REGISTERED NUMBER: 04730752

THE VERY GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 26 weeks ended 1 January 2022

CONTENTS

INTERIM RESULTS STATEMENT

The Directors present their interim results statement of The Very Group Limited and its subsidiaries ("the Group") for the 26 week period ended 1 January 2022.

Review of the business

As we continue to annualise against strong Q2 YTD results in FY21, our business continues to show its relevance and resilience in the face of market uncertainty, as demonstrated by our Q2 FY22 YTD[1] results. Pre-exceptional EBITDA[2] increased 21.3% to £158.3m (Q2 FY21 YTD: £130.5m). The profit before tax for the period increased by 141.3% to £57.9m (Q2 FY21 YTD: profit of £24.0m) after recognising exceptional items of £13.7m (Q2 FY21 YTD: £19.9m).

Group sales

Group sales[3] decreased by 1.9% to £1,231.0m (Q2 FY21 YTD: £1,255.2m), with prior year benefitting from the Covid-19 lockdown restrictions in the UK and the accelerated market shift towards on-line and away from the high street. Contrasted with a pre-pandemic comparative, this represents an increase of 10.0% on a two-year basis (Q2 FY20 YTD: £1,119.5m). Very.co.uk revenue grew 1.3% to £1,026.2m compared with prior year (Q2 FY21 YTD: £1,013.3m) and increased 19.7% on a two-year basis (Q2 FY20 YTD: £857.3m), benefitting from its combination of famous brands, mobile-first customer experience and opportunities for flexible ways to pay. Littlewoods revenue was down 15.3% to £204.8m (Q2 FY21 YTD: £241.9m) and down 21.9% on a two-year basis (Q2 FY20 YTD: £262.2m).

Retail sales

Whilst retail sales[4] decreased by 2.9%, annualising against a particularly strong Q2 YTD in FY21, our flagship brand Very.co.uk grew retail sales by 0.2%. Our robust business model which offers a multi-category range has continued to provide resilience against adverse movements in individual product categories, with double-digit growth across all categories when compared with the pre-pandemic performance.

Consumer spending habits shifted during the Covid-19 pandemic when categories that support home living and working were a focus for our customers. The shift back to a more typical basket during Q1 continued into Q2 with sustained resurgence in Fashion & Sports for the second quarter in a row, with sales increasing by 13.6% versus Q2 FY21 YTD. This was driven by particularly strong performances of ladies fashion (both occasion wear and casual) premium brands and gifting, which reflected an increase in regular social and festive activity versus last year. Sportswear remains a key proposition, reporting growth of 6.6% in Q2 FY22 YTD (4.9% in clothing, 8.8% in footwear). Electrical revenue was down in Q2 FY22 YTD, falling by 3.9%, which was offset in part by the performance of gaming over the Christmas peak, which increased by 17% as the popularity of consoles such as PS5, Xbox Series X and Nintendo Switch continued. Home revenue decreased by 17.1% which was predicted as customers shifted to a more typical basket. Developing Categories (which represents 12.1% of the retail sales mix and includes toys, gifts, beauty and leisure) increased by 3.8% in Q2 FY22 YTD, bolstered by beauty and personal care, which grew by 6% and 28% respectively, as our customers continue to focus on wellness.

Notes:
1. Q2 FY22 YTD is the 26 weeks ended 1 January 2022. Q2 FY21 YTD is the 26 weeks ended 26 December 2021.
2. Pre-exceptional EBITDA is defined on page 4 of the Financial Statements.
3. Group sales defined as net despatches excluding VAT and inclusive of Financial Services revenues and IFRS adjustments for discounts and vouchers.
4. Retail sales is on a management accounts basis excluding statutory adjustments, therefore differs to revenue from the sale of goods presented in the condensed consolidated income statement.

INTERIM RESULTS STATEMENT (continued)

Very Pay revenue

Very Pay revenue (rendering of services) for the group has increased by 8.1%, primarily driven by interest income, which has increased by 6.5%. The continued improvement of the customer journey (through ongoing enhancements to approval decisions using the most up-to-date credit bureau data and proactive measures to ensure credit limit increases are affordable), remains a focus area and is demonstrated in the improvement in the quality of the book and reduction in bad debt (as below). Interest income as a percentage of the average debtor book has increased to 10.9% (Q2 FY21 YTD: 10.6%).

The growth in interest income has been slightly offset by a fall in insurance and warranty income of 37.4%. Administration fees have been broadly flat year on year at £17.9m (Q2 FY21 YTD: £17.5m).

Gross profit and costs

Gross margin rate continued to improve, increasing by 1.0%pts to 35.2% (Q2 FY21 YTD: 34.2%), reflecting the growth in financial services revenue and reduction in bad debt.

Bad debt expense as a percentage of the average debtor book was lower than prior year at 3.1% (Q2 FY21 YTD: 3.7%), reflecting our continued investment in improving our credit decisioning processes.

