk mitigation
Acute	**Increased severity of flooding.** **Highest impact in the:** • **Medium to long term (2028–2052)** **>3°C scenario**	**Medium** **Potential risk of store closure leading to decreased footfall and subsequent revenue loss. Increased direct and indirect costs through flood damage and increases in insurance premiums as well as potential losses in revenue through store closures.** 12 of 15 sampled sites are in potential high-flood-risk zones. Flooding in the UK could damage buildings and assets, disrupt transport routes and result in increased insurance premiums.	• Our disaster recovery plan ensures 48-hour tech service recovery, with remote work for all support departments. • Contingencies are in place for data centre and e-commerce centre risks. • The online fulfilment capability can also support some ongoing operations where sites are damaged. • Flood equipment was installed within three weeks of one of our stores significantly flooding, with the subsequent establishment of comprehensive preventative measures.

Category	Trend and highest impact	Potential impact	Risk mitigation
Acute continued	**Heatwaves/extreme heat.** **Highest impact in the:** • **Short to long term (2023–2052)** **2–3°C and >3°C scenarios**	**Low** **Increased direct and indirect costs and decreased revenue.** All 15 assessed sites will experience heatwaves in the short to long term in the Reactive and Inactive scenarios. Heatwaves may result in a greater demand for cooling, increasing Scope 2 emissions and energy costs. Staff welfare may also be impacted.	• Energy saving initiatives will help to offset energy usage. • Air conditioning is being introduced, when appropriate. • Employees follow a more relaxed dress code in heatwaves and are supplied with water. • An emergency generator is installed at the Support Centre and head office to mitigate the impact of power cuts.
Chronic	**Rising mean temperatures.** **Highest impact in the:** • **Long term (2028–2052)** **>3°C scenario**	**Low** **Increased direct and indirect costs and decreased revenue.** All 15 assessed sites will experience heatwaves in the short to long term in the Reactive and Inactive scenarios.	• The risk owner will escalate impacts relating to rising temperatures and sign off on necessary mitigation measures.

Transition risks

As the global economy begins to decarbonise, we anticipate that the potential impacts from transition risks will increase as governments and businesses make more efforts to reduce emissions. Our analysis suggests that the transition risks are most significant in the 'Below 2°C' scenario and the 'Between 2-3°C' scenario, as there is more change entailed in adapting to increasingly aggressive policies and legislation implemented by governments and regulatory authorities. As we work to decarbonise our business to be net zero in relation to Scope 1, Scope 2 and Scope 3 emissions, this will mitigate the risk posed by emerging policy and legislation, such as carbon taxes and increases to greenhouse gas pricing.

We have assessed the impact of climate-related risks and opportunities on our business, strategy and financial planning. Based on our FY24 assessment, our business is more likely to be impacted by transition risks. Currently identified and quantifiable transition costs have been incorporated into the Group's financial plans. We also allocated internal resources and engaged with a third-party ESG specialist to ensure compliance with climate regulations.

The Group's transition risks and mitigations for FY24

Category	Trend and highest impact	Potential impact	Risk mitigation
Policy and legal	**Increase in climate change regulation, including increased emissions reporting obligations.** **Highest impact in the:** • **Short to medium term (2023–2037)** **<2°C and 2–3°C scenarios**	**Low** **Expenditures – Increased direct costs, for example increased EPR and WEEE (battery waste fees) costs.** Potential risk: We have already seen increases in emissions reporting regulation through SECR, ESOS, TCFD and Extended Producer Responsibility (EPR), with further regulation likely to emerge.	• Senior management is made aware of key compliance requirements within its business units and consults with the CFO and external advisers to identify and manage issues.
	Mandates on and regulation of existing products and services. **Highest impact in the:** • **Short to medium term (2023–2037)** **<2°C and 2–3°C scenarios**	**Low** **Expenditures – Increased direct and indirect costs.** Potential risk: We and/or our suppliers may be subject to increased regulations regarding plastics and packaging, e.g. the UK plastic tax, which are likely to intensify over time.	• In FY24 we formed an internal working group to support in achieving our waste and packaging reduction targets.

Strategy continued

Transition risks continued

The Group's transition risks and mitigations for FY24 continued

Category	Trend and highest impact	Potential impact	Risk mitigation
Policy and legal continued	**Increase in carbon/GHG pricing.** **Highest impact in the:** • **Short to medium term (2023–2037)** **2–3°C scenarios**	**Medium** **Expenditures – Increased direct costs and compliance spending.** Potential risk: The UK has committed to a series of five-year carbon budgets. If carbon emissions do not decrease enough to meet targets, a tax on carbon emissions may be introduced.	• We are not currently subject to carbon pricing and the Group has committed to becoming net zero for Scope 2 by 2030 and Scope 1 by 2035, decreasing the potential impact of this risk.
	Exposure to litigation. **Highest impact in the:** • **Short to medium term (2023–2037)** **<2°C and 2–3°C scenarios**	**Low** **Expenditures – Increased direct costs and direct costs associated with compliance.** Potential risk: Legal standards and reporting requirements may become more onerous in the short to medium term. This could increase the risk of lawsuits, compliance issues and fines. Any litigation could negatively impact our brand and reputation.	• The Group's CFO and Company Secretary oversee regulatory compliance with support from external advisers. • Third-party ESG specialist supports the Group to remain aware of emerging regulations.
Technology	**Costs to transition to lower-emissions technology.** **Highest impact in the:** • **Short to medium term (2023–2037)** **<2°C and 2–3°C scenarios**	**Medium** **Expenditures – Increased capital expenditures.** Actual risk: To reduce our Scope 1 and Scope 2 carbon emissions and meet our net zero targets for Scope 2 by 2030 and Scope 1 by 2035, we will need to invest in lower-emission technology. This will have an initial cost for the business.	• Budget allocation towards low-emission technology, such as LED lighting, has been authorised. • The payback associated with investment into energy efficiency technology can mitigate upfront costs. • Annual spend on low-emission technology will be informed by the net zero Scope 2 roadmap, developed from the findings of our ESOS surveys.
Products and services	**Development of new products.** **Highest impact in the:** • **Short to medium term (2023–2037)**	**Medium** **Revenues – Increased revenue from an increased demand for sustainable products and services.** Customer preferences are likely to favour more sustainable products. The Group continues to offer sustainable products.	• Procure sustainable products and packaging that contribute to the journey to net zero. Please see page 28 for further information.
Energy resources	**Use of lower-emission sources of energy.** **Highest impact in the:** • **Short to medium term (2023–2037)**	**Medium** **Expenditures – Reduction in operating expenses from increased efficiency (for example, decreased energy costs).** The introduction of lower-emission energy sources across the Group's estate would contribute to reduced energy consumption, emissions and associated costs over time. On-site energy generation would reduce annual operation spending.	• Conduct energy site surveys to identify energy saving opportunities. The findings of the ESOS surveys will inform the net zero roadmap for Scope 2. • Influence colleague behaviour in our stores towards energy saving by the end of FY25. • Engaged with our landlords to discuss energy efficiency improvements, such as where solar panels would be feasible. • All new, refitted and relocated stores have and will continue to be fitted with Priority Intelligence Requirements (PIRs).

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Metrics and targets

We use a range of metrics to assess and manage our climate-related risks and opportunities, including greenhouse gas emissions (see pages 35 to 37) and energy consumption (page 36). We have considered cross-industry metrics, including transition and physical risks, climate-related opportunities, capital deployment and executive remuneration, when reviewing the impact of climate change on our business.

We have set an absolute net zero target for Scope 1 by 2035, Scope 2 by 2030, and Scope 3 by 2045 (with an ambition to achieve Scope 3 by 2040). We aspire to achieve our net zero targets through a 90% reduction in our emissions and offset the remaining 10%. We are in the process of developing our transition plan and setting near-term targets. Our targets have been established using a location-based methodology, and our FY22 carbon emissions performance is the baseline against which we will measure our absolute reductions.

Our Scope 1 and 2 net zero target differs from our Scope 3 target, as we have more control over our Scope 1 and 2 emissions, so it is easier to reduce these emissions.

We have been calculating our Scope 1 and 2 carbon emissions in line with the Streamlined Energy and Carbon Reporting (SECR) framework since 2019 (page 36). This year we calculated our Scope 3 carbon emissions for the second time. To establish a baseline for reporting we have used FY22 financial data to estimate our prior year Scope 3 emissions. 12 of the 15 Scope 3 categories apply to the Group. The excluded categories are Category 10 (Processing of Sold Products), Category 14 (Franchises) and Category 15 (Investments). These categories are not applicable because the Group does not sell products that require further processing (Category 10), does not have franchise locations (Category 14), and does not engage in financial investments (Category 15).

The Group's FY24 carbon balance sheet for the UK and Ireland

Emissions scope and category	Greenhouse gas emissions inventory FY24 tCO_2e	Percentage of total emissions
Scope 1	**442**	0.5%
Scope 2 (location-based)	**2,798**	3.1%
Scope 3	**86,753**	96.4%
Total emissions (location-based)	**89,993**	100%

Targets

Our Scope 1 and 2 targets, with our Scope 3 ambition, align with the British Retail Consortium's (BRC) climate action roadmap. We aspire to achieve our net zero targets through a 90% reduction in our emissions and offset the remaining 10%. We aim to make annual progress to reach our targets (page 37).

Net zero Scope 1, 2 and 3 emissions and the associated targets

Target	FY24 emissions (tCO_2e)	FY22 (baseline) emissions (tCO_2e)	Progress to meet target
Net zero Scope 1 emissions by 2035	442 tCO_2e	219 tCO_2e	Scope 1 emissions have increased by 101.8% from our FY22 baseline. We need to reduce our emissions by 38 tonnes (on average) per annum to meet our 2035 net zero target. Scope 1 transport emissions increased due to a large increase in company car mileage compared to the baseline.
Net zero Scope 2 emissions by 2030	2,798 tCO_2e	2,869 tCO_2e	Scope 2 emissions have decreased by 2.5% from the FY22 baseline. This is behind the average annual reduction required of 11.3%. From FY24, an average annual reduction of 15.0% is required.
Net zero Scope 3 emissions by 2045	89,753 tCO_2e	95,923 tCO_2e	Scope 3 emissions have decreased by 6.4% from our FY22 baseline, ahead of the required 3.9% average annual reduction.

Energy efficiency improvements

The Group is committed to year-on-year improvements in its operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years. In FY24, we implemented several energy efficiency measures to reduce our overall energy consumption, including the continued rollout of LED lighting across the operational estate and the commencement of the Energy Savings Opportunity Scheme (ESOS) to identify energy efficiency opportunities.

We are planning further efficiency improvements in FY25 including: developing an energy efficiency behaviour change programme for colleagues across stores, Distribution Centre and Support Centre; engaging with landlords to identify and implement energy efficiency opportunities across the store estate; and continuing the rollout of LED lighting.

Reporting methodology

This report (including the Scope 1, 2 and 3 consumption and CO_2e emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064-1 and ISO 14064-2 (ISO, 2018; ISO, 2019); and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2023 version 1.1 has been used, utilising the published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for the reporting period 1 May 2023 to 30 April 2024.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to the Group. These were calculated on a kWh/day pro-rata basis at the meter level.

Metrics and targets continued

Reporting methodology continued

For properties where the Group is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, an average kWh/m^2 consumption was applied to the properties with similar operations with no available data. The average kWh/m^2 was taken from the CIBSE Energy Benchmarking Dashboard, which provides regional and national averages for comparable buildings in various sectors. In this case, the average for the Retail sector – Catalogue Stores was used to estimate consumption.

These full-year estimations were applied to 73 electricity supplies. All estimations equated to 13.76% of reported consumption.

Market-based calculations have been included for the first time in FY23; therefore, no year-on-year comparisons are available. Market-based emissions have been calculated using a residual grid factor.

The 2023 Irish average grid factor has been used for relevant Irish sites for the reporting period of 1 May 2023 to 30 April 2024.

Intensity metrics have been calculated using total tCO_2e figures, and the selected performance indicators for the relevant reporting period:

Total revenue (£m) (UK and ROI sites)

£282.6m

(FY23: £280.1m)

Total revenue (£m) (ROI sites)

£4.8m

(FY23: £4.8m)

Streamlined Energy and Carbon Reporting (SECR)

In accordance with the SECR requirements, the information below summarises our energy usage, associated emissions, energy efficiency actions (page 35) and energy performance. The disclosure covers all our operations, including our operations in the Republic of Ireland. Scope 1 consumption and emissions include direct combustion of natural gas and fuels utilised for transportation operations, for example, company vehicle fleets. Scope 2 consumption and emissions refer to indirect emissions related to the consumption of purchased electricity in day-to-day business operations. Scope 3 consumption and emissions cover emissions resulting from sources not directly owned by the Group. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

Total Group reportable energy supplies consumption (kWh) for FY24 and FY23

	FY24			FY23[1]		
Utility and scope	UK	Global (excluding UK)	Total	UK	Global (excluding UK)	Total
Scope 1 total	**1,972,404**	**–**	**1,972,404**	883,410	–	883,410
Natural gas (Scope 1)	**174,106**	**–**	**174,106**	155,792	–	155,792
Transport (Scope 1)	**1,798,298**	**–**	**1,798,298**	727,618	–	727,618
Scope 2 total	**13,139,408**	**289,637**	**13,429,045**	12,855,807	184,328	13,040,135
Grid-supplied electricity (Scope 2)	**13,139,408**	**289,637**	**13,429,045**	12,855,807	184,328	13,040,135
Scope 3 total	**283,004**	**–**	**283,004**	92,674	–	92,674
Transport (Scope 3)	**283,004**	**–**	**283,004**	92,674	–	92,674
Total	**15,394,816**	**289,637**	**15,684,453**	13,831,891	184,328	14,016,219

1 FY23 kWh data has been restated to align methodology with the FY24 data.

Group emissions (tCO_2e) Scope 1, 2 and 3 (transport) for FY24 and FY23

	FY24			FY23[1]		
Utility and scope	UK	Global (excluding UK)	Total	UK	Global (excluding UK)	Total
Scope 1 total	**442.04**	**–**	**442.04**	197.67	–	197.67
Gaseous and other fuels (Scope 1)	**31.85**	**–**	**31.85**	28.44	–	28.44
Transport (Scope 1)	**410.19**	**–**	**410.19**	169.23	–	169.23
Scope 2 total	**2,720.83**	**76.95**	**2,797.78**	2,536.49	60.90	2,597.39
Grid-supplied electricity (Scope 2)	**2,720.83**	**76.95**	**2,797.78**	2,536.49	60.90	2,597.39
Scope 3 total	**63.65**	**–**	**63.65**	21.46	–	21.46
Transport (Scope 3)	**63.65**	**–**	**63.65**	21.46	–	21.46
Total	**3,226.52**	**76.95**	**3,303.47**	2,755.62	60.90	2,816.52

1 FY23 kWh data has been restated to align methodology with the FY24 data.

Group intensity metric

An intensity metric of tCO_2e per £m revenue has been applied to our annual total emissions and is detailed in the table below.

Group intensity metric of tCO_2e per £m revenue for FY24, FY23 and FY22

Intensity metric	**FY24**	FY23[1]	FY22	Percentage change between FY22 and FY24
tCO_2e/£m revenue	**11.69**	19.26	11.75	(0.51%)

1 FY23 kWh data has been restated to align methodology with the FY24 data.

Reducing our emissions

Reducing our emissions is a key focus for managing our climate-related risks, as it impacts our operations. By understanding our emissions, we are better equipped to set realistic targets and identify areas for reduction.

The Group's progress in reducing Scope 1, 2 and 3 emissions against our FY22 baseline

	Greenhouse gas emissions inventory			
Emissions scope and category	**FY24 tCO_2e**	FY23[1] tCO_2e	FY22[1] tCO_2e (baseline)	Percentage change from FY24 compared to baseline (FY22)
Scope 1	**442**	198	219	101.8
Scope 2 (location-based)	**2,798**	2,597	2,869	(2.5)
Scope 3	**86,753**	94,991	84,657	2.5
Total emissions (location-based)	**89,993**	97,786	87,745	2.6

1 FY22 and FY23 kWh data has been restated to align methodology with the FY24 data.

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 its 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 December 2023. This review included discussions with members of the Operating Board 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 2024, April 2024 and September 2024.

In December 2023, members of the Operating Board attended climate risk management workshops facilitated by Inspired Energy, the Group's external energy consultancy, where an overview of identified climate risks and opportunities was presented, and the impact and likelihood of each risk were initially assessed. The findings from the workshop informed the assessment of risks and opportunities performed for FY24. Further information in relation to the Group's climate risks is included on pages 32 to 34.

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 38 to 43, 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.

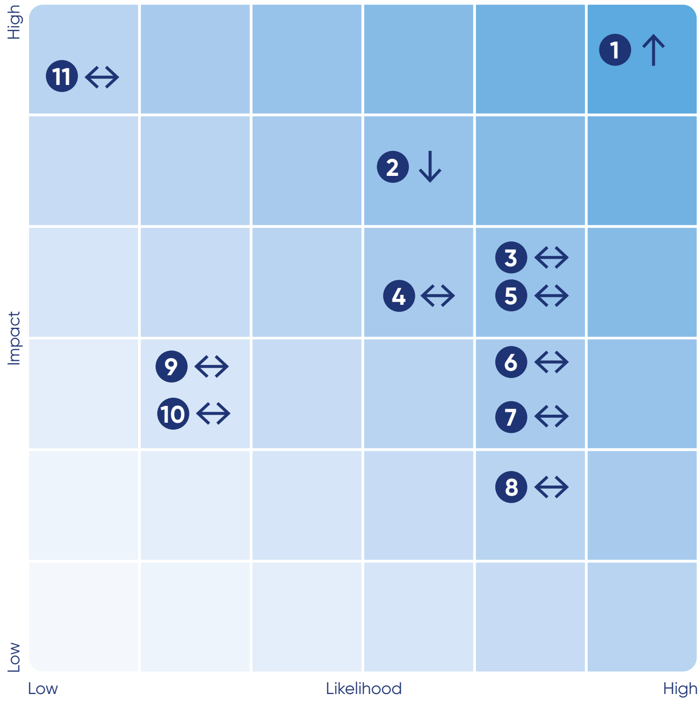
During the period the main changes to the principal risks were as follows:

- The overall level of risk for 'Economy and market' was raised from 'high' to 'very high' given the macro economic environment.
- The overall level of risk for the 'Design and execution of strategy' risk was lowered from 'very high' to 'high' following the implementation of a series of additional mitigations including the appointment of a new Chief Commercial Officer bringing a revised approach to buying which began improving our proposition and started to drive gross product margins higher in the latter part of FY24.

In FY23 an emerging geopolitical risk was identified regarding the Group's ability to source stock if economic sanctions were imposed on China. Whilst we currently continue to assess the probability of this risk crystallising as very low we have broadened our geopolitical risk to consider the risk of disruption caused by the ongoing war in Ukraine as well as disruption in the Red Sea (which is also considered as part of our supply chain risk), and the potential impact the latter in particular has on lead times and freight rates. This emerging risk will be maintained on our secondary risk register and we will continue to monitor it.

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 changes.

