REGISTERED NUMBER: 04730752

THE VERY GROUP LIMITED
(FORMERLY SHOP DIRECT LIMITED)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 6 months ended 31 December 2019

CONTENTS

INTERIM RESULTS STATEMENT

The directors present their interim results statement of The Very Group Limited and its subsidiaries ("the Group") for the six month period ended 31 December 2019. On 13 January 2020, Shop Direct Limited changed its name to The Very Group Limited.

Review of the business

The profit for the period of £19.3m (Q2 FY19 YTD: loss of £7.6m) includes pre-exceptional net finance costs of £54.9m (Q2 FY19 YTD: £49.7m) and exceptional costs of £9.1m (Q2 FY19 YTD: £49.2m). Reported EBITDA before exceptional costs increased 1.8% to £113.0m (Q2 FY19 YTD: £111.0m).

£75.0m has been invested by way of equity injection in November 2019. Q2 FY20 net assets £4.8m (FY19: net deficit £88.5m). Subsequent to the balance sheet date, in February 2020, there has been a further £25.0m of equity injected and £50.0m of 'C2' notes issued under the securitisation facility.

Group revenue

Very revenue grew 3.1% to £857.3m (Q2 FY19 YTD: £831.8m), benefitting from its combination of famous brands, mobile-first customer experience and options to spread the cost of purchases using credit. Very retail sales growth has continued to be ahead of the online retail market[1]. Littlewoods revenue was down 11.6% to £262.2m (Q2 FY19 YTD: £296.7m) including a 1.4%pts impact from the closure of the Littlewoods Clearance business. Littlewoods Clearance was closed to drive cost efficiencies and benefit profitability of the overall business. Group revenue decreased by 0.8% to £1,119.5m (Q2 FY19 YTD: £1,128.5m).

Retail revenue

Retail revenue increased by 1.3% driven by Very growth of 5.1%, in a challenging market. Our multi-category range has continued to provide resilience against adverse movements in individual product categories. In FY20 we have commenced reporting on a revised set of product categories.

Fashion & Sports revenue increased by 5.1%, driven by continued strong performance across Men's, Women's and Children's Sportswear as well as contribution from the Topshop brand, launched in August 2019. Electrical revenue grew by 0.3% in Quarter 2 albeit declined by 0.9% in Q2 YTD, as the market continued to be challenging, especially in Gaming, where there has been a lack of innovation and new product launches in the year-to-date. Within Electrical, strong performance was seen in Audio, Small Domestic Appliances and Smart Tech. Home declined by 0.5%, including strong growth in Home Furnishings (8.1% compared to prior year period). Home remains an area of continued focus for further trajectory improvement under the revised category structure. Other Categories (which represents 13% of the retail revenue mix, includes Toys, Gifts, Beauty and Leisure) was flat against prior year.

Financial Services revenue

Financial Services revenue has decreased by 7.1% including a reduction in the volume of administration fees charged in the year to date as a result of changes we have made to our administration fees policy which are designed to help customers who are not in financial difficulty, but who fall periodically into arrears.

Notes:
1. BRC online retail market (non-food).
2. Q2 FY20 YTD is the 6 months ended 31 December 2019.
   Q2 FY19 YTD is the 6 months ended 31 December 2018.

INTERIM RESULTS STATEMENT (continued)

Review of the business (continued)

Financial Services revenue (continued)

Interest income performance has been impacted by a lower average debtor book in the year to date and higher customer payments with interest income as a percentage of the average debtor book decreasing by 0.4%pts to 11.5% (Q2 FY19 YTD: 11.9%).

Gross profit and costs

Gross margin rate decreased by 0.5%pts to 36.0% (Q2 FY19 YTD: 36.5%), largely driven by the impact of lower financial services income and partially offset by bad debt.

Bad debt as a percentage of the debtor book lower than prior year at 4.5% (Q2 FY19 YTD: 4.8%). There has been a continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the lifetime of lending, as well as increasing proportion of lower risk Very customers.