Distribution expenses before exceptional costs amortisation and depreciation decreased by £6.1m to £122.3m (Q2 FY21 YTD: £128.4m) and decreased as a percentage of revenue to 9.9% (Q2 FY21: 10.2%). Within this result we are seeing continued benefits from our highly automated fulfilment and returns centre at East Midlands Gateway, with lower labour costs per unit when compared with our former distribution model. Administrative expenses before exceptional items, amortisation and depreciation were £154.4m (Q2 FY21 YTD: £170.6m) which as a percentage of revenue is 12.5% (Q2 FY21 YTD: 13.6%). This decrease is driven by savings made as part of a continued focus on managing the cost base. Total operating costs, excluding exceptional items, depreciation and amortisation, as a percentage of revenue decreased to 22.5% (Q2 FY21 YTD: 23.8%).

Pre-exceptional EBITDA and underlying EBITDA

Pre-exceptional EBITDA increased 21.3% to £158.3m (Q2 FY21 YTD: £130.5m). As a percentage of Group sales, the pre-exceptional EBITDA margin[5] increased 2.5%pts to 12.9% compared to the prior year (Q2 FY21 YTD: 10.4%). The higher pre-exceptional EBITDA reflects continued Very Pay revenue growth and strong cost control. Underlying EBITDA[6], which excludes fair value and pension adjustments, increased 12.8% to £153.2m (Q2 FY21 YTD: £135.8m).

Finance costs

Net finance costs (before exceptional items) of £47.9m are lower than prior year, driven by lower interest on our newly refinanced bond (Q2 FY21 YTD: £52.5m).

Exceptional items

Exceptional items of £13.7m (Q2 FY21 YTD: £19.9m) relate to costs incurred in Q1 as part of the refinancing of the £550m bond with the new £575m bond, no further costs in relation to this have been incurred in Q2. Q2 FY21 YTD costs include those associated with the move to East Midlands Gateway.

Notes:
5. Pre-exceptional EBITDA margin is defined on page 5 of the Financial Statements
6. Underlying EBITDA is defined on page 5 of the Financial Statements

INTERIM RESULTS STATEMENT (continued)

Taxation

The tax charge in the income statement of £11.9m is based on management's best estimate of the full year effective tax rate based on estimated full year profits (Q2 FY21 YTD: charge £4.5m). For the 26 weeks ended 1 January 2022 the effective tax rate that has been applied is 21% (26 December 2020: 19%). The tax charge includes a £2.6m credit in relation to exceptional items charged in the period (Q2 FY21 YTD: £3.8m credit).

Statement of cash flows

Cash and cash equivalents decreased by £72.5m to £5.6m during the period (Q2 FY21 YTD: net cash and cash equivalents decreased by £150.7m to £55.7m). The cash outflow is driven by two main factors, investments to support current operating activities and investment in capital expenditure. Cash outflows from operating activities of £35.5m include the increase in trade and other receivables, owing to the growth of the Very Pay debtor book and the timing of prepayments, the movement in trade and other payables owing to the timing of supplier payments and investment in stock to support future retail sales.

Cash outflows in respect of capital additions for the period of £37.7m (Q2 FY21 YTD: £29.4m) were across business-as-usual and strategic investments. The group also paid a dividend of £25.0m during the period.

Financial position

Increase in equity of £26.3m to £236.3m (3 July 2021: equity £210.0m, 26 December 2020: equity £119.0m) was driven by Comprehensive Income for the period of £51.3m, offset by the dividend paid of £25.0m.

Inventory held at 1 January 2022 increased against the 3 July 2021 position to £118.7m (3 July 2021: £102.2m, 26 December 2020: £101.2m). Trade and other receivables at 1 January 2022 increased against the 3 July 2021 position to £2,323.7m (3 July 2021: £2,075.5m, 26 December 2020: £2,267.3m), largely due to the growth of the Very Pay debtor book. Trade and other payables at 1 January 2022 increased to £692.9m (3 July 2021: £566.1m, 26 December 2020: £717.1m).

The regulatory provision at 1 January 2022 has decreased against the 3 July 2021 position to £4.2m (3 July 2021: £11.1m, 26 December 2020: £55.2m) following £6.9m payments being made in the 6 month period. The remaining provision is based on an estimate of the remaining payments and is expected to be fully utilised within 12 months.

Total lease liabilities at 1 January 2022 decreased slightly to £169.3m from 3 July 2021 position (3 July 2021: £178.3m, 26 December 2020: £156.7m), as we have now fully transitioned to our East Midlands Gateway site.

Securitisation borrowings increased to £1,499.4m from the year end position (3 July 2021: £1,389.2m, 26 December 2020: £1,470.5m), driven by the increase in gross trade debtors. During the period, the UK securitisation was extended for a further year to January 2025. The UK securitisation has a total facility size of £1,735.0m. The securitisation borrowings also include £27.5m (3 July 2021: £25.2m, 26 December 2020: £29.2m) relating to the balance sheet receivables of Shop Direct Ireland Limited.

INTERIM RESULTS STATEMENT (continued)

Principal risks and uncertainties

The principal risks and uncertainties are as disclosed in the Group's consolidated financial statements for the period ended 3 July 2021.

Going concern

In determining that the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities (£2,081.1m total borrowings with £nil maturing within 12 months and £2,081.1m maturing within 5 years). Further detail on the going concern position of the group is included in note 2 to the Financial Statements.

Alternative performance measures

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' ("APMs"). The Directors use these measures to review the performance of the Group, as evidenced by their inclusion in the monthly Group Performance Report which is presented to the Board. Underlying EBITDA is an important APM as it provides the best indication of the underlying trading performance of the Group.

