REGISTERED NUMBER: 04730752

THE VERY GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 13 weeks ended 2 October 2021

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For the 13 weeks ended 2 October 2021

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INTERIM RESULTS STATEMENT

The Directors present their interim results statement of The Very Group Limited and its subsidiaries ("the Group") for the 13 week period ended 2 October 2021.

Review of the business

As we begin to annualise against a strong FY21, our business continues to demonstrate is relevance to our customers, as demonstrated by our Q1 FY22 YTD[1] results. Pre-exceptional EBITDA[2] increased 21.5% to £70.1m (Q1 FY21 YTD: £57.6m). The profit before tax for the period increased to £13.5m (Q1 FY21 YTD: profit of £8.6m) after recognising exceptional items of £13.7m (Q1 FY21 YTD: £4.6m).

Group sales

Group sales[3] increased by 3.9% to £484.1m (Q1 FY21 YTD: £466.1m). Very.co.uk revenue grew 9.6% to £403.8m (Q1 FY21 YTD: £368.5m), benefitting from its combination of famous brands, mobile-first customer experience and options to spread the cost of purchases using credit. Littlewoods revenue was down 17.7% to £80.3m (Q1 FY21 YTD: £97.6m).

Retail sales

Retail sales[4] increased by 3.9% with our flagship brand Very.co.uk growing retail sales by 8.6%. Our robust business model which offers a multi-category range has continued to provide resilience against adverse movements in individual product categories as we annualise against a particularly strong Q1 in FY21.

The Covid-19 pandemic in the UK saw shifts in consumer spending habits with a focus on product categories that support home living and working. As we annualise against this, we are beginning to see a shift back to a more typical basket. Accordingly, our biggest growth came in Fashion & Sports, with sales increasing by 14.5% in Q1 FY22 YTD. This was driven by particularly strong performances in ladies' high street brands, as well as men's and women's casualwear. Sportswear remains a key proposition, reporting growth of 7.3% in Q1 FY22 YTD (8.2% in clothing, 6.4% in footwear). Electrical revenue grew by 5.3% in Q1 FY22 YTD, driven by significant growth in gaming which offset a contraction in vision and smart home following strong performances last year. Home revenue, which benefitted from a shift in customer spending habits in FY21, decreased by 16.7% reflecting the change in customer priorities following lockdown. Developing categories (which represents 8.5% of the retail sales mix and includes toys, gifts, beauty and leisure) grew by 3.2% in Q1 FY22 YTD, resulting from solid performances across personal care, outdoor toys and football products.

Notes:
1. Q1 FY22 YTD is the 13 weeks ended 2 October 2021. Q1 FY21 YTD is the 13 weeks ended 26 September 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) has increased by 4.7% driven by interest income which has increased as the debtor book has increased. Ongoing improvement of the customer journey (including ongoing enhancements to approval decisions using the most up-to-date credit bureau data and proactive measures to ensure credit limit increases are affordable), are driving an improvement in the quality of the book and bad debt (as below). Interest income as a percentage of the average debtor book has increased slightly to 5.6% (Q1 FY21 YTD: 5.4%).

The growth in interest income has been slightly offset by a fall in insurance and warranty income. Administration fees have been broadly flat year on year.

Gross profit and costs

Gross margin rate increased by 0.3%pts to 38.4% (Q1 FY21 YTD: 38.1%), reflecting increased financial services revenue and lower bad debt, which has offset the brand switch to Very from Littlewoods and lower retail margin seen in the period.

Bad debt expense as a percentage of the average debtor book was lower than prior year at 1.2% (Q1 FY21 YTD: 1.4%), reflecting our continued investment in improving our credit decisioning processes.

Pre-exceptional distribution expenses remained flat at £49.1m (Q1 FY21 YTD: £49.1m), and accordingly as a percentage of revenue, decreased to 10.1% (Q1 FY21 YTD: 10.5%). Within this result we are seeing continued benefits from the opening of the new fulfilment and returns centre at East Midlands Gateway. Administrative expenses before exceptional items, amortisation and depreciation were £67.6m (Q1 FY21 YTD: £71.2m) which as a percentage of revenue is 14.0% (Q1 FY21 YTD: 15.3%). This decrease is driven by savings made as part of a continued focus on managing the cost base. Total costs, excluding exceptional items, depreciation and amortisation, as a percentage of revenue decreased to 24.1% (Q1 FY21 YTD: 25.8%).