Distribution expenses increased slightly to £126.7m (Q2 FY19 YTD: £125.2m), reflecting retail sales growth. Administrative expenses before exceptional items, amortisation and depreciation decreased to £164.2m (Q2 FY19 YTD: £177.4m) primarily driven by savings made as part of ongoing cost reduction programmes and through adoption of IFRS 16, due to the reclassification of rent expense to interest and depreciation.

EBITDA

Reported EBITDA before exceptional costs increased 1.8% to £113.0m (Q2 FY19 YTD: £111.0m). As a percentage of Group revenue, the EBITDA margin increased 0.3%pts to 10.1% compared to the prior year. The higher EBITDA reflects continued strong cost performance and £3.7m impact on EBITDA from adopting IFRS 16. Underlying EBITDA, which excludes fair value and pension adjustments, increased 6.8% to £119.9m (Q2 FY19 YTD: £112.3m).

Finance costs

Pre-exceptional net finance costs of £54.9m (Q2 FY19 YTD: £49.7m) driven by higher ‘B’ and ‘C’ note drawings in the year to date, as well as the impact of transition to IFRS 16 and the corresponding reclassification of rent expense to interest and depreciation.

Exceptional items

Exceptional items charged to operating profit of £9.1m (Q2 FY19 YTD: £49.2m) include costs associated with the move to the new fulfilment and returns centre at East Midlands Gateway, as well as restructuring costs.

INTERIM RESULTS STATEMENT (continued)

Review of the business (continued)

Taxation

The tax charge in the income statement of £3.0m (Q2 FY19 YTD: credit of £2.4m) includes a current tax charge of £0.8m and a charge of £2.2m in relation to a decrease in the deferred tax asset.

Statement of cash flows

The cash and cash equivalents balance increased by £77.8m to £(10.0)m during the year-to-date (Q2 FY19 YTD: cash and cash equivalents increase of £58.1m to £95.8m), driven by drawdown of the securitisation facility, as well as a £75.0m share capital issue on 19 November 2019.

Cash flows in respect of capital additions for the period of £31.5m (Q2 FY19 YTD: £33.3m) across business-as-usual and strategic investments. The year-on-year decrease is driven by timing of investment in strategic projects.

Balance sheet

Increase in equity to £4.8m (30 June 2019: deficit £88.5m) driven by the profit for the period and equity injection of £75.0m on 19 November 2019.

Inventory increased to £121.3m (30 June 2019: £94.2m) reflecting seasonality. Working capital efficiency through inventory management remains a key focus. Trade and other receivables increased to £2,291.8m (30 June 2019: £2,103.6m) driven by an increase in trade debtors reflecting seasonality and year-on-year retail sales growth. Trade and other payables increased to £708.7m (30 June 2019: £502.6m) reflecting seasonality and year-on-year sales growth.

Securitisation borrowings increased to £1,435.6m (30 June 2019: £1,372.6m), broadly in line with gross trade debtors.

Funding update

The FY19 Annual Report and Group Financial Statements were prepared on a going concern basis. Within these, it was recognised that there was a material uncertainty due to the Group requiring £150.0m of additional funding following an unexpected late surge in PPI claim volumes ahead of the 29 August 2019 FCA deadline.

£75.0m was invested into The Very Group Limited on 19 November 2019 by way of equity injection.