Reconciliation of operating profit to pre-exceptional EBITDA

	26 weeks to 1 January 2022	26 weeks to 26 December 2020	53 weeks to 3 July 2021
	£ m	£ m	£ m
Operating profit	119.5	76.5	188.6
Adjusted for exceptional items	-	19.9	41.3
Operating profit before exceptional items	119.5	96.4	229.9
Adjusted for: depreciation and amortisation	38.8	34.1	70.4
Pre-exceptional EBITDA	**158.3**	**130.5**	**300.3**

Reconciliation of pre-exceptional EBITDA to pre-exceptional EBITDA margin

	26 weeks to 1 January 2022	26 weeks to 26 December 2020	53 weeks to 3 July 2021
	£ m	£ m	£ m
Pre-exceptional EBITDA	158.3	130.5	300.3
Group Sales	1,231.0	1,255.2	2,317.1
Pre-exceptional EBITDA margin	**12.9%**	**10.4%**	**13.0%**

INTERIM RESULTS STATEMENT (continued)

Alternative performance measures (continued)

Reconciliation of operating profit to underlying EBITDA

	26 weeks to 1 January 2022	26 weeks to 26 December 2020	53 weeks to 3 July 2021
	£ m	£ m	£ m
Operating profit	119.5	76.5	188.6
Adjusted for exceptional items	-	19.9	41.3
Operating profit before exceptional items	119.5	96.4	229.9
Adjusted for: depreciation and amortisation	38.8	34.1	70.4
Pre-exceptional EBITDA	158.3	130.5	300.3
Adjusted for:			
Fair value adjustments to financial instruments	(2.9)	5.9	3.1
Fair value adjustments to trade creditors	(2.2)	(1.8)	(3.1)
Pension adjustments	-	1.2	0.2
Underlying EBITDA	**153.2**	**135.8**	**300.5**

Reconciliation of administrative expenses before amortisation, depreciation and exceptional items

	26 weeks to 1 January 2022	26 weeks to 26 December 2020	53 weeks to 3 July 2021
	£ m	£ m	£ m
Administrative expenses	191.6	217.6	409.4
Amortisation charged to administrative expenses	(29.2)	(26.5)	(54.8)
Depreciation charged to administrative expenses	(8.0)	(7.6)	(15.6)
Adjusted for exceptional items	-	(12.9)	(32.9)
Administrative expenses before amortisation, depreciation and exceptional items	154.4	170.6	306.1

Reconciliation of distribution costs before amortisation, depreciation and exceptional items

	26 weeks to 1 January 2022	26 weeks to 26 December 2020	53 weeks to 3 July 2021
	£ m	£ m	£ m
Administrative expenses	123.9	135.4	250.0
Depreciation charged to distribution costs	(1.6)	-	-
Adjusted for exceptional items	-	(7.0)	(8.4)
Distribution costs before amortisation, depreciation and exceptional items	122.3	128.4	241.6

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		26 weeks to 1 January 2022 (unaudited)			26 weeks to 26 December 2020 (unaudited)			53 weeks to 3 July 2021 (audited)		
	Notes	Pre-exceptional items £'m	Exceptional items (Note 4) £'m	Total £'m	Pre-exceptional items £'m	Exceptional items (Note 4) £'m	Total £'m	Pre-exceptional items £'m	Exceptional items (Note 4) £'m	Total £'m
Sale of goods		1,036.4	-	1,036.4	1,075.1	-	1,075.1	1,957.5	-	1,957.5
Rendering of services		194.6	-	194.6	180.1	-	180.1	359.6	-	359.6
Total revenue	3	1,231.0	-	1,231.0	1,255.2	-	1,255.2	2,317.1	-	2,317.1
Cost of sales		(797.4)	-	(797.4)	(826.4)	-	(826.4)	(1,470.9)	-	(1,470.9)
Gross profit		433.6	-	433.6	428.8	-	428.8	846.2	-	846.2
Distribution costs		(123.9)	-	(123.9)	(128.4)	(7.0)	(135.4)	(241.6)	(8.4)	(250.0)
Administrative costs		(191.6)	-	(191.6)	(204.7)	(12.9)	(217.6)	(376.5)	(32.9)	(409.4)
Other operating income		1.4	-	1.4	0.7	-	0.7	1.8	-	1.8
Operating profit	3	119.5	-	119.5	96.4	(19.9)	76.5	229.9	(41.3)	188.6
Finance income		-	-	-	0.1	-	0.1	0.2	-	0.2
Finance costs		(47.9)	(13.7)	(61.6)	(52.6)	-	(52.6)	(107.1)	-	(107.1)
Profit before tax		71.6	(13.7)	57.9	43.9	(19.9)	24.0	123.0	(41.3)	81.7
Tax (charge)/credit	7	(14.5)	2.6	(11.9)	(8.3)	3.8	(4.5)	20.2	7.4	27.6
Profit for the period		57.1	(11.1)	46.0	35.6	(16.1)	19.5	143.2	(33.9)	109.3
Profit attributable to equity holders of the Group		57.1	(11.1)	46.0	35.6	(16.1)	19.5	143.2	(33.9)	109.3