Pre-exceptional EBITDA and underlying EBITDA

Pre-exceptional EBITDA increased 21.7% to £70.1m (Q1 FY21 YTD: £57.6m). As a percentage of Group sales, the pre-exceptional EBITDA margin[5] increased 2.1%pts to 14.5% compared to the prior year (Q1 FY21 YTD: 12.4%). The higher pre-exceptional EBITDA reflects continued revenue growth and strong cost control. Underlying EBITDA[6], which excludes fair value and pension adjustments, increased 9.9% to £65.6m (Q1 FY21 YTD: £59.7m).

Finance costs

Net finance costs (before exceptional items) of £23.5m are lower than prior year, driven by lower interest on our newly refinanced bond (Q1 FY21 YTD: £27.4m).

Exceptional items

Exceptional items of £13.7m (Q1 FY21 YTD: £4.6m) relate to costs incurred as part of the refinancing of the £550m bond with the new £575m bond. Q1 FY21 YTD costs include those associated with the move to East Midlands Gateway.

INTERIM RESULTS STATEMENT (continued)

Taxation

The tax charge in the income statement of £2.5m is based on management's best estimate of the full year effective tax rate based on estimated full year profits (Q1 FY21 YTD: charge £0.7m). For the 13 weeks ended 2 October 2021 the effective tax rate that has been applied is 19% (3 October 2020: 8%). The tax charge includes a £2.6m credit in relation to exceptional items charged in the period (Q1 FY21 YTD: £1.1m).

Statement of cash flows

Cash and cash equivalents decreased by £56.1m to £22.0m during the period (Q1 FY21 YTD: net cash and cash equivalents decrease of £85.9m to £120.5m). The cash outflow is driven by i) movement in inventories albeit to a lesser extent than at Q1 FY21 YTD and ii) decrease in trade and other payables. In particular, the movement in inventories reflects a conscious stock build ahead of our peak trading quarter, with stock levels higher than this time last year despite the lower cash outflow (owing to a lower opening inventory position in FY21 as a result of strong trading in Q4 FY20).

Cash flows in respect of capital additions for the period of £18.4m (Q1 FY21 YTD: £14.8m) were across business-as-usual and strategic investments.

Financial position

Increase in equity of £11.0m to £221.0m (3 July 2021: equity £210.0m, 26 September 2020: equity £107.9m) was driven by the profit for the period.

Inventory held at 2 October 2021 increased against the 3 July 2021 position to £133.6m (3 July 2021: £102.2m, 26 September 2020: £113.0m) as we build towards our peak trading period. Working capital efficiency through inventory management remains a key focus. Trade and other receivables at 2 October 2021 decreased against the 3 July 2021 position to £2,069.5m, although this is up on the equivalent period last year (3 July 2021: £2,075.5m, 26 September 2020: £2,046.1m), reflecting sales growth from the position at Q1 FY21. Trade and other payables at 2 October 2021 decreased to £528.5m (3 July 2021: £566.1m, 26 September 2020: £545.0m).

The regulatory provision at 2 October 2021 has decreased against the 3 July 2021 position to £8.7m (3 July 2021: £11.1m, 26 September 2020: £90.6m) following £2.4m payments being made in the 3 month period. The remaining provision is expected to be fully utilised within 12 months.

Total lease liabilities at 2 October 2021 decreased slightly to £174.1m from 3 July 2021 position (3 July 2021: £178.3m, 26 September 2020: £159.1m), as we have now fully transitioned to our East Midlands Gateway site.

Securitisation borrowings decreased to £1,375.7m from the year end position (3 July 2021: £1,389.2m, 26 September 2020: £1,327.4m), driven by the decrease in gross trade debtors. The UK securitisation facility expires in December 2023 and has a total facility size of £1,585.0m. The securitisation borrowings also include £23.6m (3 July 2021: £25.2m, 26 September 2020: £24.5m) relating to the balance sheet receivables of Shop Direct Ireland Limited.