Risk heatmap



Principal risks

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

Change from prior year

↑ Increased

↓ Decreased

↔ Unchanged

Principal and emerging risks and changes in principal risks

1. Economy and market

Risk, profile change and link to strategy

A deterioration in economic conditions or a reduction in consumer confidence could impact customer spending and reduce the Group's revenue and profitability.

Change from prior year

↑

Increased level of risk given the macro economic environment.

Link to strategy

Mitigations

- Take account of expected impact in the strategic planning process, budgets and forecasts. FY25 budget prepared on the assumption of a benign consumer environment, with a focus on improving margins and cost control.
- Control costs while making carefully considered investments in certain areas to support growth.
- Increased direct sourcing and product engineering and reduced markdowns and improved negotiations with suppliers, to improve gross margin.
- Operate stores on flexible short-term leases to benefit from reductions in rents through the rolling renegotiation of leases.
- Store estate can be adapted relatively quickly in the event of material local changes in demand.
- Developed contingency plans should trade deteriorate as part of our reasonable worst-case scenario planning produced for the AIM Working Capital Report.

Develop our brand and increase customer engagement

Enhance our online proposition

Optimise our store estate

Drive operational improvements

Principal and emerging risks and changes in principal risks continued

2. Design and execution of strategy

Risk, profile change and link to strategy

The Group generates its revenue from the sale of books, toys and games, arts and crafts and stationery.

Although it has a track record of understanding customers' needs for these products, 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.

Failure to effectively execute the 'better, not just bigger' strategy (e.g. due to insufficient capacity or inadequate capability) would have an adverse impact on the Group's ability to grow, particularly if the envisaged sales growth drivers fail to increase sales. Furthermore, achieving increased sales growth could be more challenging if consumer confidence is impacted by deteriorating economic conditions.

Change from prior year

↓

Reduced level of risk from prior year following the implementation of a series of additional mitigations including the appointment of a new Chief Commercial Officer.

Link to strategy

Mitigations

- Increased strategic focus on developing the brand and increasing customer engagement to further differentiate the Group from competitors.
- Emerging trends monitored by a recently strengthened trading team that has a track record of responding to changing consumer tastes.
- 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 suit evolving shopping habits.
- Ongoing investment in the Group's online capability ensures complementary digital and store propositions, as customers increasingly engage with both channels.
- The appointment of a new Chief Commercial Officer in September 2023 was key to the more significant progress we are now making on clarifying and improving our proposition (including our pricing and commercial proposition) and driving gross margins higher.
- Our big five areas of focus for FY25 have been agreed, with clear plans being developed for each, taking into account capacity, capability and the external trading environment.

3. Supply chain

Risk, profile change and link to strategy

The Group uses third parties, including many in Asia, for the supply of products. Risks include 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 due to shipping issues such as those currently being experienced in the Red Sea could cause disruption to stock availability and cost inflation.

Failure to execute the restructuring of the supply chain team successfully to implement necessary changes to the stock process could prevent the right stock getting to the right stores at the right time and materially impact sales growth.

Change from prior year

↔

Unchanged level of risk.

Link to strategy

Mitigations

- Buying and supply chain teams strengthened through FY24, with robust ways of working and accountabilities to be embedded in FY25.
- Strengthened the quality assurance team with a Head of Quality Assurance, Sourcing & Sustainability recruited and an experienced team which will man-mark each pillar with a focus to embed quality management processes to maintain an appropriate level of supplier and product quality, including upfront product assessment at development stage, product testing, pre-shipment inspections and assessment of customer reviews.
- Onboarded new ethical compliance partner, Verisio, with on the ground expertise, to launch and support new ways of working to understand our tier one factory base and audit status relating to social and ethical requirements.
- Updated supplier Code of Conduct and will share with supplier base in line with new ethical compliance launch.
- As new processes and ways of working are embedded we will update supplier T&Cs and our 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.
- Recruiting a Sourcing Manager to support supplier base review through FY25 to manage risk across own brand and branded, ensure that we have flexibility across product groups and reduce reliance on individual suppliers.
- Proactive management of supply chain to ensure stock levels are appropriate.
- Continue to review freight costs (including measures to mitigate them) and monitor alternative sourcing arrangements where practicable.

4. IT systems and cyber security

Risk, profile change and link to strategy

The Group relies on key IT systems. Failure to develop, secure and maintain these, or any prolonged system performance problems or lack of service, could affect the Group's ability to trade and/or could lead to significant fines and reputational damage.

Change from prior year

↔

Unchanged level of risk.

Link to strategy

Mitigations

- The actions taken in response to the cyber security incident in March 2022 have significantly reduced the risk of the business suffering major loss or disruption in the event of subsequent attacks.
- Reliable systems and data integrity are key to the execution of the strategy. Ensuring systems and processes are fit for purpose will enable the delivery of improvements to the proposition.
- Modern two-factor authentication for access, combined with up-to-date end point detection capabilities (to monitor devices and assess unexpected/risky activity) and network segmentation, lowers the probability of malicious entry and speed of movement of malware across the business.
- 24/7/365 Security Operations Centre, established in FY23, monitors and responds to any unusual activities in systems or networks.
- 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.
- In-house IT capabilities further strengthened in FY23 and FY24 with increased capability for detective, diagnostic and defence measures.
- Further work now being planned to upgrade out of support hardware to further mitigate the impact of an event should it arise.

5. Brand and reputation

Risk, profile change and link to strategy

The Group's brand is vital to its success. Failure to protect the brand, in particular in relation to product quality and safety, could result in the Group's reputation, sales and future prospects being adversely affected.

Diversity and inclusion issues have become more prominent in customer preferences; failure to stock a diverse range of products and ensure inclusivity could create reputational damage.

Change from prior year

↔

Unchanged level of risk.

Link to strategy

Mitigations

- Communicate to colleagues our clarified purpose and values.
- Provide intellectual property guidance and education to design and sourcing teams.
- Monitor customer product reviews, 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, embedding quality management processes to maintain an appropriate level of supplier and product quality, including upfront product assessment at development stage, product testing, pre-shipment inspections and assessment of customer reviews.
- Onboarded new ethical compliance partner to launch and support new ways of working to understand our tier one factory base and audit status relating to social and ethical requirements.
- Monitor the Group's ESG responsibilities and implement appropriate processes to ensure the Group operates in a responsible way.
- Diversity and Inclusion Committee to educate the business.
- Social listening to monitor customer feedback and monitor potential brand damaging issues.
- Operating in a responsible way, including health and safety compliance in stores.

Develop our brand and increase customer engagement
Enhance our online proposition
Optimise our store estate
Drive operational improvements

Principal and emerging risks and changes in principal risks continued

6. Seasonality of sales

Risk, profile change and link to strategy

The Group generally makes substantially all of its profit in the second half of the financial year during the peak Christmas trading period. Interruptions to supply, adverse weather, a significant downturn in consumer confidence or a failure to successfully execute strategy 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

Mitigations

- Continue to develop the year-round appeal of the proposition, for example, by becoming more focused on everyday customer shopping missions/micro-seasons and targeting our marketing campaigns towards these and trialling new ranges to appeal all year round (e.g. cards and wrap range).
- Hold weekly trading meetings to ensure that immediate action is taken to maximise sales based on current and expected trading conditions.
- Plan rigorously for product proposition, supply chain and retail operations to ensure the success of the peak Christmas trading period.

7. People

Risk, profile change and link to strategy

The Group's success is strongly influenced by the quality of the Board, senior management team and colleagues generally. A lack of effective succession planning and development of key colleagues could harm future prospects.

Change from prior year

↔

Unchanged level of risk.

Link to strategy

Mitigations

- Discuss and review succession plans at Nomination Committee meetings.
- Establish development programmes to support future leaders.
- Operate the Can Do Academy to facilitate training and development.
- Employee communication and engagement platform, MyWorks.
- Well-managed search and recruitment processes, together with appealing proposition and welcoming culture, enable recruitment of high-calibre executives, evidenced through successful recruitment of the merchandising team and other key heads of department.
- 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 Operating Board members.
- Initiated an 'Employee Value Proposition' project.

8. Environment

Risk, profile change and link to strategy

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 due to more extreme weather events created as a result of global warming 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, regulation and compliance risks as noted in the 'Regulation and compliance' risk below.

Change from prior year

↔

Unchanged level of risk.

Link to strategy

Mitigations

- Operating Board and plc meetings completed quarterly including discussion of ESG matters.
- Implementing initiatives to reduce our impact on the environment.
- Retain specialist third-party ESG consultancy advisers to assist in the further development of the Group's environmental strategy and ensure compliance with CFD requirements.
- Sustainability manager to lead the development and implementation of our environmental strategy.
- Working with third-party logistics providers to explore and invest in energy efficient solutions within the supply chain.
- Developed a climate risk register.
- Set net zero targets and building roadmaps to achieve these.
- Measured our carbon footprint using carbon balance sheet approach and now have comparative data.

9. Regulation and compliance

Risk, profile change and link to strategy

The Group is exposed to an increasing number of legal and regulatory compliance requirements including the Bribery Act, the Modern Slavery Act, the General Data Protection Regulation (GDPR) and the AIM Rules for Companies. Failure to comply with these laws and regulations could lead to financial claims, penalties, awards of damages, fines or reputational damage which could significantly impact the financial performance of the business.

There are extensive and increasingly onerous 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

↔

Unchanged level of risk.

Link to strategy

Mitigations

- Oversight of regulatory compliance by CFO, Company Secretary and Nominated Adviser (Singer Capital Markets) with support from other external advisers.
- Implement policies and procedures in relation to both mandatory requirements and measures the Group has adopted voluntarily (e.g. anti-bribery and corruption and adherence to National Living Wage requirements).
- Operate a whistleblowing policy and procedure which enable colleagues to confidentially report any concerns or inappropriate behaviour.
- Operate a GDPR policy which is overseen by a suitably experienced 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.
- The Group maintains an anti-bribery and corruption policy statement that reinforces that the Group is committed to absolute integrity and fairness across its operation and accordingly will not tolerate any activities involving bribery or corruption. It is the Group's policy to prohibit all forms of corruption amongst its colleagues, its suppliers and any associated parties acting on its behalf. The Group maintains written records of all gifts and hospitality received. The policy is applicable to all colleagues, contractors, consultants, officers, interims and casual and agency workers and is regularly communicated to ensure adherence.

10. Liquidity

Risk, profile change and link to strategy

Insufficient liquidity available and/or insufficient headroom in banking facilities. Potential for breach of banking covenants if financial performance is significantly worse than forecast.

Availability of credit insurance to suppliers may be reduced or removed resulting in an increased cash requirement.

Change from prior year

↔

Unchanged level of risk.

Link to strategy

Mitigations

- Financial forecasts and covenant headroom monitored and reported to the Board and the bank monthly.
- Strategy focuses on driving like-for-like sales and improving efficiency, rather than previous store rollout plan, which is a less capital intensive strategy.
- The Group's bank facility at year end FY23 comprised a committed RCF of £30.0m with an expiry date of 30 November 2025. Since then, the Group has implemented a reduction in the size of the facility, which was undrawn throughout most of FY23, to £20.0m, and simultaneously extended its term such that it now expires on 30 November 2026. At 5 May 2024 the facility was undrawn.
- Careful management of banking relationship increases the likelihood of a supportive response in the event that it should be needed. This was demonstrated during the AIM listing process where the Group was able to negotiate a favourable change to its fixed charge covenant (falling from 1.2 to 1.05, subject to the completion of, and effective as at, admission to AIM).

11. Business continuity and IT

Risk, profile change and link to strategy

Significant disruption to the operation, in particular internal IT systems, Support Centre or 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

↔

Unchanged level of risk.

Link to strategy

Mitigations

- IT recovery plans fully tested in the response to the March 2022 cyber security incident.
- Implemented new cloud backups with new recovery services for central servers to a third-party data centre with a 48-hour recovery target.
- Tested recovery from new cloud backup in FY24.
- Revamped the business continuity plan in FY24.
- Emergency generator is maintained at the Group's Support Centre to insulate the business from the impact of power cuts.
- Mitigating actions being developed around the DC disruption risk.

Develop our brand and increase customer engagement

Enhance our online proposition

Optimise our store estate

Drive operational improvements

An experienced team

Steve Bellamy
Chair and
Non-Executive Director

A N R

Date of appointment
July 2024

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

Relevant skills and experience
- Extensive experience as both Chair and Non-Executive Director, having worked in and advised a wide range of public and private companies and as Chairman of, and adviser to, investment committees and capital providers.
- Record of supporting leadership teams to execute their operational strategies and in creating shareholder value.
- Former Chief Operating Officer and Finance Director of Sherwood International plc.

Current external appointments
Senior Independent Director and Chair of the Audit Committee at Caffyns plc and independent Non-Executive Director and Chair of the Audit Committee at Empresaria Group 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 Chief Financial Officer 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.

Rosie Fordham
Chief Financial Officer

Date of appointment
January 2024

Committee membership
None.

Relevant skills and experience
- Significant commercial and financial experience in PLCs. Previously worked at Spirit Pub Company and National Grid, holding senior roles with responsibility for defining and directing financial and commercial reporting, business planning and financial control and risk.
- Chartered Accountant, having started her career at PwC where she spent five years working in the audit and tax departments.
- Joined The Works in March 2019. Worked as both Head of Finance and Interim Chief Financial Officer before being promoted to Chief Financial Officer and joining the Board on 1 January 2024.

Current external appointments
None.

Harry Morley
Senior Independent
Non-Executive Director

A N R

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 Chief Executive Officer 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, a Trustee of the Ascot Authority and a Non-Executive Director of Schroder UK Mid Cap Fund plc. Director of Cadogan Group Limited and two related subsidiary companies.

Catherine Glickman
Independent
Non-Executive Director

A N R

Date of appointment
July 2018

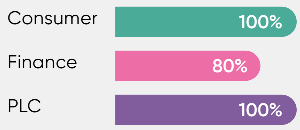
Committee membership
Chair of the Remuneration Committee and member of the Audit and Nomination Committees.

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.

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

Experience



Tenure

1–3 years	2
6–9 years	3

Gender

Male	60%
Female	40%

Shareholder value driven through strong governance

Our robust governance framework supports the Board's effective oversight of the business."

Steve Bellamy
Chair

Dear shareholder

I have pleasure in introducing my first Corporate governance statement as Chair of TheWorks.co.uk plc.

The Company was Main Market listed, and therefore subject to the UK Corporate Governance Code (UKCGC), for the 53-week period ended 5 May 2024. As indicated in our announcement signalling our move from the Main Market to AIM, the Board agreed that it would adopt the QCA Code on Corporate Governance (the QCA Code) from AIM admission and, as a minimum, apply the principles of the QCA Code (supplemented where relevant by continued application of the principles of UKCGC given our governance framework was established under that Code). Therefore, the following report describes how we have applied the UKCGC principles, and complied with its provisions, during FY24, but is also structured to demonstrate how we intend to apply the QCA principles moving forwards.

The composition of our Board has changed significantly during FY24. As signalled in our FY23 Annual Report, we were pleased to appoint an internal successor (Rosie Fordham) to the Chief Financial Officer role when Steve Alldridge stepped down at the end of 2023. Rosie was appointed to the Board on 1 January 2024. We are delighted with Rosie's contribution to date, including leading the project to move the Company's listing to AIM.

We welcomed John Goold and Mark Kirkland to the Board as non-independent Non-Executive Directors in February 2024. In making those appointments, the board was mindful that they would result in a period of non-compliance with provision 11 of UKCGC which states that at least half of the Board (excluding the Chair) should be independent non-executive directors. The Board consulted with certain of our major shareholders, who were supportive of the appointments. The Board was also comfortable that the period of non-compliance would be limited given the move to AIM, and that the existing Non-Executive Directors (and Chair, who was deemed independent on appointment) would bring appropriate independence to the Board's discussions and decision making. John Goold and Mark Kirkland stepped down as Directors with effect from 1 October 2024.

I was appointed as Non-Executive Chair on 15 July 2024, succeeding Carolyn Bradley. The Board would like to reiterate its thanks to Carolyn for her support and guidance during her three-year tenure on the Board.

Although the QCA Code also recommends that at least half of the Board (including the Chair if independent on appointment) should comprise independent Non-Executive Directors, we meet the minimum requirement of at least two independent Non-Executive Directors and continue to be satisfied that there is an appropriate balance of independence on the Board to protect shareholder and other stakeholder interest.

The Board spent a significant amount of time during the year on considering, approving and delivering the AIM move, with emphasis on the long-term benefits to shareholders and other stakeholders resulting from the move (not least the cost savings associated with the lighter touch regulatory regime on AIM). The economic environment during FY24 continued to be challenging, with geopolitical and cost-of-living pressures impacting on consumer spend and sales performance. This was therefore also reflected in the Board's discussions, in particular in challenging and supporting management in establishing and delivering actions to reset the cost base and improve operational efficiency.

At our 2023 AGM, the resolution proposing a final dividend for FY23 did not pass, and the resolutions relating to authorities to allot shares (and disapply pre-emption rights) received a significant (greater than 20%) vote against. As set out in the announcement of our interim results, we consulted with shareholders following the AGM to understand the reason for the votes against, which included a preference for share buybacks over dividends. The Board took the feedback into account; however, given trading for the remainder of FY24, we have focused on retaining cash within the business and, as stated in the interim results, the Board will therefore not be proposing any form of shareholder returns in the short term.

An internal Board evaluation process was conducted following the financial period end, with the output generally supporting the view that the Board and its Committees are operating effectively, but identifying some areas (including the frequency of Board meetings and Board and senior management succession planning) where additional focus may be required to ensure we continue to evolve our governance framework and approach in line with the needs of the business.

UK Corporate Governance Code – compliance statement (FY24)

During FY24, the Company 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 with the exception of provision 11 (at least half the board, excluding the chair, should be independent non-executive directors) for which an explanation for non-compliance is provided above. Full details of the Code are available at www.frc.org.uk.

QCA Code – principle 1 – *Establish a purpose, strategy and business model which promote long-term value for shareholders*

The Board has collective responsibility for setting the Company's purpose, strategic aims and objectives. Our strategy and business model are described in the Strategic report on pages 14 and 15, and 12 and 13. The Board continually monitors the implementation of strategy, with regular updates on progress against strategic pillars (and underlying workstreams) provided through the CEO's report to each Board meeting. There is also an annual Board strategy session, and (where appropriate) mid-year reviews are conducted.

QCA Code – principle 2 – *Promote a corporate culture that is based on ethical values and behaviours*

The Board recognises that the Company's culture underpins its long-term success, and regularly assesses and monitors the Group's culture. This assessment is conducted through a combination of reviews of the output of our regular employee engagement surveys, updates from the Chief Retail and People Officer through our programme of Operating Board members' 'deep-dive' presentations to the Board, formal reporting and consideration of people related statistics in the monthly Board pack, and Board members' own interactions with colleagues across the Group (including through Board or individual Director site visits). The strength of our culture and employee engagement activity is demonstrated through our strong performance in the annual Best Companies™ survey, where we were ranked 15th in the top 25 Best Big Companies to Work For in 2023. The Board also regularly reviews workplace policies and practices to ensure these are aligned to the desired culture and are operating effectively.

QCA Code – principle 3 – *Seek to understand and meet shareholder needs and expectations*

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 Nominated Adviser (Nomad) and corporate broker. 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 and governance of the Group. Information and investor news are also made available via the Company's website (https://corporate.theworks.co.uk/investors).