The above results were derived from continuing operations.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	26 weeks to 1 January 2022 (unaudited) £'m	26 weeks to 26 December 2020 (unaudited) £'m	53 weeks to 3 July 2021 (audited) £'m
Profit for the period		46.0	19.5	109.3
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement on retirement benefit obligations before tax		8.7	39.1	50.4
Income tax effect	7	(2.2)	(0.1)	(8.7)
Other comprehensive income for the period for items that will not be reclassified subsequently to profit or loss		6.5	39.0	41.7
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation loss		(1.2)	(0.1)	(1.6)
Other comprehensive income for the period		5.3	38.9	40.1
Total comprehensive income attributable to:				
Owners of the company		51.3	58.4	149.4

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	1 January 2022 (unaudited) £'m	26 December 2020 (unaudited) £'m	3 July 2021 (audited) £'m
Assets				
Non-current assets				
Goodwill		202.5	202.5	202.5
Intangible assets		253.0	239.0	246.8
Property, plant and equipment		24.3	10.7	25.7
Right-of-use assets		153.7	139.5	164.1
Deferred tax assets		181.6	166.9	194.2
		815.1	758.6	833.3
Current assets				
Inventories		118.7	101.2	102.2
Trade and other receivables	6	2,323.7	2,267.3	2,075.5
Income tax asset		0.5	2.8	1.5
Cash at bank	10	5.6	55.7	78.1
Derivative financial instruments	5	2.3	-	-
		2,450.8	2,427.0	2,257.3
Total assets		3,265.9	3,185.6	3,090.6
Equity				
Share capital	11	(200.0)	(200.0)	(200.0)
Accumulated (profit)/deficit		(36.3)	81.0	(10.0)
Equity attributable to owners of the company		(236.3)	(119.0)	(210.0)
Non-current liabilities				
Loans and borrowings	9	(581.7)	(550.0)	(550.0)
Securitisation facility	9	(1,499.4)	(1,470.5)	(1,389.2)
Retirement benefit obligations	12	(1.6)	(1.1)	(1.6)
Deferred income		(29.4)	(32.0)	(26.4)
Lease liabilities		(157.5)	(141.7)	(166.7)
		(2,269.6)	(2,195.3)	(2,133.9)
Current liabilities				
Trade and other payables		(692.9)	(717.1)	(566.1)
Loans and borrowings	9	-	-	(90.0)
Retirement benefit obligations	12	-	(18.7)	(8.7)
Lease liabilities		(11.8)	(15.0)	(11.6)
Deferred income		(46.0)	(51.0)	(48.6)
Provisions	8	(9.3)	(66.1)	(21.1)
Derivative financial instruments	5	-	(3.4)	(0.6)
		(760.0)	(871.3)	(746.7)
Total liabilities		(3,029.6)	(3,066.6)	(2,880.6)
Total equity and liabilities		(3,265.9)	(3,185.6)	(3,090.6)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Accumulated profit/(deficit) £'m	Total £'m
Changes in equity for the 26 weeks to 1 January 2022 (unaudited)			
Balance as at 4 July 2021	200.0	10.0	210.0
Profit for the period	-	46.0	46.0
Other comprehensive income	-	5.3	5.3
Total comprehensive income	-	51.3	51.3
Dividend paid to parent company	-	(25.0)	(25.0)
Balance at 1 January 2022	200.0	36.3	236.3
Changes in equity for the 26 weeks to 26 December 2020 (unaudited)			
Balance as at 28 June 2020	200.0	(139.4)	60.6
Profit for the period	-	19.5	19.5
Other comprehensive income	-	38.9	38.9
Total comprehensive income	-	58.4	58.4
Balance at 26 December 2020	200.0	(81.0)	119.0
Changes in equity for the 53 weeks to 3 July 2021 (audited)			
Balance as at 28 June 2020	200.0	(139.4)	60.6
Profit for the period	-	109.3	109.3
Other comprehensive expense	-	40.1	40.1
Total comprehensive income	-	149.4	149.4
Balance at 3 July 2021	200.0	10.0	210.0