The remaining £75.0m has been received in February 2020 by way of equity injection of £25.0m on 7 February 2020 and issue of £50.0m of ‘C2’ notes on 5 February 2020 under the securitisation facility.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		6 months to 31 Dec 2019			6 months to 31 Dec 2018			Year to 30 June 2019		
	Notes	Pre-exceptional items £'m	Exceptional items(5) £'m	Total £'m	Pre-exceptional items £'m	Exceptional items(5) £'m	Total £'m	Pre-exceptional items £'m	Exceptional items(5) £'m	Total £'m
Revenue	4	1,119.5	-	1,119.5	1,128.5	-	1,128.5	1,993.4	-	1,993.4
Operating profit/(loss)	4	86.3	(9.1)	77.2	88.9	(49.2)	39.7	226.2	(310.2)	(84.0)
Finance income		-	-	-	-	-	-	0.6	-	0.6
Finance costs		(54.9)	-	(54.9)	(49.7)	-	(49.7)	(102.1)	-	(102.1)
Profit/(loss) before tax		31.4	(9.1)	22.3	39.2	(49.2)	(10.0)	124.7	(310.2)	(185.5)
Tax (charge)/credit	8	(3.0)	-	(3.0)	2.4	-	2.4	(6.3)	21.8	15.5
Profit/(loss) for the period/year		28.4	(9.1)	19.3	41.6	(49.2)	(7.6)	118.4	(288.4)	(170.0)
Profit/(loss) attributable to equity holders of the Group		28.4	(9.1)	19.3	41.6	(49.2)	(7.6)	118.4	(288.4)	(170.0)

(5) – See note 5 - Exceptional items

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Profit/(loss) for the period/year	19.3	(7.6)	(170.0)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement on retirement benefit obligations before tax	(0.3)	(1.1)	2.0
Impact of pension scheme buy-out	-	-	22.2
Tax on pension scheme buy-out	-	-	(7.8)
Income tax effect	-	(1.2)	(3.4)
Other comprehensive (expense)/income	(0.3)	(2.3)	13.0
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss)/gain	(0.7)	0.3	(0.6)
Other comprehensive (expense)/income	(1.0)	(2.0)	12.4
Total comprehensive income/(expense) attributable to:			
Owners of the company	18.3	(9.6)	(157.6)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Assets				
Non-current assets				
Goodwill		202.5	252.5	202.5
Other intangible assets		229.6	213.4	215.1
Property, plant and equipment		8.5	11.3	10.2
Right-of-use assets	3	73.4	-	-
Deferred tax asset		146.9	130.9	149.1
		660.9	608.1	576.9
Current assets				
Inventories		121.3	117.2	94.2
Trade and other receivables	7	2,291.8	2,285.0	2,103.6
Income tax asset		-	0.4	1.8
Cash and bank balances		25.0	97.9	14.8
Derivative financial instruments	6	-	4.4	4.8
		2,438.1	2,504.9	2,219.2
Total assets		3,099.0	3,113.0	2,796.1
Equity and liabilities				
Equity				
Share capital	12	(175.0)	(100.0)	(100.0)
Accumulated deficit		170.2	40.5	188.5
Total (equity)/deficit		(4.8)	(59.5)	88.5
Non-current liabilities				
Loans and borrowings	10	(550.0)	(550.0)	(550.0)
Securitisation facilities	10	(1,435.6)	(1,461.9)	(1,372.6)
Retirement benefit obligations		(58.6)	(66.3)	(58.0)
Deferred income		(38.6)	(43.4)	(36.2)
Obligations under finance leases		(73.4)	(2.2)	(1.6)
Provisions	9	(5.3)	(22.2)	(16.8)
		(2,161.5)	(2,146.0)	(2,035.2)
Current liabilities				
Trade and other payables		(708.7)	(757.6)	(502.6)
Loans and borrowings	10	(35.0)	(2.1)	(102.6)
Obligations under finance leases		(5.5)	(1.7)	(1.5)
Deferred income		(58.1)	(63.8)	(61.9)
Provisions	9	(123.4)	(82.3)	(180.8)
Derivative financial instruments	6	(2.0)	-	-
		(932.7)	(907.5)	(849.4)
Total liabilities		(3,094.2)	(3,053.5)	(2,884.6)
Total equity and liabilities		(3,099.0)	(3113.0)	(2,796.1)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Retained earnings £'m	Total £'m
Changes in equity for the 6 months to 31 December 2019			
Balance as at 1 July 2019	100.0	(188.5)	(88.5)
Profit for the period	-	19.3	19.3
Other comprehensive expense	-	(1.0)	(1.0)
Total comprehensive income	-	18.3	18.3
Issue of share capital	75.0	-	75.0
Balance at 31 December 2019	175.0	(170.2)	4.8
Changes in equity for the 6 months to 31 December 2018			
Balance as at 1 July 2018 as previously reported	100.0	85.3	185.3
Changes on transition to IFRS 9	-	(116.2)	(116.2)
Balance as at 1 July 2018 as restated	100.0	(30.9)	69.1
Loss for the period	-	(7.6)	(7.6)
Other comprehensive expense	-	(2.0)	(2.0)
Total comprehensive expense	-	(9.6)	(9.6)
Balance at 31 December 2018	100.0	(40.5)	59.5
Changes in equity for the year to 30 June 2019			
Balance as at 1 July 2018 as previously reported	100.0	85.3	185.3
Changes on transition to IFRS 9	-	(116.2)	(116.2)
Balance as at 1 July 2018 as restated	100.0	(30.9)	69.1
Loss for the year	-	(170.0)	(170.0)
Other comprehensive income	-	12.4	12.4
Total comprehensive expense	-	(157.6)	(157.6)
Balance at 30 June 2019	100.0	(188.5)	(88.5)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Net cash flows from operating activities		(22.8)	(52.4)	(128.1)
Investing activities				
Interest received		-	-	0.6
Acquisitions of property, plant and equipment		(0.5)	(0.6)	(1.9)
Acquisitions of intangible assets		(31.0)	(32.7)	(49.8)
Net cash used in investing activities		(31.5)	(33.3)	(51.1)
Financing activities				
Repayments of finance leases		(5.9)	(0.7)	(1.5)
Issue of share capital		75.0	-	-
Drawdowns from securitisation facilities		63.0	144.5	55.2
Net cash flows from financing activities		132.1	143.8	53.7
Net increase/(decrease) in cash and cash equivalents		77.8	58.1	(125.5)
Opening cash and cash equivalents		(87.8)	37.7	37.7
Closing cash and cash equivalents	11	(10.0)	95.8	(87.8)