Specific engagement activity between the Board and shareholders during the year has included conversations in relation to voting at our 2023 AGM (described in the introduction to the Corporate governance statement on page 47), assessing views and support for the intended move to AIM, and discussions relating to the appointment of Non-Executive Directors.

QCA Code – principle 3 – *Seek to understand and meet shareholder needs and expectations* continued

Investor relations is discussed regularly at Board meetings. The Executive Directors and the Chair provide feedback directly to the Board on key matters arising in their meetings with shareholders, ensuring that all Directors are aware of shareholder views. These matters are discussed and assessed by the Board before deciding on whether any further action or engagement is required.

The Company's AGM provides a further opportunity for shareholders to engage directly with the Board. The Company's 2024 AGM will take place at 9am on 31 October 2024 at the offices of Squire Patton Boggs (UK) LLP at 60 London Wall, London EC2M 5TQ. This Annual Report and financial statements (including on our website) and Notice of the AGM will be made available to shareholders (including on our website) in accordance with the required notice periods.

QCA Code – principle 4 – *Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success*

We consider our key stakeholders to be our shareholders, our employees, our customers, our suppliers and our community. The Board recognises the importance of regular engagement with our stakeholders in order to listen to, understand and consider their views.

The CEO and Operating Board members are responsible for the day-to-day management of stakeholder relationships and ensuring that stakeholder issues are appropriately reported to the Board. Further information on how we engage with stakeholders is set out on pages 22 and 23. 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 24.

With respect to workforce engagement, the Board keeps engagement methods under review and continues to be of the view that the combination of existing engagement mechanisms (summarised in the Our stakeholders section on pages 22 and 23) ensures that the Board is appropriately informed about, and understands, workforce views. Therefore this approach continued to appropriately address the requirement to engage with the workforce under provision 5 of the UKCGC during FY24.

Social and environmental issues identified as being important to the business, and actions we are taking in those areas, are described in the Stakeholder engagement section on page 23 and ESG review on pages 25 to 29.

QCA Code – principle 5 – *Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation*

The Board has ultimate responsibility for the systems of internal control and risk management. The Board has delegated responsibility to the Audit Committee to monitor and review the effectiveness of those systems.

The Board regularly reviews the corporate risk register, with particular focus on the principal risks (including climate-related risks) facing the business and emerging risks. Through this review, the Board establishes the overall appetite for risk and the appropriateness and effectiveness of mitigations in place (through internal controls, management actions or otherwise). The Group's principal risks and uncertainties are set out on pages 38 to 43, and the Audit Committee report on page 52 to 54 provides more information on the systems of risk management and internal control.

QCA Code – principle 6 – *Establish and maintain the board as a well-functioning, balanced team led by the chair*

Composition, independence and attendance

From the end of FY23 to February 2024, the Board comprised the Chair (Carolyn Bradley, who was independent on appointment), two Executive Directors (CEO and CFO) and two independent Non-Executive Directors (Harry Morley and Catherine Glickman). The composition of the Board therefore satisfied provision 11 of the UKCGC for that period with half of the Board (excluding the Chair) being independent. Following the appointment of John Goold and Mark Kirkland (as representatives of significant shareholder Kelso Group Holdings plc, and therefore not deemed to be independent) in February 2024, the composition of the Board no longer met the provision 11 requirement for the period to AIM admission (when the UKCGC ceased to apply to the Company).

Following Steve Bellamy's appointment as Chair (who was independent on appointment and succeeded Carolyn Bradley, on 15 July 2024), and John Goold and Mark Kirkland stepping down on 1 October 2024, the composition of the Board (and balance of independent Directors for QCA Code purposes) is as follows:

Independent Directors	Non-independent Directors
• Steve Bellamy (Chair) • Catherine Glickman (Non-Executive Director and Remuneration Committee Chair) • Harry Morley (Senior Independent Director and Audit Committee Chair)	• Gavin Peck (CEO) • Rosie Fordham (CFO)

Roles and division of responsibilities

There were no changes to the roles and responsibilities of the members of the Board during FY24. As previously reported, there is a clear division of responsibilities between the Chair and the CEO (with the Chair's primary role being to lead the Board and ensure its independence and effectiveness, and the CEO's primary role being the day-to-day management and leadership of the Company). Harry Morley is the Senior Independent Director and his duties in that role include acting as a sounding board for the Chair, being available as an additional point of contact for shareholders, and leading the evaluation of the Chair's performance.

A representative of Bernwood Cosec Limited (the Company Secretary) supports the Board and each of the three Board Committees, and attends 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.

How the Board operates

The Board met ten times during FY24. Its activity at each meeting is planned in accordance with a formal schedule of activity which is updated on a rolling basis and is approved by the Board. This ensures that the Board 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 'deep-dive' presentations from Operating Board members on specific areas of their responsibility, which increase the Non-Executive Directors' understanding of key operational initiatives and challenges and provide the opportunity for senior executives to meet and discuss their areas of responsibility with the Board.

A Board pack is circulated in advance of each meeting and includes summary reports from the CEO and CFO and covers progress against strategic and operational KPIs, and underlying supporting data and metrics. The Company Secretary also prepares a standard format report for each meeting to ensure the Board is kept up to date on recent and upcoming announcements, share dealing requests, governance matters including statutory or regulatory filings and regulatory or legislative developments which may impact the Company. Separate papers are prepared to support any specific matters requiring Board decision or approval, or to provide updates on actions raised at previous meetings.

The Non-Executive Directors 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 Operating Board members and other senior managers should they require additional information on any of the items to be discussed at Board meetings. The Board and the Audit Committee also receive regular and specific reports to enable monitoring of the effectiveness 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.

Board activity during FY24

During FY24 there were ten scheduled Board meetings, with additional Board calls focused on trading performance and matters relating to the AIM move. Individual Director attendance at the ten scheduled Board meetings and Committee meetings (where they are a member) during FY24 is set out in the table below:

Director	Board meetings attended/ eligible to attend	Audit Committee meetings held/ attended	Remuneration Committee meetings held/ attended	Nomination Committee meetings held/ attended
Carolyn Bradley	10/10	N/A	3/3	2/2
Gavin Peck	10/10	N/A	N/A	N/A
Steve Alldridge	6/6	N/A	N/A	N/A
Rosie Fordham	4/4	N/A	N/A	N/A
Catherine Glickman	10/10	4/4	3/3	2/2
Harry Morley	10/10	4/4	3/3	2/2
John Goold	2/3	N/A	N/A	N/A
Mark Kirkland	2/3	N/A	N/A	N/A

In addition to the formal meetings, the Board's activity also included store visits (linked to its Board meeting in June 2023, and a separate strategy session in November 2023), with the strategy session also including visits to competitor stores. Board meetings have also included store set-up and range reviews in our 'Mock Shop' located in the Boldmere House head office.

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 and to stay up to date on industry matters.

QCA Code – principle 6 – *Establish and maintain the board as a well-functioning, balanced team led by the chair* continued

Board activity during FY24 continued

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.

Board

- Overall leadership of the Group.
- Oversees and embeds sound principles of corporate governance.
- Ensures appropriate policies, procedures and controls are in place to support effective risk management and performance against agreed financial and operational metrics.
- Sets strategy, purpose, values and culture.
- Approves major contractual commitments.
- Approves business plan and budget.
- Sets and oversees environment and climate strategy and related targets.

Certain matters are reserved to the Board and formally documented in a Schedule of Matters Reserved to the Board. The Board has delegated a number of its responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. The Schedule of Matters Reserved to the Board and each Committee's terms of reference are available at https://corporate.theworks.co.uk/who-we-are/corporate-governance.

Audit Committee

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

Read more in the Audit Committee report on **pages 52 to 54**

Nomination Committee

- Identifies and nominates appointments to the Board.
- Reviews Non-Executive Directors' time commitments.
- Oversees succession planning.
- Reviews size and composition of the Board.
- Promotes diversity.
- Undertakes annual performance evaluation of the Board, its Committees and individual Directors.

Read more in the Nomination Committee report on **pages 55 and 56**

Remuneration Committee

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

Read more in the Remuneration Committee report on **pages 57 to 66**

Operating Board

- Reports 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 Operating Board is available at https://corporate.theworks.co.uk/who-we-are/our-leadership.

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. As announced on 1 August 2024, Catherine Glickman will not stand for reappointment at the AGM on 31 October 2024 and a search for her replacement is underway. John Goold and Mark Kirkland stepped down from the Board on 1 October 2024 and will therefore not stand for appointment at the AGM. In accordance with the Company's Articles of Association (the Articles), Gavin Peck and Harry Morley will be offering themselves for reappointment, and Steve Bellamy and Rosie Fordham of the Board (having being appointed since our AGM in 2023) will stand for appointment at the Company's AGM on 31 October 2024.

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
Rosie Fordham	CFO	1 January 2024	6	6

The Non-Executive Directors (including the Chair) do not have service contracts, but are instead appointed by letters of appointment which include a three-month notice period on either side. 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 31 October 2024
Steve Bellamy	15 July 2024	15 July 2024	33 months
Catherine Glickman	19 July 2018	26 July 2022	9 months
Harry Morley	19 July 2018	26 July 2022	9 months

Conflicts of interest and external appointments

In accordance with the Board's approved procedure relating to the disclosure of any conflicts or potential conflicts of interest, all Directors have confirmed that they did not have any conflicts of interest with the Group during the year.

In accordance with provision 15 of the UKCGC, Harry Morley sought Board approval prior to taking on his additional role as a Non-Executive Director of Schroder Mid Cap UK Fund plc during the year. No other Director took on an additional external role during the year.

QCA Code – principle 7 – *Maintain appropriate governance structure and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities*

The Group's governance structure has not changed during the year and is set out in the diagram opposite:

Training and development

The efficient and effective operation of the Board depends on the ability of individual Directors (and in particular the Non-Executive Directors) to bring the benefit of their own business knowledge and experience. Ensuring that all Directors have an in-depth understanding of the Company's own operations is an important element in enabling the benefit of that experience and we seek to support this understanding through the detailed materials circulated in advance of Board meetings, as well as collective and individual Director site visits or days out in stores, which are usually accompanied by different members of the Operating Board.

We also expect our Directors to keep themselves up to date in relation to developments in regulation and corporate governance best practice. As highlighted above the Company Secretary ensures that the Board is briefed on forthcoming legal and regulatory developments, and Directors are encouraged to attend externally facilitated seminars, webinars and workshops to develop their knowledge and experience in particular areas relevant to their role with the business.

QCA Code – principle 8 – *Evaluate board performance based on clear and relevant objectives seeking continuous improvement*

During FY24, and in accordance with provision 21 of the UKCGC, the Board again considered whether it would be appropriate to conduct an externally facilitated evaluation process during the year. Our view was unchanged that, given the size of the Board and changes in composition during the year, the relative cost of an externally facilitated process, and a desire to allow the Executive Directors to maintain focus on managing the business in a challenging environment without unnecessary distraction, an internal evaluation process would again be the best approach.

The evaluation was conducted by way of detailed questionnaires completed by the Directors who served for the duration of the year, with the opportunity for free form qualitative comments to be provided to support discussion around areas for improved Board effectiveness.

The results of the evaluation were summarised and considered by the Board following the financial period end, and provided to Steve Bellamy (the incoming Chair) to consider areas of improvement to be taken forward. Overall, the evaluation exercise found that the Board had operated efficiently and effectively during the year, with the appropriate level of support and constructive challenge provided to management. Particular areas identified for further focus in FY25 include:

- How the Board receives assurance over the effectiveness of internal controls (with specific further consideration required around a potential internal audit function).
- Ensuring that diversity factors and appropriate industry experience are reflected in the succession planning processes for the Board and senior management.

Progress made in addressing some of the actions identified in the FY23 evaluation process is summarised below:

Actions	Progress in FY24
Hold an extended two-day meeting each year to accommodate store visits alongside a strategy review	Successful two-day Board meeting/strategy session incorporating store and competitor site visits held in November 2023
Consider the level of detail required in Operating Board reports to the Board, including whether they could be more succinct	Full review of management's Board pack conducted during FY24, with feedback from NEDs, and new version introduced from May 2024

QCA Code – principle 9 – *Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture*

Details of the Company's Remuneration Policy and how it was implemented during FY24 are set out in the Directors' remuneration report on pages 57 to 66.

QCA Code – principle 10 – *Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders*

The Board's approach to engaging with shareholders and other stakeholders is described throughout the Annual Report, in particular in the Our stakeholders section and Section 172 statement on pages 22 to 24, the ESG review on page 25 and the disclosures under principles 3 and 4 of the QCA Code above.

Steve Bellamy
Chair
1 October 2024

Members

- Harry Morley (Chair)
- Steve Bellamy
- Catherine Glickman

Number of meetings held in the year:

4

Committee's role and responsibilities

- Reviews the annual financial statements, including accounting estimates and judgements.
- Assists the Board with the discharge of its responsibilities in relation to the external audit including audit scope, external auditor appointment and the extent of non-audit work undertaken by the external auditor.
- Reviews the effectiveness of the Group's internal control and risk management systems.
- Monitors the Group's internal audit arrangements.

Terms of reference:
Available at https://corporate.theworks.co.uk/who-we-are/corporate-governance

Dear shareholder

I am pleased to present the Audit Committee's report for the 53-week period ended 5 May 2024. 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.

Composition of Committee, role and main activities in FY24

The Committee's members, its role and main activities are detailed in the adjacent panel. Given my qualification as a Chartered Accountant, executive background in finance roles, and broader audit committee chair experience, Steve's experience in chairing two other PLC audit committees, and Catherine's significant knowledge and experience in the retail sector, the Board is satisfied that the Committee composition is such that it understands the risks facing the business and is able to be robust and challenging in its review of the Company's financial position and performance.

Activity during the year

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 49.

The external auditor has the right to attend meetings, and the Board Chair and Executive Directors typically attend each meeting by invitation. Other members of the management team may also attend meetings by invitation from time to time.

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.

The Committee's activities during the year are set out in the table below.

Audit Committee activity in FY24

Financial statements and reporting
- Reviewed significant accounting estimates and judgements in connection with half-year and full-year financial statements.
- Reviewed half-year and full-year financial statements and associated narrative reporting, and recommended approval of them by the Board.
- Reviewed scenario analysis in support of going concern assessment.

Risk management and internal control systems
- Received updates on profit protection, including stock count process.
- Reviewed internal financial controls, and progress against agreed improvement plans.
- Reviewed delegated authorities.
- Reviewed and challenged risk register, principal risks facing the business, and process for identifying emerging risks.

External audit relationship
- Received and reviewed FY24 audit plan and strategy.
- Reviewed effectiveness of FY23 audit process.
- Led the tender leading to the appointment of Kreston Reeves LLP as auditor.
- Agreed audit fees.

Governance and other matters
- Approved FY24 tax strategy.
- Reviewed payment practices reporting and performance against supplier payment terms.
- Reviewed Audit Committee terms of reference.

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 53-week period ended 5 May 2024 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 in the preparation of the financial statements, particularly in light of the material uncertainty that was included in the FY23 financial statements. The Committee noted that the renegotiation of the Fixed charge covenant in April 2024 (as part of the move to AIM) resulted in improved headroom against the fixed charge covenant, and even under the 'severe but plausible' downside scenario model prepared to assess the appropriateness of the basis of preparation, the Group would have sufficient headroom within its current bank facility, and would not breach either of its bank covenants. The financial statements have therefore been prepared on a going concern basis.
Impairment of property, plant and equipment, right-of-use assets and intangibles	The Committee considered the approach taken to calculating the value in use estimate used in assessing the impairment of store fixed assets and the IFRS 16 right of use asset. These utilise detailed cash forecasts which also form the basis for the going concern review. Having reviewed the models prepared by management, the Committee is satisfied with the impairment recognised.
Carrying value of Parent Company investments	Judgement is required to assess the carrying value of the investment by the Parent Company in its subsidiary undertakings (primarily The Works Stores Limited) for impairment, which is routinely a key source of estimation uncertainty. The methodology and assumptions used in estimating the value in use is broadly similar to that used for store impairment. The Committee reviewed the assessment made by management and concluded that the impairment recognised in the financial year was appropriate.
Existence, completeness and valuation of inventory	As noted in the 'Risk management and internal control' section of the Committee's report, the Committee reviewed the Group's arrangements for improving stock control processes during the year. After consideration of the accuracy of the provisioning model, the Committee concluded that it is satisfied with the accounting treatment of the valuation of inventory.

External auditor and audit tender
The external auditor at the beginning of the year was KPMG LLP. By mutual consent, and in connection with the decision to move the Company's listing to AIM, it was agreed that KPMG LLP would resign as external auditor and that the Company would tender the audit.

The Audit Committee considered three firms as part of the tender process, and after careful consideration it was agreed to appoint Kreston Reeves LLP. The Committee is satisfied with Kreston Reeves LLP's performance in relation to the FY24 audit, and has recommended to the Board that a resolution to reappoint Kreston Reeves as auditor be proposed at the 2024 AGM.

The Audit Committee oversees the relationship with the external auditor to ensure that independence and objectivity are maintained. This includes monitoring the tenure of the external auditor and audit partner, and the nature and extent of any non-audit services that the external auditor is engaged to provide.

Audit process
At the outset of the audit process, the auditor presents a detailed audit plan to the Committee, identifying its assessment of the key audit matters, intended areas of focus and the audit approach. The audit plan also sets out the scope of the audit, materiality thresholds and the audit timetable.

External auditor and audit tender continued

Non-audit services

The engagement of the external audit firm to provide non-audit services to the Group can impact on the independence assessment, and the Audit Committee keeps the nature and extent of non-audit services (and non-audit fees which are set out in Note 6 to the financial statements) under review and ensures that any non-audit services are approved in accordance with the agreed policy.

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.
- The criteria which govern the compensation of the individuals performing the audit.

During the year, no non-audit services were carried out by Kreston Reeves LLP.

Risk management and internal control

The Board has overall responsibility for maintaining sound internal control and risk management systems and has delegated responsibility to monitor their effectiveness to the Committee. During the year, the Committee has discharged this responsibility through regular reviews of the Group's risk register (and challenging management on the classification of risks and effectiveness of mitigations), as well as specific and detailed updates on profit protection and supply chain risks.

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.

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 Committee is satisfied that the internal controls and risk management systems, including processes to identify and improve such systems and controls where necessary, continue to operate effectively.

Internal audit

The Group does not currently have an internal audit function. During the year, the Committee reviewed the Group's control framework and the extent to which it received assurance over the effectiveness of those controls. The Committee (and management) agreed that, while there was no immediate need for an internal audit function, there should be an aspiration to establish a value additive internal audit function in the medium term.

Performance evaluation

The evaluation of the performance of the Committee was conducted as part of the broader Board evaluation process set out on page 51 of this Annual Report. I am pleased to report that feedback relating to the Committee was positive, indicating that the Committee continues to operate effectively.

Harry Morley
Chair of the Audit Committee
1 October 2024

Ensuring an experienced and effective Board

Members
- Steve Bellamy (Chair) (from 15 July 2024)
- Carolyn Bradley (Chair) (until 15 July 2024)
- Catherine Glickman
- Harry Morley

Number of meetings held in the year
2

Committee's role and responsibilities
- Oversees succession planning.
- Identifies and nominates appointments to the Board.
- Reviews Non-Executive Directors' time commitments.
- Reviews size and composition of the Board.
- Promotes diversity.