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	26 weeks to 1 January 2022 (unaudited) £'m	26 weeks to 26 December 2020 (unaudited) £'m	53 weeks to 3 July 2021 (audited) £'m
Cash flows from operating activities			
Profit for the period	46.0	19.5	109.3
Adjustments for:			
Depreciation	9.6	7.9	15.6
Amortisation	29.2	26.5	54.8
Financial instrument net (gains)/losses through profit and loss	(2.9)	5.9	3.1
Finance income	-	(0.1)	(0.2)
Finance costs	61.6	52.6	106.3
Income tax charge/(credit)	11.9	4.5	(27.6)
Decrease in provisions	(11.8)	(59.7)	(104.6)
Adjustments for pensions	-	(0.1)	1.1
Operating cash flows before movements in working capital	143.6	57.0	157.8
Increase in inventories	(16.5)	(35.8)	(36.8)
Increase in trade and other receivables	(254.1)	(196.5)	(1.0)
Increase in trade and other payables	127.7	179.9	19.0
Cash generated by operations	0.7	4.6	139.0
Income taxes paid	(1.4)	(0.8)	(3.0)
Interest paid	(34.8)	(51.5)	(103.2)
Net cash (outflows)/inflows from operating activities	**(35.5)**	**(47.7)**	**32.8**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	26 weeks to 1 January 2022 (unaudited) £'m	26 weeks to 26 December 2020 (unaudited) £'m	53 weeks to 3 July 2021 (audited) £'m
Net cash outflows from operating activities	(35.5)	(47.7)	32.8
Cash flows from investing activities			
Interest received	-	0.1	0.2
Acquisitions of property plant and equipment	(0.6)	(2.8)	(18.6)
Acquisitions of intangible assets	(37.1)	(26.6)	(67.9)
Net cash outflows from investing activities	(37.7)	(29.3)	(86.3)
Cash flows from financing activities			
Payments of lease liabilities	(8.8)	(8.9)	(18.6)
Proceeds from securitisation facility	110.2	85.2	3.8
Net proceeds from senior secured notes	25.0	-	-
Payment of bond early redemption premium	(10.7)	-	-
Repayment of secured revolving credit facility	(90.0)	(150.0)	(60.0)
Dividends paid to parent company	(25.0)	-	-
Net cash inflows/(outflows) from financing activities	0.7	(73.7)	(74.8)
Net decrease in cash and cash equivalents	(72.5)	(150.7)	(128.3)
Opening cash and cash equivalents (Note 10)	78.1	206.4	206.4
Closing cash and cash equivalents (Note 10)	5.6	55.7	78.1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Very Group Limited is a private company limited by share capital, incorporated and domiciled in England and Wales under the Companies Act. The address of its registered office is First Floor, Skyways House, Speke Road, Speke, Liverpool L70 1AB.

The Very Group Limited is the UK's largest integrated pureplay digital retailer and financial services provider, providing a multi-category range of famous brands, market-leading e-commerce and technology capabilities, and unique financial services products offering flexible ways to pay.

These consolidated interim financial statements were approved for issue on 23 February 2022.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the 26 weeks ended 1 January 2022 should be read in conjunction with the annual financial statements for the 53 week period ended 3 July 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

The interim financial information has been prepared on a going concern basis using accounting policies consistent with International Financial Reporting Standards and in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's annual financial statements for the 53 week period ended 3 July 2021.

The financial information included in this set of condensed accounts for the 53 week period ended 3 July 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts, prepared under International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom, has been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the 52 weeks ending 2 July 2022 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. This condensed set of financial statements has been prepared applying the accounting policies and presentation that will be applied in the preparation of the Group's consolidated financial statements for the 52 weeks ending 2 July 2022.

The financial statements are drawn up to Saturday 1 January 2022 for the current 26 week period. The financial information for the comparative periods relates to the 26 week period ended Saturday 26 December 2020 and the 53 week period ended Saturday 3 July 2021.

New standards, interpretations and amendments not yet effective

A number of new standards and interpretations have been issued but are not yet effective for the Group. These standards are either not expected to have a material effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

Full details of the Group’s critical accounting judgements and key sources of estimation uncertainty are included in the Group’s consolidated financial statements for the 53 week period ended 3 July 2021. There have been no changes to the Group’s critical accounting judgements and key sources of estimation uncertainty in the 26 weeks ended 1 January 2022.

The Group has been in a long running dispute with HMRC in respect of the methodology used for the Group’s partial exemption calculation. The Group has received three assessments of £2.4m, £8.5m and £2.7m from HMRC covering the period April 2015 to March 2020, which have all been paid in line with standard practice to proceed to tribunal. During the period, the Group paid an additional £1.9m to HMRC covering the period to March 2021. As discussions are still on-going with HMRC and a satisfactory outcome has not yet been achieved, the Directors have continued to accrue in line with professional advice, accruing at £7.4m as at the balance sheet date (3 July 2021: £7.0m). The net asset balance of £8.1m has been recognised as a tax deposit within other receivables in the Group accounts (3 July 2021: £6.6m). Based on the amounts reflected in the balance sheet as at 3 July 2021, the directors estimate that an unfavourable settlement of this case could result in a charge to the income statement of up to £8.1m.

Going concern

In determining whether the Group’s accounts can be prepared on a going concern basis, the Directors considered the Group’s business activities together with factors likely to affect its future development, performance and financial position including cash flows, liquidity and borrowing facilities and the principal risks and uncertainties relating to its business activities. Given the current uncertain economic climate, realistic assumptions for working capital performance have been used to determine the level of financial resources available to the Group and to assess liquidity risk. The key risk identified for these assumptions is the impact that a deterioration in the economic climate would have on revenues and the debtor book.

The Group has carefully considered its cash flows and banking covenants for the 18 months from the date of issue of these interim financial statements. These have been considered in conjunction with the current economic climate, including the continued impact of the Covid-19 pandemic and related variants.

The Group continued to trade effectively throughout the pandemic with the online store remaining open and office-based colleagues working from home. Actions taken by the Group have included cost reduction, tight management of capital spend and inventory management. The multi-category offering has provided resilience against movements in individual product categories and there has been an increase in customer account applications, including credit accounts. Despite its significant negative economic and social impact, Covid-19 has accelerated online retail growth and increased consumers’ appetite for flexible ways to pay, as well as led more brands to look for new online sales and distribution channels. The Group is well placed to capitalise on these trends and the unique opportunities we have as a business in the years to come.