UNAUDITED RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FROM OPERATING ACTIVITIES

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Profit/(loss) for the period/year	19.3	(7.6)	(170.0)
Adjustments for:			
Depreciation	4.7	1.3	2.0
Amortisation	22.0	20.8	42.8
Impairment of intangible assets	-	-	3.7
Impairment loss on fixtures and equipment	1.0	0.6	2.2
Impairment of goodwill	-	-	50.0
Financial instrument net losses/(gains) through profit and loss	6.8	(1.9)	(2.3)
Finance income	-	-	(0.6)
Finance costs	54.2	48.7	100.4
Income tax expense/(credit)	3.0	(2.4)	(15.5)
(Decrease)/increase in provisions	(68.9)	(23.3)	69.8
Adjustments for pensions	2.2	(7.1)	9.6
Operating cash flows before movements in working capital	44.3	29.1	92.1
(Increase)/decrease in inventories	(27.1)	(15.3)	7.7
Increase in trade and other receivables	(188.5)	(220.5)	(39.9)
Increase/(decrease) in trade and other payables	198.7	201.9	(72.6)
Cash generated/(absorbed) by operations	27.4	(4.8)	(12.7)
Income taxes (paid)/received	(0.2)	0.1	(17.1)
Interest paid	(50.0)	(47.7)	(98.3)
Net cash flows from operating activities	(22.8)	(52.4)	(128.1)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Very Group Limited (formerly Shop Direct 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. With effect from 13 January 2020, the name of the Company was changed from Shop Direct Limited to The Very Group Limited.

These condensed consolidated interim financial statements were approved for issue on 27 February 2020.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the six months ended 31 December 2019 should be read in conjunction with the annual financial statements for the year ended 30 June 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial information for the year ended 30 June 2019 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 EU, will be 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 year ended 30 June 2020 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. 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 year ended 30 June 2020.