Main activities in FY24 and FY25 to date
- Succession planning at Board and senior management level.
- Carolyn Bradley replaced by Steve Bellamy as Chair.
- Recruitment commenced for a new Non-Executive Director to replace Catherine Glickman.

Terms of reference:
Available at https://corporate.theworks.co.uk/who-we-are/corporate-governance

"Increasing value retail experience is a key factor in our Board succession planning and will support a diverse mix of skills and experience across the Board."

Steve Bellamy
Chair of the Nomination Committee

Dear shareholder

The following report summarises the work of the Nomination Committee during the year.

Composition of Committee, role and main activities in FY24

The Committee's members, its role and main activities are detailed in the adjacent panel.

Meetings and attendees

The Committee met twice during the year. Both meetings were attended by all members of the Committee as shown in the table on page 49.

Only members of the Committee have the right to attend meetings, but the CEO and Chief People and Retail Officer are invited to attend as appropriate, particularly when executive succession planning and other workforce related matters are being discussed. Other Directors, executives or advisers may be invited to attend all or part of any meeting as appropriate.

Succession planning

The Committee discussed Board succession planning and in particular the need to manage the timing of NED changes given that both Catherine Glickman and Harry Morley were appointed at the time of the IPO. As reported last year, the Committee has agreed in principle that Catherine and Harry will step down in a staggered fashion. We have announced since the year end that Catherine Glickman will not seek reappointment at the 2024 AGM and, given their respective key roles as Chairs of the Remuneration and Audit Committees, that there may be some overlap between the appointment of Harry and Catherine's replacements and the date that they step down.

The Committee has also agreed that Board diversity and a retail background will be key factors in any search process for new Non-Executive Directors, albeit recognising that appointments will always be made on merit and based on objective criteria.

We were delighted to announce that Rosie Fordham succeeded Steve Alldridge as CFO in line with our agreed internal succession plans.

Board appointments

John Goold and Mark Kirkland were appointed as Non-Executive Directors on 14 February 2024 as representatives of Kelso Group Holdings plc, a significant shareholder in the Company. Although there was no formal search process in relation to their appointment, the Board did consult with other major shareholders who indicated support for the appointments. It was agreed that John and Mark, not being deemed to be independent, would not join the Board Committees. John Goold and Mark Kirkland stepped down as Directors on 1 October 2024.

Following Carolyn Bradley's decision to step down as Chair and a Director of the Company, the process that led to my appointment was overseen by Harry Morley (as Senior Independent Director), supported by Catherine Glickman (the other member of the Nomination Committee) and the rest of the Board.

Diversity and inclusion (D&I)

The Committee is responsible for monitoring compliance with the objectives of the Board Diversity Policy (the D&I policy). The Committee reviewed the D&I policy during the year, and is comfortable that it remains appropriate.

The current balance of gender on our Board is 40% female and 60% male (FY23: 22% female and 78% male).

Other matters considered

At its meeting in April 2024 the Committee conducted its annual review of the size, structure and composition of the Board, the independence of the Non-Executive Directors, and Non-Executive Director time commitments. The Committee concluded that the size, structure and composition of the Board and its Committees remained appropriate taking into account the size and cost structure of the business, and that the Board's balance of skills and experience was appropriate and supports effective debate and decision making.

None of the factors which could impact the independence of our independent Non-Executive Directors (as set out in provision 10 of the Code) apply to Catherine Glickman and Harry Morley, both of whom were appointed in 2018 and therefore remain well within the recommended maximum nine-year term. The Board is therefore satisfied that they remain independent in thought and judgement. As disclosed previously, John Goold and Mark Kirkland are not deemed to be independent given their roles with Kelso Group Holdings plc, a significant shareholder in the Company.

All of the Non-Executive Directors have confirmed that they continue to be able to devote sufficient time to fulfil their roles as Directors of the Company.

Performance evaluation

The evaluation of the Committee's performance in FY24 was conducted as part of the wider Board evaluation process described on page 51.

Steve Bellamy
Chair of the Nomination Committee
1 October 2024

Strategic report | Corporate governance | Financial statements

Remuneration that incentivises performance and aligns with shareholder interests

Members

- Catherine Glickman (Chair)
- Steve Bellamy (member from 15 July 2024)
- Carolyn Bradley (member until 15 July 2024)
- Harry Morley

Committee's role

- Sets Remuneration Policy.
- Determines Executive Director and senior management remuneration.
- Approves annual bonus and LTIP targets.
- Reviews workforce remuneration policies and practices.

Main activities during FY24

- Approved LTIP awards and targets.
- Set and monitored annual bonus targets and outturn.
- Reviewed Executive Director salaries.
- Considered Operating Board Director salaries following restructure of senior team.
- Reviewed wider workforce pay and benefits.

Dear shareholder

As Chair of the Remuneration Committee, I present our Directors' remuneration report for the 53-week period ended 5 May 2024.

Although the Company moved from the Main Market to AIM on 3 May 2024, the statutory reporting regime for Main Market listed companies applies to our FY24 Directors' remuneration report in accordance with applicable regulations. This report therefore includes the Annual report on remuneration, which sets out payments made to the Directors and demonstrates how Company performance and remuneration were aligned during FY24. From FY25 onwards, this reporting regime will not apply to the Company, and we therefore intend that our remuneration disclosures will be amended accordingly to reflect our status as an AIM quoted business.

Our Directors' Remuneration Policy was approved at our 2022 AGM after taking account of the views of our shareholders, with over 99% of votes cast in favour, and minor amendments to that policy in relation to the maximum LTIP opportunity and in-service shareholding guidelines were approved at our 2023 AGM, again with over 99% of votes cast in favour. Since we are not seeking approval for a Directors' Remuneration Policy at the 2024 AGM, in line with the applicable regulations, we have not included the policy in this report. The policy is set out in our FY22 Annual Report (with amendments summarised in our FY23 Annual Report), both of which are available on our website.

FY24 remuneration in the context of our business performance

As detailed in the Strategic report, in a year of significant change the Group delivered performance in line with revised market expectations for FY24, with total revenue growth of 0.9% (despite a LFL sales decline of 0.9%) (FY23: growth of 5.8% and LFL increase of 4.2%) and Adjusted EBITDA of £6.0m (FY23: restated £9.6m).

The FY24 bonus opportunity for Gavin Peck and Rosie Fordham was up to a maximum of 100% of salary, with 80% of the award based on stretching EBITDA targets and the remaining 20% based on performance against key strategic objectives (details of the measures and targets are set out on page 60). As noted above, our Adjusted EBITDA result for FY24 was in line with revised market expectations but was below our original EBITDA budget and the threshold level of post-bonus EBITDA performance for Executive Director bonuses. Therefore, notwithstanding the Committee's assessment that Gavin and Rosie have performed well in their roles, and in particular in supporting the business, pivot to focus on stabilising profitability by improving margins and reducing cost (including delivering the move to AIM), no bonus was payable to the Executive Directors for FY24.

As signalled in the FY23 Directors' remuneration report, during FY24 the Committee reviewed the Adjusted EPS measures for in-flight Long-Term Incentive Plan (LTIP) awards to ensure they could be assessed on a fair and consistent basis. The Committee concluded that the Adjusted EPS targets for in-flight and future LTIP awards would be assessed based on pre-IFRS 16 EBITDA, at the thresholds at which the original Adjusted EPS targets were calculated. As a result, the LTIP award made to Gavin Peck in September 2021 was assessed subject to performance conditions based on pre-IFRS 16 EBITDA performance in FY24 and a share price target. Details of the targets are set out on page 60. As the threshold targets for both the pre-IFRS 16 EBITDA (£12.0m) and share price (57 pence) were not met, the award lapsed in full.

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.

For FY25, salaries for colleagues in retail have increased in line with the National Minimum Wage and National Living Wage, with further investment in the management grades to maintain appropriate differentials. 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. As a result, the average increase across retail management, all National Minimum and National Living Wage increases and the Support Centre team was 9.4%.

We have continued to support our employee communications and engagement platform (MyWorks by Reward Gateway) which offers colleagues discounts and money saving offers with a number of businesses and services. In response to the cost-of-living crisis we also launched Wagestream, an app that offers all colleagues a range of financial wellbeing tools, including early access to earned wages as well as savings account access and financial wellbeing resources.

In April 2024, the Board agreed a restructure of our Operating Board which resulted in a reduction in the number of Operating Board Directors and an increase in responsibilities for those that remained. The Committee therefore approved salary increases to the Operating Board Directors (other than Gavin Peck and Rosie Fordham) in connection with the restructure.

The Operating Board restructure is expected to deliver small savings in FY25, net of re-investment in leadership roles.

Approach to remuneration for FY25

No changes to our Directors' Remuneration Policy are proposed for FY25.

As disclosed in the FY23 Directors' remuneration report, on her appointment as CFO, Rosie Fordham's base salary was set at £180k per annum with the intention (subject to her performance in the role) that this would increase to £200k for FY25 and £220k for FY26. Rosie's performance since taking on the CFO role has exceeded expectations, including taking a lead role in the move to AIM immediately upon appointment. Following the Operating Board restructure, Rosie's remit has also increased to include the Group's IT and property functions. The Committee therefore agreed that, to reflect Rosie's increased responsibilities, it was appropriate that her salary be increased to £220k per annum with effect from 1 May 2024.

Steve Bellamy was appointed as Chair of the Board with effect from 15 July 2024, replacing Carolyn Bradley. Steve's fee as Chair was agreed at £105k, the same level as was paid to Carolyn.

There will be no increase to Gavin Peck's salary, and no changes to the fees for the Non-Executive Directors and Chair, for FY25.

The maximum bonus opportunity for both Executive Directors will remain at 100% of base salary, with 80% of the maximum opportunity subject to EBITDA performance, and the remaining 20% subject to strategic measures.

Stakeholder engagement

I would like to thank the Executive Directors, the Operating Board Directors and all our colleagues at The Works for their continued commitment, enthusiasm and hard work during FY24.

Our colleagues are a vital part of our customer experience. We continue to be a company in which colleagues can develop their careers, with the majority of colleagues being internally developed and 10% promoted in the last year. We are delighted that we continue to be recognised as one of the 25 Best Big Companies to Work For.

The Board continues to receive regular updates on colleague wellbeing, morale, retention and health and safety and visits stores and engages with colleagues regularly. We 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, and these inform decisions on remuneration.

On behalf of the Board, I would like to thank shareholders for their support for our Policy at the 2023 AGM. I remain happy to receive any questions or feedback from shareholders at any time, and hope that you will be happy to support the advisory resolution to approve our Annual report on remuneration which will be proposed at our 2024 AGM.

Catherine Glickman
Chair of the Remuneration Committee
1 October 2024

Annual report on remuneration

This report has been prepared in accordance with applicable regulations.

Composition of the Committee

The members of the Committee at the date of this report are Catherine Glickman (Chair), Steve Bellamy (from 15 July 2024) and Harry Morley. Carolyn Bradley also served as a member of the Committee up to 15 July 2024 when she stepped down from the Board.

Duties and responsibilities

The Committee's key responsibilities are detailed in the panel on page 57.

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 three times during the year and has met once since the year end. All members attended those meetings as shown in the table on page 49. The Committee receives assistance from the CEO, CFO, Chief People and Retail Officer and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed.

Performance evaluation

The evaluation of the performance of the Committee was conducted as part of the broader Board evaluation process set out on page 51. Feedback relating to the Committee indicated that it continues to operate effectively, with all members (and other attendees) contributing appropriately to debate and discussion around remuneration matters.

Advisers

Deloitte LLP (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 that group's Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £13,975 for FY24. The Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender and takes into account the 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 table below sets out total remuneration in respect of FY24 for each person who served as a Director in that year, along with the corresponding remuneration for FY23:

		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	**2024**	**324**	**13**	**10**	**–**	**–**	**347**	**347**	**–**
	2023	309	13	9	–	–	331	331	–
Steve Alldridge[6] (resigned 31 December 2023)	**2024**	**155**	**9**	**5**	**–**	**–**	**169**	**169**	**–**
	2023	216	12	6	–	–	234	234	–
Rosie Fordham (appointed 1 January 2024)	**2024**	**60**	**3**	**2**	**–**	**–**	**65**	**65**	**–**
	2023	–	–	–	–	–	–	–	–
Non-Executive Directors									
Carolyn Bradley	**2024**	**103**	**–**	**–**	**N/A**	**N/A**	**103**	**103**	**N/A**
	2023	100	–	–	N/A	N/A	100	100	N/A
Harry Morley	**2024**	**58**	**–**	**–**	**N/A**	**N/A**	**58**	**58**	**N/A**
	2023	57	–	–	N/A	N/A	57	57	N/A
Catherine Glickman	**2024**	**53**	**–**	**–**	**N/A**	**N/A**	**53**	**53**	**N/A**
	2023	52	–	–	N/A	N/A	52	52	N/A
John Goold[7] (appointed 14 February 2024)	**2024**	**–**	**–**	**–**	**N/A**	**N/A**	**–**	**–**	**N/A**
	2023	–	–	–	N/A	N/A	–	–	N/A
Mark Kirkland[7] (appointed 14 February 2024)	**2024**	**–**	**–**	**–**	**N/A**	**N/A**	**–**	**–**	**N/A**
	2023	–	–	–	N/A	N/A	–	–	N/A

1 **Salary and fees:** The amount of salary/fees earned in respect of the year.

2 **Benefits:** The taxable value of benefits received in the year: these are principally private medical insurance and car or car allowance. For the Executive Directors the benefits figures include SAYE options granted in the relevant period where applicable, valued as the aggregate discount of the exercise price from the share price used to determine the exercise price.

Single figure table – audited information continued

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. Further information in relation to the FY23 bonuses is set out below; no bonuses were earned by the Executive Directors in respect of FY24.

5 **Long-term incentives:** Gavin Peck was granted an LTIP award in September 2021 subject to the performance conditions set out below. The threshold performance levels were not met and the award has lapsed.

6 Steve Alldridge's remuneration for FY24 is for the period to his resignation from the Board. Rosie Fordham's remuneration is from her appointment date.

7 John Goold and Mark Kirkland do not receive any remuneration in respect of their appointment as Non-Executive Directors. Instead, the Company pays Kelso Limited (a subsidiary of Kelso Group Holdings plc) an aggregate fee of £50k per annum.

Annual incentive plan – audited information

Each Executive Director was eligible to earn a bonus in respect of FY24 of up to 100% of salary. 80% of the award was based on EBITDA targets (required to be achieved after funding of any bonus payments triggered) which were considered to be suitably stretching. The remaining 20% 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.

As shown in the table below, actual Adjusted EBITDA outperformance above the threshold target was not sufficient to support a threshold bonus level and, therefore, no bonus was earned by either Executive Director in respect of this element for the year.

EBITDA element

	Performance £m	Vesting (% of maximum for EBITDA element)	Actual performance £m	Bonus earned for EBITDA element (% of maximum for EBITDA element)	Bonus earned for EBITDA element (% of salary)
Threshold	9.25	20%	6.0	0%	0%
Maximum	11.25	100%			

Strategic objectives element

Strategic objectives for Executive Directors related to the development of the Company's brand (both externally and internally), driving the implementation of strategy and continuing to develop both leaders and colleagues. As the Adjusted EBITDA performance measure was not met, no bonus was earned by reference to the strategic objectives.

Long-term incentives

LTIP award vesting

Gavin Peck was granted an LTIP award in the form of nil-cost options over 638,297 shares in September 2021. The award was subject to performance conditions set out below, general and windfall gain underpins, and a two-year post-vesting holding period.

Measure	Weighting	Threshold (20% vesting)	Maximum (100% vesting)	Actual performance
Pre-IFRS 16 EBITDA[1]	50%	£12m	£20m	£6.0m
Share price[2]	50%	£0.57	£2	24.72p

1 These are the pre-IFRS 16 EBITDA targets which were substituted for the original EPS targets as described in the letter from the Chair of the Remuneration Committee on page 58.

2 The average share price over the period of four weeks beginning with the announcement by the Company of its Full Year Trading Update for its 2023/24 financial year.

As shown above, the threshold targets have not been met and accordingly the LTIP award has lapsed in full.

Long-term incentives – awards granted during FY24 – audited information

LTIP awards were granted on 9 October 2023 to Gavin Peck and Rosie Fordham with values equal to 150% and 100% of their base salaries respectively:

	Type of award	Maximum opportunity	Number of shares	Face value at grant £[1]	% of award vesting at threshold	Performance period[2]
Gavin Peck	LTIP	150% of salary	1,216,687	486,675	20%	See footnote 2
Rosie Fordham	LTIP	100% of salary[3]	450,000	180,000	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 40 pence, the average closing share price for each of the three business days prior to the date of grant (rounded up to the nearest whole pence).

2 Each award is subject to performance conditions. The earnings measure will be assessed based on pre-IFRS 16 EBITDA performance in FY26, with the share price element of the performance condition assessed following the announcement by the Company of its Full Year Trading Update for its FY26 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.

3 Rosie Fordham's award was granted in anticipation of her appointment as CFO and accordingly was based on her post-appointment salary.

Further information in relation to the performance conditions for these awards (with half of each award based on earnings (pre-IFRS 16 EBITDA) and half on share price) is set out on page 113. 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 FY24 – audited information

Gavin Peck and Rosie Fordham were granted SAYE Scheme options on 13 October 2023 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	33,125	£0.28	11,448
Rosie Fordham	SAYE option	33,125	£0.28	11,448

1 In line with the SAYE Scheme, this is set at a 20% discount to 34.56 pence, the average closing share price on 20, 21 and 22 September 2023, 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 34.56 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 5 May 2024, are set out in the table below.

	Outstanding scheme interests as at 5 May 2024				Beneficially owned shares		
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures[1]	Vested but unexercised scheme interests[2]	Total shares subject to outstanding scheme interests[3]	As at 1 May 2023	As at 5 May 2024[4]	Total of all scheme interests and shareholdings at 5 May 2024[4]
Executive Directors							
Gavin Peck	2,791,347	64,159	96,151	2,951,657	554,636	554,636	3,506,293
Rosie Fordham (appointed 31 December 2023)	450,000	111,411	–	561,411	N/A	24,691	586,102
Steve Alldridge (resigned 31 December 2023)	–	–	–	–	–	–	–

1 SAYE awards (and restricted share awards (RSAs) held by Rosie Fordham, and granted to her prior to her appointment as CFO) that have not vested.

2 LTIP awards that have vested but remain unexercised.

3 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 113.

4 Or date of cessation if earlier.

	Outstanding scheme interests as at 5 May 2024			Beneficially owned shares		
	Unvested LTIP interests subject to performance conditions	Scheme interests not subject to performance measures	Total shares subject to outstanding scheme interests	As at 1 May 2023	As at 5 May 2024[1]	Total of all scheme interests and shareholdings at 5 May 2024[1]
Non-Executive Directors						
Carolyn Bradley (resigned 15 July 2024)	–	–	–	179,736	179,736	178,736
Harry Morley[2]	–	–	–	275,000	275,000	275,000
Catherine Glickman	–	–	–	181,033	181,033	181,033
John Goold (appointed 14 February 2024)[3]	–	–	–	N/A	3,754,000	3,754,000
Mark Kirkland (appointed 14 February 2024)[3]	–	–	–	N/A	3,754,000	3,754,000

1 Or date of cessation if earlier.

2 Includes interest of Kate Morley (a person closely associated with Harry Morley).

3 Shares shown for each of John Goold and Mark Kirkland represent the total shareholding in the Company of Kelso Group Holdings plc (a person closely associated with John Goold and Mark Kirkland given their positions as CEO and CFO of Kelso Group Holdings plc respectively). John Goold and Mark Kirkland resigned as Directors on 1 October 2024).