There are clearly challenges in quantifying the expected future impact of Covid-19 on the Group. However, Group forecasts have been stress tested for a number of scenarios and the Group has deployed strategies and tools to closely manage cash flow and mitigate any issues.

Following the work undertaken by the Group the Directors are confident that the Group has sufficient liquidity for the next 18 months, and they are confident the Group will satisfy covenant requirements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

Going concern (continued)

Forecasts have been stress tested with sensitivities around reductions in revenue, deterioration in customer payments and increased write offs of trade receivables. Significant positive headroom remains under each of the scenarios. Reverse stress testing has also been applied to the forecasts which represent a significant deterioration in the key assumptions from the base case forecasts. The reverse stress test scenarios are considered to be remote. Trading to date remains significantly better than the Group stress test scenario.

After making appropriate enquiries the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

3. Segmental analysis

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is focused on the business segmental analysis set out below, showing the principal brands which represent the Group's reportable segments under IFRS 8. Pre-exceptional EBITDA represents the pre-exceptional EBITDA earned by each segment without allocation of central administration costs including Directors' salaries, finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive, who is the Group's chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

By business segment

	26 weeks to 1 January 2022 £'m	26 weeks to 26 December 2020 £'m	53 weeks to 3 July 2021 £'m
Analysis of revenue:			
Very†	1,026.2	1,013.3	1,878.4
Littlewoods◊	204.8	241.9	438.7
	1,231.0	1,255.2	2,317.1
Gross profit	433.6	428.8	846.2
Distribution costs excluding depreciation	(122.3)	(128.4)	(241.6)
Administrative costs excluding depreciation and amortisation	(154.4)	(170.6)	(306.1)
Other operating income	1.4	0.7	1.8
Pre-exceptional EBITDA*:			
Very†	195.5	179.0	399.0
Littlewoods◊	61.0	66.4	120.6
Central costs	(98.2)	(114.9)	(219.3)
	158.3	130.5	300.3
Exceptional items	-	(19.9)	(41.3)
Depreciation	(9.6)	(7.6)	(15.6)
Amortisation	(29.2)	(26.5)	(54.8)
Operating profit	119.5	76.5	188.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

	26 weeks to 1 January 2022 £'m	26 weeks to 26 December 2020 £'m	53 weeks to 3 July 2021 £'m
Operating profit	119.5	76.5	188.6
Finance income	-	0.1	0.2
Finance costs	(47.9)	(52.6)	(107.1)
Exceptional finance costs	(13.7)	-	-
Profit before taxation	57.9	24.0	81.7

The analysis on the previous page is in respect of continuing operations.

* Pre-exceptional EBITDA is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items.
† Very revenue includes Very.co.uk.
◊ Littlewoods revenue includes Littlewoods.com and LittlewoodsIreland.ie.

By geographical location of destination

	26 weeks to 1 January 2022 £'m	26 weeks to 26 December 2020 £'m	53 weeks to 3 July 2021 £'m
Revenue:			
United Kingdom	1,181.4	1,191.1	2,204.6
Republic of Ireland	49.6	64.1	112.5
	1,231.0	1,255.2	2,317.1
Operating profit:			
United Kingdom	113.8	69.0	175.4
Republic of Ireland	5.7	7.1	13.2
Rest of World	-	0.4	-
	119.5	76.5	188.6

The analysis above is in respect of continuing operations.

Turnover by origin is not materially different from turnover by destination.

In common with many retailers, retail sales and therefore, to an extent, pre-exceptional EBITDA are subject to seasonal fluctuations and retail sales are weighted towards the first half of the financial year which includes the key Christmas period. This also results in seasonal variations in key balance sheet accounts including inventories, receivables and payables.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Exceptional items before tax

	26 weeks to 1 January 2022 £'m	**26 weeks to 26 December 2020 £'m**	**53 weeks to 3 July 2021 £'m**
Regulatory costs and associated administrative	-	12.9	29.4
New fulfilment centre costs charged to	-	7.0	8.4
Site closure costs	-	-	3.5
Charged to operating profit	-	19.9	41.3
Exceptional finance costs	13.7	-	-
	13.7	19.9	41.3

In the period to 1 January 2022, the Group successfully refinanced its £550m bond with £575m of new listed bonds, which carry a lower coupon rate of 6.5% and will be renewable in August 2026. Exceptional costs recognised in the period relate to the premium paid for early redemption of the previous bond, which was not due until November 2022, along with the write-off of unamortised arrangement fees on the previous bond.

During the period ended 3 July 2021 there was an increase in the customer redress claims provision of £29.4m to recognise the remaining cost of settling all outstanding claims. During the 26 weeks ended 1 January 2022 there has been no further increase. The remaining provision of £4.2m at 1 January 2022 (26 December 2020: £55.2m; 3 July 2021: £11.1m) is expected to be fully utilised within 12 months.

On 11 April 2018 the Group announced a proposal to upgrade its fulfilment capabilities by creating an automated 850,000 square foot distribution and returns centre in the East Midlands. The Group had begun to exit its existing fulfilment sites in Greater Manchester, a process which finalised in April 2021. As the Group was dual running multiple sites in the prior year, all running costs for the East Midlands site including depreciation and finance costs related to the site's leases were included in exceptional costs up until the point at which the site became fully operational.