The financial statements are drawn up to the Saturday nearest to 30 June or 31 December, or to 30 June or 31 December where this falls on a Saturday.

Going concern

At year end the Directors recognised that there was a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern. The material uncertainty was due to a material increase in the volume of customer redress claims in the weeks leading up to the FCA set deadline of 29 August 2019 resulting in an additional £150.0m provision being recognised as at 30 June 2019. The Directors resolved to seek additional funding of £150.0m to meet the final customer redress claims liability and ensure that the Group has sufficient liquidity to continue its business activities as a going concern.

On 19 November 2019 the Group received a £75.0m equity injection from its parent Shop Direct Holdings Limited. On 7 February 2020 the Group received a further £25.0m equity injection from its parent Shop Direct Holdings Limited.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Going concern (continued)

In addition to the equity injections, the Group issued £50 million of new "C-2" notes under the existing receivables securitisation programme on 5 February 2020. This concludes the Group's funding of £150.0m to meet the final customer redress claims liability and ensures that the Group has sufficient liquidity to continue its business activities as a going concern.

As such the Directors no longer consider that there is a material uncertainty regarding the Group's ability to continue as a going concern given the updated funding. After making appropriate enquiries the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

New and revised standards

IFRS 16 Leases

During the current financial year, the Group has adopted IFRS 16 which supersedes IAS 17 (Leases) and was effective for accounting periods beginning on or after 1 January 2019. Under IFRS 16, a lessee recognises a 'right-of-use' asset for all leases, which represents its right to use the underlying leased asset for the period of the lease. At the commencement date of a lease, a lessee is required to recognise both a right-of-use asset and a lease liability. Note 3 details the IFRS 16 leases transition and accounting policy choices applied.

3. IFRS 16 transition

IFRS 16 was adopted by the Group on 1 July 2019 and the modified retrospective approach was applied to transition. Under the modified retrospective approach, a lessee does not restate comparative figures; instead the Group applies the new standard from the beginning of the current period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. IFRS 16 transition (continued)

Initial measurement

At the commencement date, the right-of-use asset is measured at cost, which is equal to the amount of the initial measurement of the lease liability plus payments made less incentives received before the commencement date of the lease.

The lease liability is measured initially at the present value of unpaid lease payments. The present value of unpaid lease payments is the total lease payments unpaid, discounted at either the interest rate implicit in the lease or if that is not available, the Group's incremental borrowing rate.

The Directors consider the Group's incremental borrowing rate to be a critical accounting estimate and have used the rate of interest that best reflects what the Group would have to pay to borrow over a similar term, with a similar security and in a similar economic environment to its leases.

A 1% increase in the incremental borrowing rate used would decrease the opening value of right-of-use assets and equal lease liability by £5.2m. A 1% decrease in the incremental borrowing rate would increase the opening value right-of-use assets and equal lease liability by £5.8m.

The following accounting policy choices have been applied:

- The requirements of IFRS 16 have not been applied to leases of less than 12 months and those leases with an annual cost of less than £5,000 (such costs are recognised on a straight line or other systematic basis);
- IAS 17 lease assessments have been grandfathered (lease definition conclusions applied under IAS 17 have been carried forward on transition to IFRS 16);
- Non-lease components are not separated from lease components within the lease liability;
- No costs have been included in the right-of-use asset value for dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- VAT is not included in the lease liability.

Subsequent measurement

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability arising from a reassessment of lease term, revision to lease break assumptions or revision to in-substance fixed lease repayments. The depreciation and impairment accounting policies applied to the right-of-use assets are consistent with those applied to the respective tangible asset categories with depreciation charged on a straight-line basis over the lease term.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted to reflect any reassessment of lease term, revision to lease break assumptions or revision to in-substance fixed lease repayments. The interest expense is recognised within Finance costs within the Income statement.