Executive Directors' interests under share schemes – audited information

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

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

	Award date	Vesting, exercise or release date	As at 1 May 2023	Granted during the year	Exercised during the year	Lapsed during the year	**Number of shares as at 5 May 2024**	Exercise price
Gavin Peck								
LTIP	3 September 2019[1,2]	September 2022	96,151	–	–	–	**96,151**	N/A
	15 February 2021	June 2023	847,457	–	–	847,457	**–**	N/A
	30 September 2021[3]	N/A	638,297	–	–	–	**638,297**	N/A
	17 November 2022	June 2025	936,363	–	–	–	**936,363**	N/A
	9 October 2023	June 2026	–	1,216,687	–	–	**1,216,687**	N/A
SAYE	31 August 2021	1 October 2024	16,363	–	–	16,363	**–**	55p
	4 November 2022	1 December 2025	31,034	–	–	–	**31,037**	29p
	4 November 2022	1 December 2025	–	33,125	–	–	**33,125**	28p
Rosie Fordham								
LTIP	9 October 2023	June 2026	–	450,000	–	–	**450,000**	N/A
RSA[4]	31 August 2021	31 August 2024	16,949	–	–	–	**16,949**	N/A
	17 November 2022	17 November 2025	30,303	–	–	–	**30,303**	N/A
SAYE	4 November 2022	1 December 2025	31,034	–	–	–	**31,034**	29p
	4 November 2022	1 December 2025	–	33,125	–	–	**33,125**	28p
Steve Alldridge								
LTIP	30 September 2021	June 2024	446,808	–	–	446,808	**–**	N/A
	17 November 2022	June 2025	655,454	–	–	655,454	**–**	N/A

1 In addition to his LTIP award, Gavin Peck was also granted a tax qualifying CSOP award over 37,037 shares with an exercise price of £0.81. The CSOP award vested at 38.4% (the same level as the LTIP award – see Note 2 below) and lapsed in respect of the balance of the shares subject to it so that it is not held over 22,815 shares. 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.

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 (154,666) lapsed on the vesting date as shown in the table above. 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.

3 As noted above, the performance condition for this award was not met and the award has lapsed.

4 Restricted share awards granted to Rosie Fordham prior to her appointment as CFO.

The performance condition applying to Gavin Peck's LTIP award granted in September 2021 is summarised on page 60. The award has lapsed in full.

Vesting of the LTIP awards made in November 2022 and October 2023 is based on stretching earnings (pre-IFRS 16 EBITDA subject to such adjustments as the Remuneration Committee determines to ensure that performance is assessed on a fair and consistent basis) and share price targets. The Board is of the view that the pre-IFRS 16 EBITDA targets are commercially sensitive, and will therefore only be disclosed retrospectively in the year in which performance and outturn for the specific award is assessed. The structure of performance targets and details of the share price measure are set out in the table below.

Award date	Measure	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
17 November 2022	Pre-IFRS 16 EBITDA	50%	Commercially sensitive	
	Share price[1]	50%	£0.43	£1.40
9 October 2023	Pre-IFRS 16 EBITDA	50%	Commercially sensitive	
	Share price[2]	50%	£0.50	£1.00

1 Average share price over the period of four weeks following the announcement by the Company of its Full Year Trading Update for its 2024/25 financial year.

2 Average share price over the period of four weeks following the announcement by the Company of its Full Year Trading Update for its 2025/26 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 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 under an award, determined by reference to the price used to assess the share price element of the performance condition, may not exceed £2,500,000 (November 2022 award) or £3,750,000 (October 2023 award) in the case of Gavin Peck, and £1,750,000 (October 2023 award) in the case of Rosie Fordham.

Directors' share ownership guidelines – audited information

The Committee has adopted a shareholding guideline for the Executive Directors, which requires the Executive Directors to retain half of all shares acquired under the LTIP (after sales to cover tax and any exercise price) until such time as their holding has a value equal to 200% of salary. Shares subject to LTIP awards which have vested but not been released (i.e. which remain in a holding period), or which have been released but have not been exercised, and any shares subject to deferred bonus awards, count towards the guidelines on a net of assumed tax basis.

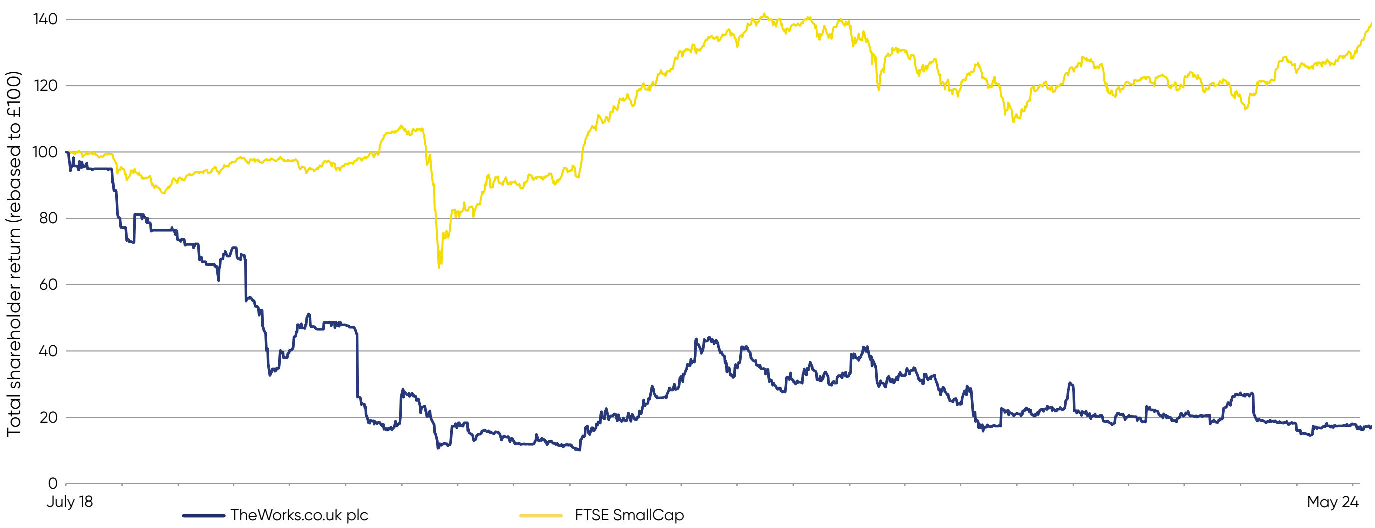
Executive Director	Number of shares counting towards the guideline at 30 April 2024	Value of shares counting towards the guideline[1]	Value of shares as a percentage of base salary	Shareholding guideline met?
Gavin Peck	605,596	£145,343	44.8%	In progress
Rosie Fordham	24,691	£5,925	2.7%	In progress[2]

1 Based on a share price of 24 pence as at 3 May 2024 (being the last trading day prior to the year end of 5 May 2024).

2 Rosie Fordham has not yet had any LTIP award which has vested. When she does so, retained shares will count towards the shareholding guideline.

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 5 May 2024. 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 5 May 2024, 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 six 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 six 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)[1]
2024 (Gavin Peck)	347	0%	0%
2023 (Gavin Peck)	331	0%	0%
2022 (Gavin Peck)	585	78%	38%
2021 (Gavin Peck)	303	0%	0%
2020 (Gavin Peck – from 16 January 2020)	85	0%	N/A
2020 (Kevin Keaney – until 16 January 2020)	267	0%	N/A
2019 (Kevin Keaney)	288	0%	N/A

1 There was no LTIP capable of vesting in respect of performance ending 2019 and 2020.

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 FY20 to FY24. 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 FY21 and FY22, but, in the interests of transparency, has provided information on the approach to the change in salary of the Group's UK employees.

Notes to the table provide additional information in relation to the changes. 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[4,5]
		Gavin Peck	Steve Alldridge[1]	Carolyn Bradley	Catherine Glickman	Harry Morley	
Salary/fees	FY23–FY24	5%	5%	5%	5%	5%	9.96%
	FY22–FY23	3%	3%	0%	3%	3%	3.46%
	FY21–FY22	6%	–	–	6%	6%	See note to corresponding table in FY22 DRR
	FY20–FY21	27%	–	–	(2%)	(2%)	See note to corresponding table in FY22 DRR
Taxable benefits	FY23–FY24	0%	–	N/A	N/A	N/A	0.30%
	FY22–FY23	0%	0%	N/A	N/A	N/A	5.5%
	FY21–FY22	18%[2]	–	–	N/A	N/A	(17.8%)
	FY20–FY21	0%	–	–	N/A	N/A	23.49%
Annual bonus	FY23–FY24	N/A[3]	N/A[3]	N/A	N/A	N/A	N/A
	FY22–FY23	N/A[3]	N/A[3]	N/A	N/A	N/A	N/A
	FY21–FY22	N/A	–	–	N/A	N/A	See note to corresponding table in FY22 DRR
	FY20–FY21	N/A	–	–	N/A	N/A	(60.4%)

1 Steve Alldridge resigned as a Director on 31 December 2023. Therefore the percentage change between his FY23 and FY24 remuneration is calculated by reference to his annualised remuneration for FY24. Rosie Fordham (who replaced Steve Alldridge as CFO with effect from 31 December 2023) is not included in the table as she did not receive remuneration as a Director in FY23, and therefore there any disclosure of percentage change from FY23 to FY24 would not be based on comparable data.

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

3 No annual bonus was earned by Gavin Peck or Steve Alldridge in respect of FY24. Therefore, the percentage change between FY23 and FY24 is not considered to be a meaningful disclosure.

4 The UK employees' average changes are calculated comparing the remuneration for the tax year ended 5 April 2023 with the remuneration for the tax year ended 5 April 2024 as this data is more readily available than data in respect of financial years. The value of SAYE options granted in October 2023 has been excluded for consistency with the CEO pay ratio calculation on page 65.

5 In FY23 rates for store and Distribution Centre colleagues were increased in line with increases in the National Living and Minimum Wages, with colleagues aged 23 plus receiving an increase of 9.7% in April 2023. Outside of all applicable NMW increases, an average of 6.8% was given across the business (7.6% average for store management and 5% average for Store Support and Distribution Centre colleagues). In FY24 rates for store and Distribution Centre colleagues were increased in line with NLW and NMW increases, with colleagues aged 23 plus receiving an increase of 9.8% in April 2024.

Relative importance of spend on pay

The following table sets out the total remuneration for all employees and the total shareholder distributions in FY23 and FY24. All figures provided are taken from the relevant Company accounts.

	FY23 £000	**FY24 £000**	Percentage change
Total remuneration for all employees (including Executive Directors)	62,235	**67,855**	9.0%
Dividends and share buyback	1,492	**nil**	–

Since there were no dividends or buybacks in FY24, the percentage change between FY23 and FY24 is not considered to be a meaningful disclosure.

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) 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
FY24	Option C	16:1	16:1	15:1	Salary only	21,674	21,674	23,234
					Total remuneration	21,678	21,856	23,574
FY23	Option C	17:1	16:1	15:1	Salary only	19,760	20,342	21,674
					Total remuneration	19,773	20,473	21,997
FY22	Option C	31:1	30:1	27:1	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

The methodology applied to calculate pay ratios was as follows:

- The regulations set out three methodologies for determining the CEO pay ratio. We have chosen 'Option C', consistent with the previous years' calculations.
- 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.
- 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, FY22, FY23 and FY24 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.
- 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 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 FY24.

Implementation of the Policy

Information on how the Committee intends to implement the Policy in FY25 is set out below:

Executive Directors

The Executive Directors' salaries for FY25 are set out below, reflecting the approach to Rosie Fordham's salary as disclosed in the Remuneration Committee Chair's report on page 58.

Director	FY25 Base salary/ annual fee £
Gavin Peck	324,450
Rosie Fordham	220,000

The Executive Directors' maximum bonus for FY25 will be 100% of base salary. 80% will be subject to performance against stretching EBITDA targets. The remaining 20% will be subject to performance against key strategic objectives with measurable targets against each objective. As targets (both financial and strategic) under the annual bonus are considered commercially sensitive, these will be disclosed retrospectively in the FY25 Annual Report.

We currently intend to grant the CEO and CFO an LTIP award in FY25 over shares with values equal to 150% of base salary (for the CEO) and 100% of base salary (for the CFO). However, the Committee will be mindful as to any share price movements when taking a final decision as to the value of the award which will be granted after this report is published. The awards will be subject to stretching and equally weighted earnings and share price performance conditions, and a general performance underpin, in line with previous awards.

Non-Executive Directors

There will no changes to the fees payable to the Chair and Non-Executive Directors in FY25, which are as follows:

	Amount £
Chair fee	105,000
Non-Executive Director base fee	48,667
Committee Chair fee	5,407

Shareholder voting at AGM

The following table shows the results of the binding vote on the Policy at the 2022 AGM, and the binding vote on amendments to the Policy, and advisory vote on the Directors' remuneration report, at the 2023 AGM.

	Approval of the Remuneration Policy at the 2022 AGM		Approval of the amendments to the Remuneration Policy at the 2023 AGM		Approval of the Directors' remuneration report at the 2023 AGM	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	31,925,296	99.91	36,055,046	99.81	36,042,214	99.77
Against	27,758	0.09	68,288	0.19	83,288	0.23
Withheld	11,384	N/A	19,899	N/A	17,731	N/A

On behalf of the Board

Catherine Glickman
Chair of the Remuneration Committee
1 October 2024

Directors' report

The Directors present their report for the financial year ended 5 May 2024. Additional information which is incorporated by reference into this Directors' report, including information required in accordance with the Companies Act 2006 (the Act), can be located as follows:

Disclosure	Location
Future business developments	Strategic report – pages 1 to 43
Environmental policy	ESG review – pages 25 to 29
Employee engagement	Our stakeholders – pages 22 and 23 ESG review – pages 25 to 29 Corporate governance report – pages 46 to 51
Section 172 statement	Page 24
Stakeholder engagement in key decisions	Our stakeholders – pages 22 and 23 Section 172 statement – page 24 Corporate governance report – pages 46 to 51
Corporate governance compliance statement	Corporate governance report – pages 46 to 51
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 25 to the financial statements – pages 108 to 112
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Note 25 to the financial statements – pages 108 to 112
Details of long-term incentive schemes	Directors' remuneration report – pages 57 to 66
Statement of Directors' responsibilities	Page 70

Directors

The Directors of the Company who held office throughout the period (and changes since the financial period end) are set out below:

Carolyn Bradley (Chair) (stepped down 15 July 2024)

Steve Bellamy (Chair) (appointed 15 July 2024)

Gavin Peck (CEO)

Steve Alldridge (CFO) (resigned 31 December 2023)

Rosie Fordham (CFO) (appointed 1 January 2024)

Harry Morley (Senior Independent Director)

Catherine Glickman (Non-Executive Director)

John Goold (Non-Executive Director) (appointed 14 February 2024, stepped down 1 October 2024)

Mark Kirkland (Non-Executive Director) (appointed 14 February 2024, stepped down 1 October 2024)

Summaries of the current Directors' key skills and experience are included on pages 44 and 45.

Results and dividend

The results for the year are set out in the consolidated income statement on page 79. The Directors are not proposing a final dividend for the period.

Principal activities

The principal activities of the Group are the provision of arts and crafts, stationery, toys, games and books retailing products through retail stores and online. The principal activity of the Company is that of a holding company.

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 36 to the financial statements. As at 5 May 2024, 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 4 October 2023, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of Section 693 of the Act) of 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 31 October 2024, 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 2024 AGM.

Directors' interests

The number of ordinary shares of the Company in which the Directors were beneficially interested as at 5 May 2024 is set out in the Directors' remuneration report on page 61.

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 65.

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 5 May 2024 and 27 September 2024 (being the latest practicable date prior to publication of this Annual Report).

	As at 5 May 2024		As at 27 September 2024	
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	12,414,853	19.86%	12,414,853	19.86%
Hudson Management Limited	6,461,000	10.33%	9,541,000	15.27%
Graeme Coulthard	4,150,000	6.64%	4,470,001	7.15%
Kelso Group Holdings plc	3,745,000	5.99%	3,845,000	6.15%
Mike Burn	–	–	2,845,000	4.55%
Downing LLP	2,800,000	4.48%	–	Below 3%
Joanne Barraclough	1,905,582	3.05%	1,905,582	3.05%

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 22 and 26.

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.

Going concern

The Board continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

More information in respect of going concern, including the factors considered in reaching this conclusion, is provided in Note 1(b)(i) to the consolidated financial statements on pages 84 to 86.

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 is unaware.
- 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 is aware of the information.

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

Auditor

Following the Company's move from the premium segment of the London Stock Exchange's Main Market to AIM, the Board appointed Kreston Reeves LLP as auditor for the period ended 5 May 2024. Kreston Reeves LLP has indicated its willingness to continue in office and a resolution seeking to reappoint it will be proposed at the forthcoming AGM.

Annual General Meeting

The AGM will be held on 31 October 2024. The Notice of AGM is contained in a separate letter from the Chair accompanying this report.

Post-balance sheet events

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 and 43 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
1 October 2024

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.

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 UK-adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, 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 the Group's 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 financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- for the Parent Company annual statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial 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 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 statement that complies 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
1 October 2024

Independent auditor's report

To the shareholders of TheWorks.co.uk plc
For the 53-week period ended 5 May 2024

Opinion

We have audited the financial statements of TheWorks.co.uk plc (the Parent Company) and its subsidiaries (the Group) for the 53-week period ended 5 May 2024 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and Company statements of financial position, consolidated and Company statements of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant Group accounting policies. The financial reporting framework that has been applied in its preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 5 May 2024 and of the Group's profit for the period then ended.
- The Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards.
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our application of materiality

	Group financial statements	Parent Company financial statements
Materiality	£2,119,300 (FY23: £2,100,700)	£554,100 (FY23: £575,700)
Basis for determining materiality	0.75% of revenue	1.5% of gross assets
Rationale for benchmark applied	Revenue is one of the primary key performance indicators used by management. It uses this metric to assess the business' overall cash generating performance. We note that this figure is prominent in financial statement reporting and market announcements which further underlines its perceived importance to users of the financial statements.	Gross assets is one of the primary benchmarks users of the Parent Company accounts will consider. This is as the Company has no trade and is a holding company for the Group. The key balance held by the Company is the subsidiary investment in The Works Investments Limited.
Performance materiality	£1,483,500 (FY23: £1,470,400)	£387,900 (FY23: £402,900)
Basis for determining performance materiality	70% of materiality	70% of materiality
Rationale for performance materiality applied	Having captured base risk from an increased number of users in the calculation of materiality a performance materiality of 70% has been applied. This is to account for the higher level of audit risk in place due to factors including: highly material accounting estimates with respect to inventory and lease accounting, increased going concern risk given the industry in which the business operates and increased fraud risk due to significant numbers of cash transactions.	Having captured base risk from an increased number of users in the calculation of materiality a performance materiality of 70% has been applied. This is to account for the higher level of audit risk in place due to factors including: highly material accounting estimates with respect to subsidiary investment valuation and increased going concern risk given the industry in which the underlying business operates.
Triviality threshold	£106,000 (FY23: £105,000)	£27,700 (FY23: £28,800)
Basis for determining triviality threshold	5% of materiality	5% of materiality

We reported all audit differences found in excess of our triviality threshold to the Directors and the management Board.