Once the site became the Group's principal distribution centre, in the first quarter of the prior year, running costs associated with the East Midlands site began to be charged to normal operating profit. The exceptional costs since that point relate to the sites which are being exited.

Due to the closure of the Group's customer care centre in Aintree, a provision was recognised during the period ended 3 July 2021 to cover expenditure such as dilapidations, facilities costs such as utilities, security and rates, and the costs associated with moving the customer care centre colleagues previously based in the Aintree site to the Group's head office. These costs totalled £3.5m in the period ended 3 July 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Derivative financial instruments

The Group uses fair values to measure its financial instruments using the following classifications:

- Level 1 – quoted prices for similar instruments
- Level 2 – directly observable market inputs other than Level 1 inputs
- Level 3 – inputs not based on observable market data

At the balance sheet date details of outstanding forward exchange contracts that the Group has committed to are as follows:

	1 January 2022 £'m	**26 December 2020 £'m**	**3 July 2021 £'m**
Notional amount – Sterling contract value	173.6	119.7	150.4
Fair value of asset/(liability) recognised	2.3	(3.4)	(0.6)

Changes in the fair value of derivative financial instruments amounted to a gain of £2.9m in the period (period to 26 December 2020: loss of £5.9m, period to 3 July 2021: loss of £3.1m), which is included in administrative expenses.

The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 – directly observable market inputs other than Level 1 inputs. There were no transfers between Level 1 – quoted prices for similar instruments and Level 2 during the year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Trade and other receivables

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Trade receivables	1,541.2	1,494.9	1,347.3
Amounts owed by group undertakings (note 13)	522.7	525.6	511.3
Prepayments	199.0	184.1	162.2
Other receivables	60.8	62.7	54.7
Total trade and other receivables	2,323.7	2,267.3	2,075.5

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Gross trade receivables	1,802.6	1,755.9	1,586.3
Allowance for bad debts	(261.4)	(261.0)	(239.0)
Net trade receivables	1,541.2	1,494.9	1,347.3

7. Income tax

Income tax expense is recognised based on management's best estimate of the full year effective tax rate based on estimated full year profits. For the 26 week period ended 1 January 2022 the effective tax rate that has been applied is 21% (26 December 2020: 19%).

In the March 2021 Budget, the Government announced, with effect from 1 April 2023, an increase in the main rate of corporation tax from 19% to 25%. The Finance Bill 2021 was substantively enacted on 24 May 2021, the increase in the corporation tax rate has therefore been reflected in the valuation of our deferred tax assets at the balance sheet date.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Provisions

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 4 July 2021	0.8	9.2	11.1	21.1
Increase in provisions	-	-	-	-
Provisions utilised	-	(4.9)	(6.9)	(11.8)
At 1 January 2022	0.8	4.3	4.2	9.3
Non-current	-	-	-	-
Current	0.8	4.3	4.2	9.3
	0.8	4.3	4.2	9.3

The restructuring provision relates to costs associated with the closure of the Group's customer care centre in Aintree. The remaining provision of £4.3m is expected to be fully utilised by the period ended 2 July 2022.

The regulatory provision reflects the estimated cost of all historical shopping insurance claims and associated processing costs. The remaining provision of £4.2m at 1 January 2022 is expected to be fully utilised within 12 months.

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 28 June 2020	0.8	23.9	101.1	125.8
Increase in provisions	-	-	12.9	12.9
Provisions utilised	-	(13.8)	(58.8)	(72.6)
At 26 December 2020	0.8	10.1	55.2	66.1
Non-current	-	-	-	-
Current	0.8	10.1	55.2	66.1
	0.8	10.1	55.2	66.1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Provisions (continued)

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 28 June 2020	0.8	23.9	101.1	125.8
Increase in provisions	-	3.5	29.4	32.9
Provisions utilised	-	(18.2)	(119.4)	(137.6)
At 3 July 2021	0.8	9.2	11.1	21.1
Non-current	-	-	-	-
Current	0.8	9.2	11.1	21.1
	0.8	9.2	11.1	21.1

9. Loans and borrowings

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,499.4	1,470.5	1,389.2
Senior secured notes	581.7	550.0	550.0
	2,081.1	2,020.5	1,939.2
Current loans and borrowings at amortised cost			
Secured revolving credit facility	-	-	90.0
Unsecured bank overdrafts	-	-	-
	-	-	90.0

Within the securitisation facility £27.5m (26 December 2020: £29.2m, 3 July 2021: £25.2m) is denominated in Euros. The underlying currency of all the other borrowings and overdrafts is Sterling.