The following tables present the assets and liabilities recognised on the balance sheet in relation to assets leased by the Group. Comparative information has not been provided for the reasons set out above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. IFRS 16 transition (continued)

Right-of-use assets

	Cost £'m	Accumulated Depreciation £'m	Total £'m
At 1 July 2019	79.7	-	79.7
Adjustments	(2.3)	-	(2.3)
Depreciation	-	(4.0)	(4.0)
At 31 December 2019	77.4	(4.0)	73.4

The adjustments to the cost of the right-of-use assets relate to a rent reduction and lease incentive received in October 2019.

Lease liabilities recognised on transition

	Total £'m
At 1 July 2019	79.5
Disposals	(0.8)
Interest	3.0
Payments	(5.2)
At 31 December 2019	76.5

The opening lease liability reflects an amount equal to the lease liability on transition of £79.7m, adjusted for prepaid lease payments of £0.2m.

The right-of-use liability was due as follows at 31 December 2019;

	£'m
Due within 1 year	4.9
Due 2 - 5 years	10.4
Due after 5 years	61.2
Total	76.5

Reporting under IFRS 16 rather than IAS 17 has resulted in a positive EBITDA impact during the 6 months to 31 December 2019 of £3.7m.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Segmental analysis

By business segment

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Analysis of revenue:			
Very†	857.3	831.8	1,488.1
Littlewoods◊	262.2	296.7	505.3
	1,119.5	1,128.5	1,993.4
Gross profit	402.5	412.2	788.8
Distribution costs excluding depreciation	(126.7)	(125.2)	(224.9)
Administrative costs excluding depreciation and amortisation	(164.2)	(177.4)	(295.6)
Other operating income	1.4	1.4	2.7
Pre-exceptional EBITDA*:			
Very†	158.5	161.7	344.3
Littlewoods◊	60.7	70.4	139.9
Central costs	(106.2)	(121.1)	(213.2)
	113.0	111.0	271.0
Exceptional items	(9.1)	(49.2)	(310.2)
Depreciation	(4.7)	(1.3)	(2.0)
Amortisation	(22.0)	(20.8)	(42.8)
Operating profit/(loss)	77.2	39.7	(84.0)
Finance income	-	-	0.6
Finance costs	(54.9)	(49.7)	(102.1)
Profit/(loss) before taxation	22.3	(10.0)	(185.5)

The analysis above 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 and VeryExclusive.co.uk.
◊ Littlewoods revenue includes Littlewoods.com and LittlewoodsIreland.ie.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Segmental analysis (continued)

By geographical location of destination

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Revenue:			
United Kingdom	1,071.3	1,083.5	1,916.8
Rest of World	48.2	45.0	76.6
	1,119.5	1,128.5	1,993.4
Operating profit/(loss):			
United Kingdom	73.6	36.8	(89.8)
Rest of World	3.6	2.9	5.8
	77.2	39.7	(84.0)

The analysis above is in respect of continuing operations.

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

Non-GAAP measures

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Reconciliation of pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") to underlying EBITDA			
Pre-exceptional EBITDA	113.0	111.0	271.0
Adjusted for:			
Fair value adjustments to financial instruments	6.8	(1.9)	(2.3)
Foreign exchange translation movements on trade creditors	(1.4)	2.2	2.6
IAS19 and IFRIC14 pension adjustments	1.5	1.0	1.1
Underlying EBITDA	119.9	112.3	272.4

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Exceptional items before tax

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Regulatory costs and associated administrative expenses	-	41.0	241.0
Restructuring costs	4.2	4.4	13.0
New fulfilment centre	3.9	2.8	1.5
Impairment of intangible assets	-	-	3.7
Impairment of goodwill	-	-	50.0
Professional fees	1.0	1.0	1.0
	9.1	49.2	310.2

The restructuring costs reflect expenditure on the rationalisation of processes and functions within the Group. On 10 October 2018 the Group announced plans to close its standalone clearance operation, Littlewoods Clearance, which comprises seven UK outlets, websites, a fulfilment centre and head office team.