Our application of materiality continued

For each Group company within the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across each Group company was between £2,013,335 and £573,000. The scope of our audit was influenced by our application of materiality as we set certain quantitative thresholds for performance materiality and use these thresholds as a consideration tool to help to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

As the primary trading subsidiary we determined component materiality for The Works Stores Limited, also based on revenue as a benchmark, to be capped at below Group materiality. For the non-trading entities in the Group, between 1.5% and 4% of those subsidiaries' gross assets were used. Performance materiality was set in the range of 70–80% of each individual materiality.

Coverage overview

	Group revenue £000	Group profit before tax £000	Group net assets £000
Totals at 5 May 2024	£282,585	£7,741	£10,796
Full statutory audit	£282,585 (100%)	£7,741 (100%)	£10,750 (99.6%)
Limited procedures	£nil	£nil	£46 (0.4%)

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

Our scoping considerations for the Group audit were based both on financial information and risk. As noted above, limited assurance audit work – which is to say the audit of balances and transactions material at a Group level – was only applied in respect of a small element of the Group. The below table summarises for the Parent Company, and its subsidiaries, in terms of the level of assurance gained:

Group component	Level of assurance
TheWorks.co.uk plc	Full statutory audit (Kreston Reeves)
The Works Investments Limited	Full statutory audit (Kreston Reeves)
The Works Stores Limited	Full statutory audit (Kreston Reeves)
The Works Online Limited (Dormant)	Limited assurance (Kreston Reeves)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Revenue recognition (£000): £282,585 (FY23: £280,102)

Significance and nature of key risk	How our audit addressed the key risk
Revenue is a key performance indicator for users in assessing the Group's financial statements. Revenue generated has a significant impact on cash inflows and profit before tax for the Group. As such, revenue is a key determinant in profitability and the Group's ability to generate cash. Revenue comprises two key revenue streams: in-store sales and online sales. Revenue is recognised at the point of completing the physical sale in stores, and when the goods have been delivered to the customer in the case of online sales. These are the points when IFRS 15 'performance obligations' are deemed to have been satisfied.	For in-store sales a sample of days was selected for a sample of store locations across the period. For each day selected the cashing up process for daily sales was traced through to the Aptos reconciliation module. All identified discrepancies were confirmed as investigated in line with the Company's policies. The cash takings for the day were agreed to banked amounts the following day. Closing day till float amounts were agreed to the approved amount for that till. Credit card takings for the day were agreed to the third-party credit card transaction report and amounts banked. Other consideration used such as loyalty points and shopping vouchers were also corroborated to appropriate audit evidence. The total day's takings for the store were agreed into the monthly revenue journal posting into the accounting system. For online sales a sample was selected from across the period from online sales reporting. In each case this sales transaction was agreed to invoice and delivery date confirmation. The monthly online sales list was then agreed to the monthly revenue journal posting into the accounting system. Gross profit analysis was performed to identify the strongest and weakest performing store locations with management providing explanations for these which we took into consideration in selecting our sales samples. Walkthrough testing was performed to ensure that key systems and controls in place around the revenue cycle operated as designed. The accuracy of revenue disclosures in the accounts was confirmed to be consistent with the revenue cycle observed and audited. The completeness of these disclosures was confirmed by reference to the full disclosure requirements as detailed in IFRS 15.

Key observations communicated to the Audit Committee

We have no concerns over the material accuracy of revenue recognised in the financial statements.

Key audit matters continued

Valuation, existence and impairment of property, plant and equipment and right-of-use assets (£000): £70,061 (FY23: £77,145)

Significance and nature of key risk	How our audit addressed the key risk
Given the nature of the business there are substantial assets and liabilities recognised with respect to store leases. As such the associated IFRS 16 and impairment accounting over these has a highly material impact on the financial statements each period. The property, plant and equipment held across the business are also highly material and as such carry increased risk of material misstatement. The Group estimates the recoverable amount of property, plant and equipment and right-of-use assets based on their value in use, derived from a discounted cash flow model prepared by management. The key assumptions applied by management are short-term sales growth, profit margin and discount rates, which all involve a high degree of estimation uncertainty. The increased economic uncertainty and the cost-of-living crisis in the UK have increased the risk in relation to the recoverability of store assets at the cash generating unit (CGU) level, each store being a CGU.	For right of use assets we obtained the IFRS 16 calculations and selected a sample of existing, additional and disposed of store leases in the period and agreed the key inputs into the model back to the terms of the signed lease agreements. We also made use of two valuation experts in assessing the reasonableness of the discount rate applied across the portfolio of stores. This gave us assurance over the material accuracy of the underlying IFRS 16 accounting applied before the impairment model was included. With respect to the IFRS 16 impairment model we ensured that the variables included reconciled back to the audited IFRS 16 accounting schedules. We then selected a sample of stores that carried a higher risk of impairment and investigated those stores that were not already fully impaired within the model. These investigations included enquiries of management and the auditing of the individual discount cash flows for each store. We gained significant assurance with respect to the key assumptions feeding into the discount cash flows from our auditing of the completeness and accuracy of forecasting as part of our going concern review discussed further down in this report. For property, plant and equipment we selected a sample across multiple store locations and confirmed the cost value and date of capitalisation to appropriate audit evidence. For impairment considerations we confirmed the physical existence and good working order of the individual asset when practical to do so. We also performed a sense check to ensure that the item was appropriate to capitalise under IAS 16. The useful economic lives applied to each asset class were considered for reasonableness and these were recalculated over the whole asset balance to ensure no material misstatement in the application of the depreciation charge. We also considered impairment at an asset class level by considering key indicators of impairment as per IAS 16 and IAS 36 and assessing these against the business. We ensured for a sample of assets disposed of in the period that appropriate disposal accounting was applied. Walkthrough testing was performed to ensure that key systems and controls in place around PPE and RoU assets operated as designed.

Key observations communicated to the Audit Committee

We have no concerns over the material accuracy of property, plant and equipment and right of use assets recognised in the financial statements. We draw attention to Note 15 of these financial statements that details the prior period adjustments recognised with respect to the amendments to IFRS 16 accounting following on from the audit process. We have audited the accounting with respect to these adjustments and have concluded that these are free of material misstatement.

Key audit matters continued

Valuation, existence and impairment of inventory (£000): £31,354 (FY23: £33,441)

Significance and nature of key risk	How our audit addressed the key risk
Given the nature of the business there are substantial inventory balances recognised, including substantial impairment provisions held against inventory with respect to both the shrinkage provision and the obsolescence provision. As such inventory accounting and the highly judgemental associated provision accounting have a highly material impact on the financial statements each period. 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. The Group makes provisions in relation to inventory quantities, due to potential stock losses not yet reflected in the accounting records, commonly referred to as unrecognised shrinkage. Additionally, the Group makes provisions in relation to individual stock values, where the net realisable value of an item is expected to be lower than its cost, due to obsolescence.	To confirm completeness and existence within the inventory records we visited a sample of stores across the portfolio and performed independent checks of stock items from floor to sheet (completeness) and from sheet to floor (existence). During a number of these visits we also observed local and regional store management conduct its own stock counting process which we evaluated the effectiveness of. Finally, we obtained and reviewed roll-back analysis from the date of these site visits to the period-end inventory balance. For valuation testing we selected a sample of stock lines and confirmed the cost value applied to appropriate audit evidence, including the treatment of FX, duties and transport costs. We further ensured that the net realisable value of stock was in excess of stated cost price. For the provisions applied we first gained an understanding of the accounting policy to be applied. We then considered this for reasonableness, including comparison to industry peers. We then ensured the mechanical accuracy of the impairment calculations to ensure that these are in line with the accounting policy. We finally performed completeness testing, reviewing for stock lines not provided for that should be as per the accounting policies established. Specific cut-off testing was undertaken to ensure that inventory was being recorded within the appropriate period based on goods received and delivery noted. Walkthrough testing was performed to ensure that key systems and controls in place around inventory operated as designed.

Key observations communicated to the Audit Committee
We have no concerns over the material accuracy of inventory recognised in the financial statements.

Emphasis of matter over going concern

We draw attention to the significant audit risk which describes the uncertainty related to the going concern. We consider this area fundamental to the users, understanding of the financial statements. Our opinion is not modified in respect of this matter.

The appropriateness of preparing the financial statements on the going concern basis

Significance and nature of key risk	How our audit addressed the key risk
We draw attention to Note 1(b)(i) in the financial statements, which indicates that the business is operating in a low-margin environment with many potential risks that could adversely impact on going concern. This is particularly the case for the financial period end, when net cash at bank is diminished in comparison to the previous financial period end – decreasing from £10.2m to £1.6m. The note also highlights that such risk to going concern is heightened in a period when consumer spending is being dampened by challenging economic conditions for the UK. This has been magnified by cost pressures, including significant increases in the National Minimum Wage. Despite these challenges the Directors believe that the Group remains a going concern.	We have obtained and assessed management's formal going concern assessment and focused on the key justifications provided in reaching its conclusions. We have considered the systems and controls environment in place for management to build accurate forecasting models and to appropriately monitor cash on hand and its working capital requirements. We have analysed the financial performance of the business in the period in comparison to recent trading periods as well as analysing the financial position of the business at the period end to assess for trends in key liquidity metrics. We have reviewed the forecasting prepared for the business over the FY25 to FY27 period to assess this for potential risk to going concern. In order to place reliance on this forecasting as audit evidence we have audited key assumptions that feed into the model to consider these for reasonableness. This has included robust challenge of management where we have reached a differing assessment. Our own assessment is based on a combination of actual performance in FY24 and other recent financial periods, actual trading for the early part of FY25 and our own conservative assumptions with respect to cost pressures and consumer demand. We have then stress tested the forecasting models in order to assess headroom based on management's Base Case, plausible downside and our own adjusted model which includes further adverse conditions. We have performed monthly analysis over the business' net cash and capacity for borrowing against the revolving credit facility for the FY22 to FY24 period. This has then been used as a point of comparison for management's expectations over the FY25 to FY27 forecast period and we have challenged management on perceived inconsistency in net cash and facility headroom development over the forecast period. We have reviewed the revolving capital facility agreement, including reviewing the covenant compliance analysis prepared by management, in order to consider the headroom in this. We have made our own estimates over covenant compliance under our own adjusted model. We have considered further factors including assessing the availability of equity and debt funding options as well as considering many recently produced economic and trade reports over expectations in the retail sector. We have cross-checked to audit conclusions in other areas of our file that could adversely impact on going concern including consideration of potential unrecorded liabilities and other litigation.

Key observations communicated to the Audit Committee

Following the performance of these procedures we consider that there is sufficient evidence to conclude that the going concern basis remains the most appropriate basis for the preparation of the financial statements. In particular the availability of a £20m revolving credit facility to the business, next renewable in November 2026, is considered sufficient to allow the business to manage its working capital requirements over the annual business cycle. However, there are a number of trends that should be closely observed that we have raised; these include:

- The declining gross and operating margin within the business seen over recent financial periods – we note that management is confident of improvement in this area into FY25 and we concur that it has credible grounds for expecting this based on the positive trend into Q1 of FY25.
- The declining cash levels within the business – we note that management is focused on increasing liquidity over the forecast period as detailed within the going concern accounting policy. We also note there being a somewhat false point of comparison to FY22 when observing this fall in cash as cash balances in FY22 were artificially inflated by the impact of COVID-19 policies, including the suspension of business rates and rent concessions across much of the store portfolio. We further note that the business is in the process of significantly improving its stock management processes which, if successful, will lead to significantly reduced lock-up of cash in stock.
- Labour cost pressures incurred in the financial period from the meaningful increase in the National Minimum Wage that will carry into FY25 and potentially be bolstered by further increases included in future government legislation – we note that management's forecasting includes assumptions around continued labour cost pressures.
- The general economic outlook in the UK at present does not suggest that the cost-of-living pressures will substantially ease in the near term, which will potentially mean continued weaker footfall on the high street and reduced consumer spending generally – we note that the market position as a customer value focused retailer will hopefully continue to protect the business from some of these adverse economic headwinds.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on the Remuneration report

Kreston Reeves has audited the Remuneration report set out on pages 57 to 66 of the Annual Report for the period ended 5 May 2024. The Directors of the Company are responsible for the preparation and presentation of the Remuneration report in accordance with the Companies Act 2006. Kreston Reeves' responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with International Accounting Standards. In Kreston Reeves' opinion, the Remuneration report of the Group for the period complies with the requirements of the Companies Act 2006.

Our consideration of climate change related risks

The financial impacts on the Group of climate change and the transition to a low-carbon economy were considered in our audit where they have the potential to directly or indirectly impact key judgements and estimates within the financial statements.

The Group continues to develop its assessment of the potential impacts of climate change. Climate risks have the potential to materially impact the key judgements and estimates within the financial report. Our audit considered those risks that could be material to the key judgements and estimates in the assessment of the carrying value of non-current assets and closure and rehabilitation provisions.

The key judgements and estimates included in the financial statements incorporate actions and strategies, to the extent they have been approved and can be reliably estimated in accordance with the Group's accounting policies. Accordingly, our key audit matters address how we have assessed the Group's climate-related assumptions to the extent they impact each key audit matter. Our audit procedures were performed with the involvement of our climate change and valuation specialists.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of our knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.
- The Parent Company financial statements are not in agreement with the accounting records and returns.
- Certain disclosures of Directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement (set out on page 70), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's 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 the Directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Auditor's responsibilities for the audit of the financial statements continued

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, and through discussion with the Directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to: posting inappropriate journal entries to increase revenue or reduce expenditure, management bias in accounting estimates and judgemental areas of the financial statements such as the IFRS 16 and inventory provisions. Audit procedures performed by the Group engagement team included:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework, the relevant tax compliance regulations and employment law in the jurisdictions in which TheWorks.co.uk plc operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to health and safety, employee matters, bribery and corruption practices.
- Detailed discussions were held with management to identify any known or suspected instances of non-compliance with laws and regulations; this included a review of accident report logs covering the financial period.
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud with respect to key business cycles; this includes revenue, expenses/purchases, inventory and IFRS 16 accounting.
- Challenging assumptions and judgements made by management in its significant accounting estimates, including assessing the capabilities of the management experts appointed to provide discount rate figures for impairment models; these models were calculated and the data and assumptions they have used to calculate these assessed by our own auditor's expert.
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud.
- Reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax and regulatory authorities.
- Performing integrity testing to verify the legitimacy of banking records obtained from management.
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions, specifically with a focus on cut-off accounting in key areas of the financial statements.
- Identifying and testing journal entries with the use of data analytics in order to focus on journals carrying increased indicators of potential fraud.
- Identifying and testing additional journal entries through manual assessment of specific fraud risk indicators relevant to the Group, including the interaction between the inventory and cost of sales ledgers to ensure that inventory cost is being appropriately transferred into cost of sales at the point of sale.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters which we are required to address

We were appointed by the Audit Committee in the period to audit the financial statements. Our total uninterrupted period of engagement is one period, covering the period ended 5 May 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

During the period under review, agreed upon procedures were completed in respect of a number of the Group's service charge accounts.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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.

Anne Dwyer BSc (Hons) FCA (Senior Statutory Auditor)
For and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
London
1 October 2024

Consolidated income statement
For the period ended 5 May 2024

	Note	53 weeks to 5 May 2024			52 weeks to 30 April 2023 (Restated – Note 15)		
		Result before Adjusting items £000	**Adjusting items £000**	**Total £000**	Result before Adjusting items £000	Adjusting items[1] £000	Total £000
Revenue	3	**282,585**	**–**	**282,585**	280,102	–	280,102
Cost of sales	5	**(234,505)**	**3,741**	**(230,764)**	(235,867)	3,628	(232,239)
Gross profit		**48,080**	**3,741**	**51,821**	44,235	3,628	47,863
Other operating income		**8**	**–**	**8**	8	–	8
Distribution expenses		**(12,725)**	**–**	**(12,725)**	(10,284)	–	(10,284)
Administrative expenses		**(27,685)**	**–**	**(27,685)**	(24,197)	–	(24,197)
Operating profit	6	**7,678**	**3,741**	**11,419**	9,762	3,628	13,390
Finance income		**19**	**–**	**19**	227	–	227
Finance expenses		**(4,520)**	**–**	**(4,520)**	(4,648)	–	(4,648)
Net financing expense	8	**(4,501)**	**–**	**(4,501)**	(4,421)	–	(4,421)
Profit before tax		**3,177**	**3,741**	**6,918**	5,341	3,628	8,969
Taxation	9	**(541)**	**–**	**(541)**	395	–	395
Profit for the period		**2,636**	**3,741**	**6,377**	5,736	3,628	9,364
Alternative performance measures Profit before tax and IFRS 16	4	**1,118**	**(1,022)**	**96**	3,603	(1,488)	2,115
Basic earnings per share (pence)	11	**4.2**		**10.2**	9.2		15.0
Diluted earnings per share (pence)	11	**4.2**		**10.2**	9.1		14.8

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

Accompanying notes that form part of these financial statements are on pages 84 to 114.

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

Consolidated statement of comprehensive income

For the period ended 5 May 2024

	FY24 £000	FY23 (Restated – Note 15) £000
Profit for the period	**6,377**	9,364
Items that may be recycled subsequently into profit and loss		
Cash flow hedges – changes in fair value	**1,664**	(2,861)
Cash flow hedges – reclassified to profit and loss	**134**	(62)
Cost of hedging – changes in fair value	**(415)**	(162)
Cost of hedging – reclassified to profit and loss	**182**	91
Tax relating to components of other comprehensive income	**(323)**	262
Other comprehensive income/(expense) for the period, net of income tax	**1,242**	(2,732)
Total comprehensive income for the period attributable to equity shareholders of the Parent	**7,619**	6,632

Accompanying notes that form part of these financial statements are on pages 84 to 114.

Consolidated statement of financial position

As at 5 May 2024

	Note	FY24 £000	FY23 (Restated – Note 15) £000
Non-current assets			
Intangible assets	12	**1,866**	916
Property, plant and equipment	13	**12,358**	11,773
Right-of-use assets	14	**57,703**	65,372
Deferred tax assets	16	**4,036**	4,844
		75,963	82,905
Current assets			
Inventories	17	**31,354**	33,441
Trade and other receivables	18	**8,384**	7,507
Derivative financial assets	25	**306**	–
Current tax asset	9	**1,189**	1,149
Cash and cash equivalents	19	**1,619**	10,196
		42,852	52,293
Total assets		**118,815**	135,198
Current liabilities			
Lease liabilities	14, 20	**19,943**	19,626
Trade and other payables	21	**29,886**	34,479
Provisions	22	**543**	565
Derivative financial liabilities	25	**64**	1,048
		50,436	55,718
Non-current liabilities			
Lease liabilities	14, 20	**57,817**	74,766
Provisions	22	**476**	1,298
		58,293	76,064
Total liabilities		**108,729**	131,782
Net assets		**10,086**	3,416
Equity attributable to equity holders of the Parent			
Share capital	24	**625**	625
Share premium	24	**28,322**	28,322
Merger reserve		**(54)**	(54)
Share-based payment reserve		**2,583**	2,780
Hedging reserve		**129**	(331)
Retained earnings		**(21,519)**	(27,926)
Total equity		**10,086**	3,416

Accompanying notes that form part of these financial statements are on pages 84 to 114.