During the period, the Group successfully refinanced the £550m 7.75% bonds with £575m of new listed bonds, which carry a lower coupon rate of 6.5%. The senior secured notes are now due August 2026. The senior secured notes are presented in the above table at amortised cost. The existing £150m secured revolving credit facility was renewed in August 2021 and at the period end had an expiry of November 2025. The facility rolls over on a monthly basis and is repayable within one year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and Borrowings (continued)

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
The borrowings are repayable as follows:			
Within one year	-	-	90.0
In the second year	50.0	550.0	550.0
In the third to fifth year	2,031.1	1,470.5	1,389.2
Over five years	-	-	-
Amount due for settlement after one year	2,081.1	2,020.5	1,939.2

The principal features of the Group's borrowings are as follows:

(a) The Group has drawn £1,472.0m (26 December 2020: £1,441.3m) on its UK securitisation facility. This is secured by a charge over certain eligible trade debtors of the Group and is without recourse to any of the other Group assets. During the period, the securitisation facility was renewed and now expires in January 2025 for 'AS' Notes (£1,072.3m), 'AJ' Notes (£139.7m), 'B' Notes (£105.0m) and 'C1' Notes (£105.0m). The 'C2' Notes (£50.0m) expire in December 2023. The total facility size is £1,735.0m.

(b) The Group has senior secured notes with a nominal value of £575.0m, at 6.5%, due August 2026 with a secured revolving credit facility of £150.0m of which £nil was drawn down at 1 January 2022 (26 December 2020: £nil). The senior secured notes are presented at amortised cost.

(c) The Group has an Irish securitisation facility against which it has drawn down £27.4m (26 December 2020: £29.2m), secured by a charge over certain eligible trade debtors of the Group. The facility was extended in the prior year and has a total maximum commitment of €35.0m which expires in December 2029. The termination date of the Irish securitisation facility is December 2023.

10. Reconciliation of net cash and cash equivalents

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Cash at bank	5.6	55.7	78.1
Bank overdrafts	-	-	-
Net cash and cash equivalents in statement of cash flows	5.6	55.7	78.1

Cash and cash equivalents comprise cash net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to fair value.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Share Capital

Allotted, called up and fully paid shares

	1 January 2022		26 December 2020		3 July 2021	
	No. m	£'m	No. m	£'m	No. m	£'m
Ordinary shares of £1 each	200	200	200	200	200	200

12. Pension schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme for all employees; the Shop Direct Group Personal Pension Plan.

The defined contribution scheme is in compliance with employer pension duties in accordance with part 1 of the Pensions Act 2008, including auto enrolment requirements. Contributions to the defined contribution schemes are charged to the income statement.

Defined benefit pension schemes

There are three main elements of the defined benefit pension schemes, namely the Scheme, UURBS and Ex-gratia. A combined summary of these elements is shown below:

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Scheme – defined benefit pension scheme deficit	-	(18.0)	(8.7)
UURBS and Ex-gratia – present value of scheme liabilities	(1.6)	(1.8)	(1.6)
Retirement benefit obligations	(1.6)	(19.8)	(10.3)

The Littlewoods pension scheme ("Scheme")

The Littlewoods Pensions Scheme ("Scheme"), which is a defined benefit arrangement based on final pensionable salaries, is set up under trust and the assets of the scheme are held separately from those of the Company. The fund is valued at intervals not exceeding three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary and agreed by the parent undertaking and all other Shop Direct Holdings Limited Group companies and the Scheme Trustee. The Scheme was closed to new entrants with effect from 1 October 2001 and is closed to future accrual.

From 1 October 2001 certain employees of the Company were eligible for membership of funded defined contribution stakeholder pension schemes to which employees and the Company contribute.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Pension schemes (continued)

On 19 August 2020 and 15 June 2021, formal agreements were reached between the Group and the Trustees of The Littlewoods Pensions Scheme ("Scheme") with regards to future Company Scheme contribution obligations. Both agreements had been documented in revised Schedules of Contributions. The initial agreement allowed for a single future contribution of £18.7m payable on or before 31 August 2021 which was then reduced to a single contribution of £9.4m payable on or before 31 January 2022 by the second agreement.

On 21 December 2021, a further agreement was reached with regards to the 31 January 2022 contribution obligation. This has been documented in a revised Schedule of Contributions, which allows for reduction of the scheme deficit to £nil.

These agreements have reduced the Scheme liability as at 1 January 2022.

13. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed. Transactions between the Group and its fellow group companies are disclosed below.

During the year, Group companies entered into the following transactions with fellow group companies and related parties who are not members of The Very Group Limited Group:

Recharged costs

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Yodel Delivery Network Limited	0.7	1.2	2.7
Arrow XL Limited	0.1	0.3	0.5
	0.8	1.5	3.2

Purchase of services

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Yodel Delivery Network Limited	(44.9)	(27.9)	(76.2)
Drop & Collect Limited	-	(6.9)	(16.9)
Arrow XL Limited	(17.5)	(22.2)	(44.1)
Trenport Property Holdings Limited	(0.3)	(0.7)	(1.5)
Shop Direct Holdings Limited	(2.5)	(2.5)	(7.5)
	(65.2)	(60.2)	(146.2)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Related party transactions (continued)

The Group had the following balances outstanding with its fellow group companies:

Amounts due from fellow Group undertakings

	1 January 2022 £'m	26 December 2020 £'m	3 July 2021 £'m
Shop Direct Holdings Limited	493.0	488.0	488.0
Yodel Delivery Network Limited	3.4	0.7	2.3
Arrow XL Limited	1.5	0.5	0.3
Drop & Collect Limited	-	1.2	0.4
Primevere Limited	9.0	22.9	6.1
Primevere Equipment Limited	15.8	12.3	14.2
	522.7	525.6	511.3

The amounts outstanding are unsecured and repayable on demand. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.