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 plans to begin exiting its existing fulfilment sites in Greater Manchester from mid-2020. As the Group is dual running multiple sites, all running costs for the East Midlands site including depreciation and finance costs related to the site's finance leases are included in exceptional costs. When the East Midlands site becomes the Group's principal distribution centre, running costs associated with East Midlands will be charged to normal operating profit, with any remaining running costs for the existing sites to be charged to exceptional costs.

The professional fees relate to corporate projects.

During the financial year ended 30 June 2019, the Group recognised regulatory charges of £241.0m to cover the estimated cost of customer redress claims in respect of historic shopping insurance sales to the claim's deadline set by the FCA of 29 August 2019. The provision is expected to be fully utilised within 12 months.

Impairment of intangible assets during the year ended 30 June 2019 relates to the impairment of brands.

Impairment of goodwill during the year ended 30 June 2019 relates to the impairment of the goodwill that arose on acquisition of Douglas Insurance Limited in 2008.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Derivative financial instruments

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

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Notional amount – Sterling contract value	123.7	120.8	106.0
Fair value of (liability)/asset recognised	(2.0)	4.4	4.8

Changes in the fair value of derivative financial instruments amounted to a loss of £6.8m in the period (6 months to 31 December 2018: gain of £1.9m), which is included in administrative expenses.

The fair value of foreign currency derivatives 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.

7. Trade and other receivables

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Trade receivables	1,514.8	1,539.1	1,374.4
Amounts owed by group undertakings (note 13)	515.1	503.7	514.5
Prepayments and other receivables	261.9	242.2	214.7
	2,291.8	2,285.0	2,103.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Taxation

The taxation charge for the 6 months to 31 Dec 2019 is based on the estimated tax rate for the full year to 30 June 2020 of 19.0% (6 months to 31 Dec 2018: 19.0%).

	6 months to 31 Dec 2019 £'m	6 months to 31 Dec 2018 £'m	Year to 30 June 2019 £'m
Current taxation			
UK corporation tax	(0.1)	(0.5)	(0.5)
Prior year adjustment	-	-	(6.7)
Foreign tax	(0.7)	(0.5)	(1.1)
Total current income tax	(0.8)	(1.0)	(8.3)
Deferred tax			
Arising from origination and reversal of temporary differences	(2.2)	3.4	23.8
Tax (charge)/credit in the income statement	(3.0)	2.4	15.5

9. Provisions

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2019	0.8	22.2	174.6	197.6
Increase in provisions	-	2.1	-	2.1
Provisions utilised	-	(3.3)	(67.7)	(71.0)
At 31 Dec 2019	0.8	21.0	106.9	128.7
Non-current	-	5.3	-	5.3
Current	0.8	15.7	106.9	123.4
	0.8	21.0	106.9	128.7

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Provisions (continued)

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2018	0.8	26.6	100.4	127.8
Increase in provisions	-	5.0	41.0	46.0
Provisions utilised	-	(1.8)	(67.5)	(69.3)
At 31 Dec 2018	0.8	29.8	73.9	104.5
Non-current	-	22.2	-	22.2
Current	0.8	7.6	73.9	82.3
	0.8	29.8	73.9	104.5

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2018	0.8	26.6	100.4	127.8
Increase in provisions	-	6.8	241.0	247.8
Provisions utilised	-	(11.2)	(166.8)	(178.0)
At 30 June 2019	0.8	22.2	174.6	197.6
Non-current	-	16.8	-	16.8
Current	0.8	5.4	174.6	180.8
	0.8	22.2	174.6	197.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Borrowings

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,435.6	1,461.9	1,372.6
Senior secured notes	550.0	550.0	550.0
	1,985.6	2,011.9	1,922.6
Current loans and borrowings at amortised cost			
Secured revolving credit facility	35.0	-	95.0
Unsecured bank overdrafts	-	2.1	7.6
	35.0	2.1	102.6

The underlying currency of the unsecured bank overdrafts of £nil (31 Dec 2018: £2.1m) is Euros. Within the securitisation facility £26.3m (31 Dec 2018: £29.2m) is denominated in Euros. The underlying currency of all the other borrowings and overdrafts set out above is Sterling.