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

Rosie Fordham
Chief Financial Officer

Company registered number: 11325534

Consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Hedging reserve[1,2] £000	Retained earnings £000	Total equity £000
Reported balance at 1 May 2022	625	28,322	(54)	2,252	2,227	(32,994)	378
Cumulative adjustment to opening balance (Note 15)	–	–	–	–	–	(2,332)	(2,332)
Restated balance at 1 May 2022 (Note 15)	625	28,322	(54)	2,252	2,227	(35,326)	(1,954)
Total comprehensive income for the period							
Profit for the period (Restated – Note 15)	–	–	–	–	–	9,364	9,364
Other comprehensive expense	–	–	–	–	(2,732)	–	(2,732)
Total comprehensive(expense)/income for the period	–	–	–	–	(2,732)	9,364	6,632
Hedging gains and losses and costs of hedging transferred to the cost of inventory (Note 25)	–	–	–	–	174	–	174
Transactions with owners of the Company							
Share-based payment charges	–	–	–	528	–	–	528
Dividend	–	–	–	–	–	(1,492)	(1,492)
Own shares purchased by Employee Benefit Trust	–	–	–	–	–	(472)	(472)
Total transactions with owners of the Company	–	–	–	528	–	(1,964)	(1,436)
Balance at 30 April 2023 (Restated – Note 15)	625	28,322	(54)	2,780	(331)	(27,926)	3,416
Total comprehensive income for the period							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**6,377**	**6,377**
Other comprehensive income	**–**	**–**	**–**	**–**	**1,242**	**–**	**1,242**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,242**	**6,377**	**7,619**
Hedging gains and losses and costs of hedging transferred to the cost of inventory (Note 25)	**–**	**–**	**–**	**–**	**(492)**	**–**	**(492)**
Transfer	**–**	**–**	**–**	**–**	**(290)**	**290**	**–**
Transactions with owners of the Company							
Reversal of share-based payment charges	**–**	**–**	**–**	**(197)**	**–**	**–**	**(197)**
Dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Own shares purchased by Employee Benefit Trust	**–**	**–**	**–**	**–**	**–**	**(260)**	**(260)**
Total transactions with owners of the Company	**–**	**–**	**–**	**(197)**	**–**	**(260)**	**(457)**
Balance at 5 May 2024	**625**	**28,322**	**(54)**	**2,583**	**129**	**(21,519)**	**10,086**

1 Hedging reserve includes £410k (FY23: £150k) in relation to changes in forward points which are recognised in other comprehensive income and accumulated as a cost of hedging within the hedging reserve.

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

Accompanying notes that form part of these financial statements are on pages 84 to 114.

Consolidated cash flow statement

For the period ended 5 May 2024

	Note	FY24 £000	FY23 (Restated – Note 15) £000
Profit for the period (including Adjusting items)		**6,377**	9,364
Adjustments for:			
Depreciation of property, plant and equipment	13	**3,663**	5,147
Impairment of property, plant and equipment	13	**1,589**	775
Reversal of impairment of property, plant and equipment	13	**(1,272)**	(574)
Depreciation of right-of-use assets	14	**18,224**	18,451
Impairment of right-of-use assets	14	**3,394**	2,173
Reversal of impairment of right-of-use assets	14	**(4,620)**	(2,562)
Amortisation of intangible assets	12	**632**	997
Impairment of intangible assets	12	**442**	1,048
Reversal of impairment of intangible assets	12	**(850)**	–
Derivative exchange loss/(gain)		**494**	(721)
Financial income	8	**(19)**	(227)
Financial expense	8	**536**	518
Interest on lease liabilities	14	**3,984**	4,130
Loss on disposal of property, plant and equipment and intangibles	12, 13	**202**	163
Profit on disposal of right-of-use asset and lease liability	14	**(3,537)**	(4,717)
Share-based payment charges	26	**(197)**	528
Taxation	9	**541**	(395)
Operating cash flows before changes in working capital		**29,583**	34,098
(Increase)/decrease in trade and other receivables		**(963)**	1,033
Decrease/(increase) in inventories		**1,149**	(3,129)
Decrease in trade and other payables		**(3,672)**	(1,443)
(Decrease)/increase in provisions	22	**(844)**	746
Cash flows from operating activities		**25,253**	31,305
Corporation tax paid		**(97)**	(1,508)
Net cash inflow from operating activities		**25,156**	29,797
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(6,078)**	(7,296)
Capital contributions received from landlords		**1,460**	1,928
Acquisition of intangible assets	12	**(1,208)**	(1,309)
Interest received	8	**19**	227
Net cash outflow from investing activities		**(5,807)**	(6,450)
Cash flows from financing activities			
Payment of lease liabilities (capital)	20	**(22,471)**	(23,250)
Payment of lease liabilities (interest)	20	**(3,984)**	(4,130)
Payment of fees from loans and borrowings		**(60)**	(336)
Interest paid		**(434)**	(321)
Repayment of bank borrowings		**(6,000)**	(4,000)
Proceeds from bank borrowings		**6,000**	4,000
Dividend paid	10	**–**	(1,492)
Own shares purchased by Employee Benefit Trust	24	**(260)**	(473)
Net cash outflow from financing activities		**(27,209)**	(30,002)
Net decrease in cash and cash equivalents		**(7,860)**	(6,655)
Exchange rate movements		**(717)**	571
Cash and cash equivalents at beginning of period	19	**10,196**	16,280
Cash and cash equivalents at end of period	19	**1,619**	10,196

Accompanying notes that form part of these financial statements are on pages 84 to 114.

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

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

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

(b) Basis of preparation

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

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

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

(i) Going concern

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

The Directors have assessed the prospects of the Group, taking into account its current position and the potential impact of the principal risks documented in the Strategic report on pages 38 to 43. The financial statements have been prepared on a going concern basis, which the Directors consider appropriate having made this assessment.

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

In assessing the basis of preparation, the Directors have considered:

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

These factors are described below.

External environment

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

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

1. Accounting policies continued

(b) Basis of preparation continued

(i) Going concern continued

Financial position and bank facilities
At the end of FY24 the Group held net cash at bank of £1.6m (FY23: net cash at bank of £10.2m).

The Group's £20.0m revolving credit facility (FY23: £30.0m) expires on 30 November 2026 and includes two financial covenants which are tested quarterly:

1. The 'Leverage Ratio' or level of net debt to last 12 months' (LTM) EBITDA must not exceed 2.5 times during the life of the facility.
2. The 'Fixed Charge Cover' or ratio of LTM EBITDA, prior to deducting rent and interest, to LTM rent and interest. In March 2024 the Group agreed an amendment to the facility agreement which resulted in a reset of the fixed charge cover: until 31 October 2025, the ratio must be at least 1.05 times and thereafter at least 1.20 times.

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

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

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

Base Case scenario
The Base Case scenario assumptions reflect the following factors:

- The macroeconomic environment remains challenging resulting in only marginal total sales growth in FY25 with sales in the outer years reflecting a slightly improving external environment.
- The FY25 product margin percentage is exceeding the expected performance in the Base Case and has increased significantly compared to the prior year. It reflects the expected full-year effect of targeted cost price reductions, along with a slightly favourable hedged FX rate; these are partly offset by the increased ocean container freight costs that have been in place since the beginning of 2024.
- The anticipated further inflationary effects, in particular the increase in the National Living Wage. In respect of other costs, notably property occupancy costs, it is not expected that there will be further significant inflationary effects in the forecast period following the significant increases (for example in electricity costs) already experienced during FY24.
- Capital expenditure levels are in line with the Group's strategic plan. A significant proportion of the Group's capital expenditure is discretionary, particularly over a short-term time period. As a result, if required, it can therefore be reduced substantially, for example, in the event of the Group needing to preserve cash.
- The anticipated costs of the Group's net zero climate change commitments have been incorporated within the Base Case model. As set out in the climate-related disclosures on pages 30 to 37, the impact on the Group's financial performance and position is not expected to be material in the short term.
- The plan makes provision for capital distribution payments in the form of buy backs or dividends.

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

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

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

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

1. Accounting policies continued

(b) Basis of preparation continued

(i) Going concern continued

Severe but plausible Downside Case scenario

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

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

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

Going concern and basis of preparation conclusion

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

(ii) New accounting standards

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

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

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

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

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

1 Effective for annual periods commencing after 1 January 2024.

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

1. Accounting policies continued

(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.

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

(e) Key sources of estimation uncertainty

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

Critical judgements represent key decisions made by management in the application of the Group's accounting policies. Where a significant risk of materially different outcomes exists, this will represent a key source of estimation uncertainty.

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

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

Description	Note	Page
Going concern	1(b)(i)	84 to 86
Impairment of intangible assets, property, plant and equipment and right-of-use assets	12, 13, 14	94 to 101
Inventory provisions	17	104
Other provisions	22	107
Fair value of share options issued	26	113 and 114

2. Segmental reporting

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

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

3. Revenue

Accounting policy

Revenue comprises receipts from the sale of goods, 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 at the point of completing the physical sale in stores, and when the goods have been delivered to the customer in the case of online sales. These are the points when IFRS 15 'performance obligations' are deemed to have been satisfied.

Transactions that result in customers earning points subsequently exchangeable for discounts under the Group's loyalty scheme are accounted for as multiple element revenue transactions. 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. The Group's loyalty scheme was closed to new members on 30 March 2024. Customers were able to redeem vouchers earned until 29 June 2024, following which the scheme was closed and the liability extinguished.

	FY24 £000	FY23 £000
Sale of goods		
UK	**277,828**	275,305
EU	**4,757**	4,797
Total revenues	**282,585**	280,102

Seasonality of operations

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

4. Alternative performance measures (APMs)

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

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

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

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

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

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

Pre-IFRS 16 Adjusted EBITDA (EBITDA) and Adjusted profit after tax
EBITDA is defined by the Group as pre-IFRS 16 earnings before interest, tax, depreciation, amortisation and profit/loss on the disposal of fixed assets, after adding back or deducting Adjusting items. See Note 5 for a description of Adjusting items. Pre-IFRS 16 EBITDA is used for the bank facility LTM EBITDA covenant calculations.

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

	FY24 £000	FY23 (Restated – Note 15) £000
Pre-IFRS 16 Adjusted EBITDA	**6,042**	9,000
Income statement rental charges not recognised under IFRS 16	**24,288**	25,672
Foreign exchange difference on euro leases	**69**	(152)
Post-IFRS 16 Adjusted EBITDA	**30,399**	34,520
Loss on disposal of property, plant and equipment	**(168)**	(149)
Loss on disposal of intangible assets	**(34)**	(14)
Depreciation of property, plant and equipment	**(3,663)**	(5,147)
Depreciation of right-of-use assets	**(18,224)**	(18,451)
Amortisation	**(632)**	(997)
Finance expenses	**(4,520)**	(4,648)
Finance income	**19**	227
Tax credit/(charge)	**(541)**	395
Adjusted profit after tax	**2,636**	5,736
Adjusting items (including impairment charges and reversals)	**3,741**	3,628
Tax charge	**–**	–
Profit after tax	**6,377**	9,364

4. 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.

	FY24			FY23 (Restated – Note 15)		
	Adjusted £000	Adjusting items £000	Total £000	Adjusted £000	Adjusting items £000	Total £000
Profit/(loss) before tax and IFRS 16 adjustments	**1,118**	**(1,022)**	**96**	3,603	(1,488)	2,115
Remove rental charges not recognised under IFRS 16	**24,166**	**–**	**24,166**	25,545	–	25,545
Remove hire costs from hire of equipment	**122**	**–**	**122**	128	–	128
Remove depreciation charged on the existing assets	**(94)**	**–**	**(94)**	(1,236)	–	(1,236)
Remove interest charged on the existing liability	**4**	**–**	**4**	34	–	34
Depreciation charge on right-of-use assets	**(18,224)**	**–**	**(18,224)**	(18,451)	–	(18,451)
Interest cost on lease liability	**(3,984)**	**–**	**(3,984)**	(4,130)	–	(4,130)
Profit on disposal of lease liability	**–**	**3,537**	**3,537**	–	4,717	4,717
Foreign exchange difference on euro leases	**69**	**–**	**69**	(152)	–	(152)
Additional impairment charge under IAS 36	**–**	**1,226**	**1,226**	–	399	399
Net impact on profit/(loss)	**2,059**	**4,763**	**6,822**	1,738	5,116	6,854
Profit/(loss) before tax	**3,177**	**3,741**	**6,918**	5,341	3,628	8,969

Adjusted profit metrics

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

5. Adjusting items

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

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

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

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

	FY24 £000	FY23 (Restated – Note 15) £000
Cost of sales		
Impairment charges	**5,333**	5,702
Impairment reversals	**(6,742)**	(4,613)
Profit on disposal of right of use assets and lease liabilities[1]	**(3,537)**	(4,717)
Other exceptional items	**1,205**	–
Total Adjusting items	**(3,741)**	(3,628)

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

Impairment charges and reversals of prior year impairment charges relate to fixed assets (see Notes 13, 14 and 15).

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

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

6. Operating profit

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

	FY24 £000	FY23 (Restated – Note 15) £000
Loss on disposal of property, plant and equipment	**168**	149
Loss on disposal of intangible assets	**34**	14
Depreciation	**21,887**	23,598
Amortisation	**632**	997
Net foreign exchange loss	**170**	392
Cost of inventories recognised as an expense	**120,530**	119,085
Staff costs	**67,855**	62,235

Auditor's remuneration:

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

7. Staff numbers and costs

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

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

The corresponding aggregate payroll costs were as follows:

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

The Directors' remuneration for the period was as follows:

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

7. Staff numbers and costs continued

The following number of Directors were members of:

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

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

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

8. Finance income and expense

Accounting policy

Finance expense comprises interest charges and amortised facility fee costs. Finance income comprises interest income and is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest is recognised in profit as it accrues, using the effective interest method.

Recognised in consolidated statement of comprehensive income

	FY24 £000	FY23 £000
Finance income		
Bank interest receivable	**19**	227
Total finance income	**19**	227
Finance expense		
Bank interest payable	**(389)**	(295)
Other interest payable	**(147)**	(223)
Interest on lease liabilities	**(3,984)**	(4,130)
Total finance expense	**(4,520)**	(4,648)
Net financing expense	**(4,501)**	(4,421)

Other interest payable includes the amortisation of the arrangement fees of the RCF (Note 20).

9. Taxation

Accounting policy

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

Current tax

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

Deferred tax

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

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

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

9. Taxation continued

Accounting policy continued

Deferred tax continued

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

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

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

Current tax and deferred tax for the year

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

Recognised in consolidated income statement

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

1 The FY23 corporation tax charge has been restated to reflect the tax impact of the restatements documented in Note 15.

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

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

Reconciliation of effective tax rate

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

9. Taxation continued

Reconciliation of effective tax rate continued

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

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

There is also a tax charge of £323k (FY23: credit £262k) shown in the statement of comprehensive income for fair value movements on derivatives which impacts the deferred tax balance (Note 16).

Consolidated statement of financial position

Included in the consolidated statement of financial position is a current tax debtor of £1,189k (FY23: £1,149k) resulting from the overpayment of taxation in prior periods arising from the prior year restatement (Note 15).

10. Dividends

Accounting policy

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

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

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

11. Earnings per share

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

Diluted earnings per share is based on the weighted average number of shares in issue for the period, adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares represent 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 5 for further details) to reflect the Group's underlying profit for the period.

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

	£000	£000 (Restated – Note 15)
Total profit for the financial period	6,377	9,364
Adjusting items	(3,741)	(3,628)
Adjusted profit for Adjusted earnings per share	2,636	5,736

	Pence	Pence (Restated – Note 15)
Basic earnings per share	10.2	15.0
Diluted earnings per share	10.2	14.8
Adjusted basic earnings per share	4.2	9.2
Adjusted diluted earnings per share	4.2	9.1

12. Intangible assets

Accounting policy

Goodwill

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

Software

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

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

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

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

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

2 These balances have been restated to reflect the impact of the prior period restatements in Note 15.

Refer to Note 13 for details of impairment of intangible assets.

13. Property, plant and equipment

Accounting policy

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

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

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

Measuring recoverable amounts

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

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

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

Impairment triggers

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

13. 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 external and internal sources. Management determined the values assigned to these financial assumptions as follows:

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

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

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

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

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

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

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

Impairment charge

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

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

Sensitivity analysis

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

- A reduction in sales of 5% from the Base Case plan to reflect a potential downside scenario would result in an increase in the net impairment charge of £7,950k. An increase in sales of 5% from the Base Case plan would decrease the net impairment charge by £5,345k.
- A reduction in gross margin of 2% would result in an increase in the net impairment charge of £2,051k. An increase in gross margin of 2% would decrease the net impairment charge by £1,898k.
- A 200 basis point increase in the pre-tax discount rate would result in an increase in the net impairment charge of £1,245k, while a 200 basis point decrease in the pre-tax discount rate would result in a decrease in the net impairment charge of £1,233k.
- A 100 basis point decrease in the medium-term growth rate would result in an increase in the net impairment charge of £480k, while a 100 basis point increase in the medium-term growth rate would result in a decrease in the net impairment charge of £470k.
- Increasing the percentage of central costs allocated across CGUs from 89% to 99% would result in an increase in the net impairment charge of £1,886k. Decreasing the percentage of central costs allocated across CGUs from 89% to 79% would result in a decrease in the net impairment charge of £1,756k.

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

13. Property, plant and equipment continued

Sensitivity analysis continued

Property, plant and equipment

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

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

2 These balances have been restated to reflect the impact of the prior period restatements (Note 15).

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

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

2 These balances have been restated to reflect the impact of the prior period restatements (Note 15).

14. Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Leases continued

As lessee continued

Determining the lease term

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

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

(i) Amounts recognised in the statement of financial position

Right-of-use assets

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

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

The total impairment charge/reversal and profit on disposal of right-of-use assets and liability is in Adjusting items.