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
The borrowings are repayable as follows:			
Within one year	35.0	2.1	102.6
In the second year	26.3	-	-
In the third to fifth year	1,959.3	2,011.9	1,922.6
Over five years	-	-	-
Amount due for settlement after one year	1,985.6	2,011.9	1,922.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Borrowings (continued)

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

(a) The Group has a UK securitisation facility against which it has drawn £1,409.3m (31 Dec 2018: £1,432.7m), secured by a charge over certain eligible trade debtors of the Group. The facility is composed of 'A-S' Notes (£1,143.3m), 'A-J' Notes (£181.7m), 'B' Notes (£105.0m) and 'C1' Notes (£105.0m), a total maximum commitment of £1,535.0m which expires in December 2022. In February 2020 an additional £50.0m of 'C2' Notes have been issued.
(b) The Group has an Irish securitisation facility against which it has drawn £26.3m (31 Dec 2018: £29.2m), secured by a charge over certain eligible trade debtors of the Group. The facility has a total maximum commitment of €38.0m which expires in December 2021.
(c) The Group has senior secured notes of £550.0m, at 7.75%, due November 2022 with a secured revolving credit facility of £150.0m of which £35.0m was drawn down at 31 December 2019 (31 Dec 2018: £nil).

11. Cash and cash equivalents

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Cash at bank	25.0	97.9	14.8
Secured revolving credit facility	(35.0)	-	(95.0)
Bank overdrafts	-	(2.1)	(7.6)
Cash and cash equivalents in statement of cash flows	(10.0)	95.8	(87.8)

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of 12 months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to fair value. The revolving credit facility, which expires in May 2022, rolls over on a monthly basis and hence is classified within cash and cash equivalents, and is classified as repayable within one year (see note 10).

12. Share capital

Allotted, called up and fully paid shares

	31 Dec 2019		31 Dec 2018		30 June 2019	
	No. m	£'m	No. m	£'m	No. m	£'m
Ordinary shares of £1 each	175	175	100	100	100	100

The Company issued 75,000,000 ordinary shares of £1 each at a nominal value of £1 per share on 19 November 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 The Very Group Limited Group:

Recharged costs

	31 Dec 2019 £'m	30 Dec 2018 £'m	30 June 2019 £'m
Yodel Delivery Network Limited	2.2	2.4	5.2
Arrow XL Limited	0.2	0.3	0.6
	2.4	2.7	5.8

Purchase of services

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Yodel Delivery Network Limited	(30.9)	(35.3)	(61.5)
Drop & Collect Limited	(14.0)	(13.9)	(24.6)
Arrow XL Limited	(21.5)	(21.5)	(42.9)
Trenport Holdings Limited	(0.3)	(0.8)	(1.6)
Telegraph Media Group Limited	(0.3)	-	(1.7)
Shop Direct Holdings Limited	(2.5)	(2.5)	(5.0)
	(69.5)	(74.0)	(137.3)

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

	31 Dec 2019 £'m	31 Dec 2018 £'m	30 June 2019 £'m
Shop Direct Holdings Limited	480.5	475.5	480.5
Yodel Delivery Network Limited	1.6	0.4	0.2
Drop & Collect Limited	0.1	0.3	0.3
Arrow XL Limited	0.7	-	0.3
Primevere Limited	21.0	13.0	22.0
Primevere Equipment Limited	11.2	14.5	11.2
	515.1	503.7	514.5

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.

14. Events after the balance sheet date

On 7 February 2020, the Group issued 25.0m fully paid up ordinary shares at par value of £1 each.

15. Seasonality

The retail sales for the Group are subject to seasonal fluctuations. Demand is highest during the months of October to December.