Lease liabilities

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

14. Leases continued

(i) Amounts recognised in the statement of financial position continued

Lease liabilities continued

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

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

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

Maturity analysis – contractual undiscounted cash flows:

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

(ii) Amounts recognised in the consolidated income statement

	FY24 £000	FY23 (Restated – Note 15) £000
Depreciation charge on right-of-use assets (RoUA)	**18,224**	18,451
Interest cost on lease liability	**3,984**	4,140
Profit on disposal of RoUA/lease liability	**(3,537)**	(1,105)
Foreign exchange difference on euro leases	**69**	(152)
Additional impairment charge under IAS 36	**(1,226)**	3,564
Operating lease rentals – hire of plant, equipment and motor vehicles		
– Low-value leases	**362**	371
Total plant, equipment and motor vehicle operating lease rentals	**362**	371
Operating lease rentals – store leases		
– Stores with variable lease rentals	**(434)**	300
– Concession leases (the landlord has substantial substitution rights)	**848**	977
– Low-value leases	**(11)**	13
– Lease is expiring within 12 months or has rolling break clauses	**63**	53
– Lease has expired	**766**	397
– Variable lease payments as a result of COVID-19 concessions	**–**	(181)
Total store operating lease rentals	**1,232**	1,559

14. Leases continued

(ii) Amounts recognised in the consolidated income statement continued

Depreciation of right-of-use asset by class:

	FY24 £000	FY23 (Restated – Note 15) £000
Land and buildings	**17,949**	18,094
Plant and equipment	**275**	357
Total right-of-use asset depreciation	**18,224**	18,451

15. Prior period restatements

FY23 prior period restatement

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

FY24 prior period restatement

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

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

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

Depreciation reduction due to impairment

As a result of the adjustments to right of use assets and impairment above, the net book value of fixed assets was higher at the start of FY23 than previously disclosed, resulting in the depreciation charge being understated. The FY22 closing accumulated depreciation has been increased by £1,516k relating to right of use assets, £67k relating to property, plant and equipment and £11k relating to intangible assets, with a corresponding decrease in retained earnings of £1,596k.

In FY23, the depreciation charge has increased by £3,033k relating to right of use assets, £100k relating to property, plant and equipment and £18k relating to intangible assets, reducing Adjusted profit before tax by £3,150k.

Adjustment related to closed stores

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

In FY23, the depreciation charge related to property, plant and equipment has been increased by £591k and the depreciation charge related to intangible assets has been increased by £101k. Therefore, the net decrease to total profit in FY23 is £698k.

Impairment reduction as a result of depreciation adjustment on disposed assets

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

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

Adjustment to opening balances

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

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

Impact on cash flow statement

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

15. Prior period restatements continued

FY24 prior period restatement continued

Corporation tax restatement

The above adjustments have resulted in restatements to the corporation tax charges, current tax assets/liabilities and the deferred tax asset. Refer to Notes 9 and 16 for restated tax disclosures.

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

Summarised consolidated income statement

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

Summarised consolidated statement of financial position

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

15. Prior period restatements continued

Summarised 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
Reported balance at 30 April 2023	625	28,322	(54)	2,780	(331)	(29,688)	1,654
Cumulative adjustment	–	–	–	–	–	1,762	1,762
Restated balance at 30 April 2023	**625**	**28,322**	**(54)**	**2,780**	**(331)**	**(27,926)**	**3,416**

16. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

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

Movement in deferred tax during the year

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

1 The FY23 deferred tax asset has been restated to reflect the tax impact of the restatements documented in Note 15.

Movement in deferred tax during the prior year

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

1 The FY23 deferred tax asset has been restated to reflect the tax impact of the restatements documented in Note 15.

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

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.

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

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

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

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

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

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

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

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

18. Trade and other receivables

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

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

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

19. Cash and cash equivalents

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

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

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

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

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 5 May 2024 and 30 April 2023 all borrowings were denominated in Sterling.

For the period ended 5 May 2024, the Group's bank facilities comprised of a revolving credit facility of £20.0m (FY23: £30.0m) expiring on 30 November 2025. During the period, the facility was extended by a year and reduced in size by £10.0m on the request of the Directors. The nature of the covenants associated with the facility remained consistent throughout both periods presented. The levels of the covenant measures were amended on 18 March 2024 (see Note 1). None of the Group's cash and cash equivalents (FY23: £nil) are held by the trustee of the Group's Employee Benefit Trust in relation to the share schemes for employees.

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

Reconciliation of borrowings to cash flows arising from financing activities

	FY24 £000	FY23 (Restated) £000
Borrowings at start of the period	**94,392**	107,891
Changes from financing cash flows		
Payment of lease liabilities (capital)	**(22,471)**	(23,250)
Payment of lease liabilities (interest)	**(3,984)**	(4,130)
Proceeds from loans and borrowings[1]	**6,000**	4,000
Repayment of bank borrowings[1]	**(6,000)**	(4,000)
Total changes from financing cash flows	**(26,455)**	(27,380)
Other changes		
Addition of lease liabilities	**9,988**	10,991
Disposal of lease liabilities	**(4,080)**	(1,402)
The effect of changes in foreign exchange rates	**(69)**	152
Interest expense	**3,984**	4,140
Total other changes	**9,823**	13,881
Borrowings at end of the period (excluding overdrafts)	**77,760**	94,392

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

Net debt reconciliation

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

21. Trade and other payables

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

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

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

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

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

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.

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

Maturity analysis of cash flows:

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

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

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

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 period during which services are rendered by employees.

The Group operates a defined contribution pension scheme. The pension cost for the period represents contributions paid and payable by the Group to the scheme for services rendered by employees during the period and amounted to £1,066k (FY23: £890k).

At the end of the period contributions of £507k (FY23: £243k) were outstanding.

24. Share capital and reserves

Ordinary shares are classified as equity. 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 payments on all equity-settled share options granted, net of exercises.
- **Retained earnings:** All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

	FY24 Number 000	FY23 Number 000
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

	FY24 £000	FY23 £000
Share capital		
At 1 May 2022, 30 April 2023 and 5 May 2024	**625**	625
Share premium		
At 1 May 2022, 30 April 2023 and 5 May 2024	**28,322**	28,322

During the period, the Employee Benefit Trust purchased £260k (FY23: £473k) of the Company's shares for the purpose of satisfying future employee share-based payment awards.

Investment in own shares
At 5 May 2024, the Employee Benefit Trust held 1,102,801 (FY23: 1,240,577) of the Company's shares.

The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 5 May 2024 was £269,083 (FY23: £390,161). In the current period, 700,959 (FY23: 1,408,086) were repurchased and transferred into the Trust, with 838,735 (FY23: 167,491) reissued on exercise of share options.

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.

25. Financial instruments continued

Accounting policy continued

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.

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.

Hedging gains and losses and costs of hedging transferred to the cost of inventory in the year were £(290)k (FY23: £174k).

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 Group.

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 to fully hedge the forecast US dollar purchase requirements nine months in advance, and approximately 50% of the requirement for the period 9 to 12 months in advance (up to 100% may be hedged but there is no requirement to do so). Between 12 and 24 months in advance of purchase requirements up to 50% may be hedged. 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.

25. Financial instruments continued
Financial risk management continued
(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 5 May 2024, the Group held forward contracts with a nominal value of $58.5m (FY23: $40.0m), $45.5m of which matures within FY25 and $14.0m within the first six months of FY26. These contracts have an average forward rate of $1.2589 (FY23: $1.2183).

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	
	FY24 £000	FY23 £000	**FY24 £000**	FY23 £000
US dollar	**7,002**	6,552	**80**	39
Euro	**342**	352	**615**	1,958

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 period 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 negative.

	USD impact		Euro impact	
	FY24 £000	FY23 £000	**FY24 £000**	FY23 £000
Profit/(loss) for the period	**629**	592	**(25)**	(146)

This is mainly attributable to the exposure outstanding on US dollar and euro cash balances held, trade payables and other accruals 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.

	FY24 £000	FY23 £000
Variable rate instruments (100 bp increase)	**59**	132
Variable rate instruments (100 bp decrease)	**(59)**	(132)

(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.

25. Financial instruments continued

Financial risk management continued

(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.

(d) Capital management

The Group's objective when managing capital (which is deemed to be share capital and borrowings), is to maximise the return on net invested capital while maintaining its ongoing ability to operate and guarantee adequate returns for shareholders and benefits for other stakeholders, within a sustainable financial structure. The Group monitors its gearing ratio on a regular basis and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

There were no changes in the Group's approach to capital management during the period. The Group does not have any externally imposed capital requirements. The funding requirements of the Group are met by cash generation from trading and the utilisation of external borrowings.

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.

Contractual maturity of financial liabilities

	Within 1 year £000	1-5 years £000	5+ years £000	Total £000
At 5 May 2024				
Non-derivative				
Non-interest bearing	**27,214**	**–**	**–**	**27,214**
Lease liabilities (undiscounted cash flows)	**23,446**	**49,067**	**17,632**	**90,145**
Derivatives				
Forward currency contracts	**64**	**–**	**–**	**64**
	50,724	**49,067**	**17,632**	**117,423**
At 30 April 2023				
Non-derivative				
Non-interest bearing	31,950	760	538	33,248
Lease liabilities (undiscounted cash flows)	27,163	60,263	20,727	108,153
Derivatives				
Forward currency contracts	1,048	–	–	1,048
	60,161	61,023	21,265	142,449

Hedge accounting

The Group ensures that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and applies 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.
- 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).
- 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.

25. Financial instruments continued

Derivative financial instruments

The fair value of derivative financial instruments at the balance sheet date is as follows:

	FY24 £000	FY23 £000
Net derivative financial instruments		
Foreign exchange contracts	**242**	(1,048)

Classification of financial instruments

The table below shows the classification of financial assets and liabilities as at 5 May 2024.

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
At 5 May 2024				
Financial assets measured at fair value				
Derivative financial instruments	–	306	–	–
Financial assets not measured at fair value				
Trade and other receivables	–	–	8,384	–
Cash and cash equivalents	–	–	1,619	–
Financial liabilities measured at fair value				
Derivative financial instruments	–	(64)	–	–
Financial liabilities not measured at fair value				
Lease liabilities	–	–	–	(77,760)
Trade and other payables	–	–	–	(29,886)
	–	242	10,003	(107,646)

	Mandatorily at FVTPL £000	Cash flow hedging instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000
At 30 April 2023				
Financial assets measured at fair value				
Derivative financial instruments	–	–	–	–
Financial assets not measured at fair value				
Trade and other receivables	–	–	7,507	–
Cash and cash equivalents	–	–	10,196	–
Financial liabilities measured at fair value				
Derivative financial instruments	–	(1,048)	–	–
Financial liabilities not measured at fair value				
Lease liabilities	–	–	–	(94,392)
Trade and other payables	–	–	–	(34,479)
	–	(1,048)	17,703	(128,871)

26. Equity-settled share-based payment arrangements

Accounting policy
The Group operates equity-settled share-based compensation plans, granting awards that contain both service and performance conditions (both market and non-market based).

Equity-settled share-based payments are measured at fair value at the date of grant. 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 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. Any revision to estimates is recognised in the income statement, with a corresponding adjustment to equity.

During FY24, the Group had three (FY23: three) 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 FY24, the vesting conditions require three years' service from the grant date, the achievement of an EBITDA target and a share price target (FY23 awards: three years' service from the grant date and the achievement of an EBITDA target and a share price target).

Restricted stock awards (RSA)
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	RSA	SAYE
Number of share options			
Outstanding at 30 April 2023	4,529,621	2,363,750	1,762,350
Granted	2,716,687	856,250	1,416,375
Forfeited	(2,247,717)	(1,007,599)	(1,125,711)
Lapsed	(847,458)	–	–
Exercised	–	(830,920)	–
Outstanding at 5 May 2024	**4,151,133**	**1,381,481**	**2,053,014**

	LTIP	RSA	SAYE
Weighted average exercise price (£)			
Outstanding at 30 April 2023	–	–	0.43
Granted	–	–	–
Forfeited	–	–	0.49
Lapsed	–	–	0.58
Exercised	–	–	–
Outstanding at 5 May 2024	**–**	**–**	**0.40**
Weighted average remaining contractual life (years)	3.88	2.49	2.30

The exercise prices of outstanding share options as at 5 May 2024 range from £0.33 to £0.47.

26. Equity-settled share-based payment arrangements continued

Save As You Earn Scheme (SAYE) continued

Fair value of awards

The fair value of awards granted during the current and prior periods have been measured using the Monte Carlo simulation model for LTIP awards and the Black-Scholes model for SAYE, assuming the inputs below.

	FY24		FY23	
	LTIP	**SAYE**	LTIP	SAYE
Number of awards granted	**833,344**	**1,416,375**	795,909	2,349,307
Fair value at grant date	**£0.15**	**£0.06**	£0.09	£0.06
Share price at grant date*	**£0.39**	**£0.35**	£0.33	£0.36
Exercise price*	**£0.01**	**£0.28**	£0.01	£0.29
Expected volatility	**62%**	**62%**	70%	50%
Expected term (years)	**2–3**	**3**	2–3	3
Risk-free interest rate	**4.7%**	**4.6%**	3.1%	2.8%

* The exercise price for SAYE awards is set at a 20% discount to an average market price determined in accordance with scheme rules. The share price at the grant date is the closing price on the grant date. The outstanding SAYE awards as at 5 May 2024 have an exercise price ranging from £0.28 to £0.55.

Expense recognised in the income statement

	FY24 £000	FY23 £000
LTIP	**(308)**	275
RSA	**84**	199
SAYE	**27**	54
Total IFRS 2 (credit)/charge	**(197)**	528

27. Capital commitments

At 5 May 2024 the Group had capital commitments of £260k (FY23: £368k).

28. Related party transactions

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

Transactions with key management personnel

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

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

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

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

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	Active	Indirect	08040244	Ordinary	100%

Company statement of financial position

As at 5 May 2024

	Note	FY24 £000	FY23 £000
Fixed assets			
Investment	33	**36,918**	38,377
		36,918	38,377
Current assets			
Trade and other receivables	34	**23**	7
		23	7
Total assets		**36,941**	38,384
Current liabilities			
Trade and other payables	35	**4,706**	8,986
Total liabilities		**4,706**	8,986
Net assets		**32,235**	29,398
Share capital	36	**625**	625
Share premium	36	**28,322**	28,322
Share-based payment reserve		**2,583**	2,780
Retained earnings		**705**	(2,329)
Total equity		**32,235**	29,398

Accompanying notes that form part of these financial statements are on pages 117 to 120.

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

Rosie Fordham
Chief Financial Officer

Company registered number: 11325534

Company statement of changes in equity

	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Reported balance at 1 May 2022	625	28,322	2,252	19,893	51,092
Total comprehensive expense for the period					
Loss for the period	–	–	–	(20,257)	(20,257)
Total comprehensive expense for the period	–	–	–	(20,257)	(20,257)
Transactions with owners of the Company					
Share-based payment charge	–	–	528	528	528
Dividend	–	–	–	(1,492)	(1,492)
Own shares purchased by Employee Benefit Trust	–	–	–	(473)	(473)
Transactions with owners of the Company	–	–	528	(1,965)	(1,437)
Balance at 30 April 2023	625	28,322	2,780	(2,329)	29,398
Total comprehensive expense for the period					
Profit for the period[1]	**–**	**–**	**–**	**3,294**	**3,294**
Total comprehensive expense for the period	**–**	**–**	**–**	**3,294**	**3,294**
Transactions with owners of the Company					
Share-based payment charge	**–**	**–**	**(197)**	**–**	**(197)**
Dividend	**–**	**–**	**–**	**–**	**–**
Own shares purchased by Employee Benefit Trust	**–**	**–**	**–**	**(260)**	**(260)**
Transactions with owners of the Company	**–**	**–**	**(197)**	**(260)**	**(457)**
Balance at 5 May 2024	**625**	**28,322**	**2,583**	**705**	**32,235**

1 Profit for the year includes a loan waiver of £5,549k in respect of a loan due to The Works Stores Limited from TheWorks.co.uk plc.

Accompanying notes that form part of these financial statements are on pages 117 to 120.

30. 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 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.

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

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.

(b) Income statement

The Company made a profit after tax of £3.3m for the period relating to the waiver of an intercompany loan and the impairment of the investment balance (FY23: loss of £20.3m). 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.
- 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 notes:

Description	Note	Page
Going concern	1(b)(i)	84 to 86
Impairment of investments in subsidiaries	33	118

31. 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.

32. Dividends

See Note 10 to the Group financial statements.

33. 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.

	£000
At 30 April 2023	38,377
Additions	(29)
Impairment charge	(1,430)
At 5 May 2024	**36,918**

Investments in subsidiaries represent the Company's investment in its subsidiary, The Works Investments Limited.

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 pre-tax discount rate, long-term growth rates, and expected trading performance (sales, gross margin and operating costs).

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)) 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. The immediately quantifiable costs of short-term climate change risks and our net zero commitments have been included in the cash flows. Increased capital expenditure has been included in the medium-term cash flows to reflect anticipated technological investment that is likely to be required either due to climate risk or in meeting our net zero commitments.

Management estimates pre-tax 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 weighted average cost of capital, which has been estimated using the capital asset pricing model, the inputs of which include a Company risk-free rate, equity risk premium, Group size premium, forecasting risk premium and risk adjustment (beta). The FY24 pre-tax discount rate has been calculated on a pre-IFRS 16 basis; therefore, the cash flows used in the value in use calculation include IFRS 16 lease payments.

	FY24	FY23
Pre-tax discount rate	**13.5%**	17.19%
Long-term growth rate	**2.0%**	1.0%

As a result of this analysis, an impairment charge of £1.4m has been recognised during FY24.

34. Trade and other receivables

	FY24 £000	FY23 £000
Prepayments and accrued income	**23**	7
Trade and other receivables	**23**	7

35. Trade and other payables

	FY24 £000	FY23 £000
Non-trade payables and accrued expenses	**208**	208
Accruals	**46**	86
Amounts owed to Group undertakings	**4,452**	8,692
Trade and other payables	**4,706**	8,986

Amounts owed to Group undertakings are non-interest bearing and repayable on demand. The decrease in the balance relates to the waiver of an intercompany loan with The Works Stores Limited.

36. 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 payments 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.

	FY24 Number 000	FY23 Number 000
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

	FY24 £000	FY23 £000
Share capital		
At 1 May 2022, 30 April 2023 and 5 May 2024	**625**	625
Share premium		
At 1 May 2022, 30 April 2023 and 5 May 2024	**28,322**	28,322

During the year, the Employee Benefit Trust purchased £260k (FY23: £473k) of the Company's shares for the purpose of satisfying future employee share-based payment awards.

Investment in own shares

At 5 May 2024, the Employee Benefit Trust held 1,102,801 (FY23: 1,240,577) of the Company's shares.

The Trust has waived any entitlement to the receipt of dividends in respect of its holding of the Company's ordinary shares. The market value of these shares at 5 May 2024 was £269,083 (FY23: £390,161). In the current period, 700,959 (FY23: 1,408,086) were repurchased and transferred into the Trust, with 838,735 (FY23: 167,491) reissued on the exercise of share options.

37. Equity-settled share-based payment arrangements

Accounting policy
The Group operates equity-settled share-based compensation plans, granting awards that contain both service and performance conditions (both market & non-market based).

Equity-settled share-based payments are measured at fair value at the date of grant. 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 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. Any revision to estimates is recognised in the income statement, with a corresponding adjustment to equity.

During FY24, the Group had three (FY23: three) 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 FY24, the vesting conditions require three years' service from the grant date, the achievement of an EBITDA target and a share price target (FY23 awards: three years' service from the grant date and the achievement of an EBITDA target, and a share price target).

Restricted stock awards (RSA)
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.

For more information, refer to Note 26.

Expense recognised in the Company income statement

	FY24 £000	FY23 £000
Share-based payment expenses		
(Income)/expense recognised in the Company income statement	**(140)**	143
(Income)/expense recognised in the subsidiary income statement	**(57)**	385
Total IFRS 2 charges recognised in the Group income statement	**(197)**	528

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Produced by
designportfolio

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