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)

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 (£2,036.5m total borrowings with £88.2m maturing within 12 months, £1,924.7m maturing within 5 years and £23.6m maturing in more than 5 years). Further detail 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

	13 weeks to 2 October 2021	13 weeks to 26 September 2020	53 Weeks to 3 July 2021
	£ m	£ m	£ m
Operating profit	50.7	36.0	188.6
Adjusted for exceptional items	-	4.6	41.3
Operating profit before exceptional items	50.7	40.6	229.9
Adjusted for: depreciation and amortisation	19.4	17.0	70.4
Pre-exceptional EBITDA	**70.1**	**57.6**	**300.3**

INTERIM RESULTS STATEMENT (continued)

Alternative performance measures (continued)

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

	13 weeks to 2 October 2021	**13 weeks to 26 September 2020**	**53 Weeks to 3 July 2021**
	£ m	**£ m**	**£ m**
Pre-exceptional EBITDA	70.1	57.6	300.3
Group Sales	484.1	466.1	2,317.1
Pre-exceptional EBITDA margin	**14.5%**	**12.4%**	**13.0%**

Reconciliation of operating profit to underlying EBITDA

	13 weeks to 2 October 2021	**13 weeks to 26 September 2020**	**53 Weeks to 3 July 2021**
	£ m	**£ m**	**£ m**
Operating profit	50.7	36.0	188.6
Adjusted for exceptional items	-	4.6	41.3
Operating profit before exceptional items	50.7	40.6	229.9
Adjusted for: depreciation and amortisation	19.4	17.0	70.4
Pre-exceptional EBITDA	70.1	57.6	300.3
Adjusted for:			
Fair value adjustments to financial instruments	(2.9)	2.7	3.1
Fair value adjustments to trade creditors	(1.6)	(1.4)	(3.1)
Pension adjustments	-	0.8	0.2
Underlying EBITDA	**65.6**	**59.7**	**300.5**

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		13 weeks to 2 October 2021 (unaudited)			13 weeks to 26 September 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		390.3	-	390.3	376.5	-	376.5	1,957.5	-	1,957.5
Rendering of services		93.8	-	93.8	89.6	-	89.6	359.6	-	359.6
Total revenue	3	484.1	-	484.1	466.1	-	466.1	2,317.1	-	2,317.1
Cost of sales		(298.0)	-	(298.0)	(288.5)	-	(288.5)	(1,470.9)	-	(1,470.9)
Gross profit		186.1	-	186.1	177.6	-	177.6	846.2	-	846.2
Distribution costs		(49.1)	-	(49.1)	(49.1)	-	(49.1)	(241.6)	(8.4)	(250.0)
Administrative costs		(87.0)	-	(87.0)	(88.2)	(4.6)	(92.8)	(376.5)	(32.9)	(409.4)
Other operating income		0.7	-	0.7	0.3	-	0.3	1.8	-	1.8
Operating profit	3	50.7	-	50.7	40.6	(4.6)	36.0	229.9	(41.3)	188.6
Finance income		-	-	-	-	-	-	0.2	-	0.2
Finance costs		(23.5)	(13.7)	(37.2)	(27.4)	-	(27.4)	(107.1)	-	(107.1)
Profit before tax		27.2	(13.7)	13.5	13.2	(4.6)	8.6	123.0	(41.3)	81.7
Tax (charge)/credit	7	(5.1)	2.6	(2.5)	(1.8)	1.1	(0.7)	20.2	7.4	27.6
Profit for the period		22.1	(11.1)	11.0	11.4	(3.5)	7.9	143.2	(33.9)	109.3
Profit attributable to equity holders of the Group		22.1	(11.1)	11.0	11.4	(3.5)	7.9	143.2	(33.9)	109.3

The above results were derived from continuing operations.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	13 weeks to 2 October 2021 (unaudited) £'m	13 weeks to 26 September 2020 (unaudited) £'m	53 Weeks to 3 July 2021 (audited) £'m
Profit for the period		11.0	7.9	109.3
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement on retirement benefit obligations before tax		-	40.3	50.4
Income tax effect	7	-	(0.1)	(8.7)
Other comprehensive income for the period for items that will not be reclassified subsequently to profit or loss		-	40.2	41.7
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation loss		-	(0.8)	(1.6)
Other comprehensive income for the period		11.0	39.4	40.1
Total comprehensive income attributable to:				
Owners of the company		11.0	47.3	149.4

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2 October 2021 (unaudited) £'m	26 September 2020 (unaudited) £'m	3 July 2021 (audited) £'m
Assets				
Non-current assets				
Goodwill		202.5	202.5	202.5
Intangible assets		248.9	237.0	246.8
Property, plant and equipment		24.9	10.6	25.7
Right-of-use assets		160.5	142.3	164.1
Deferred tax assets		189.1	172.8	194.2
		825.9	765.2	833.3
Current assets				
Inventories		133.6	113.0	102.2
Trade and other receivables	6	2,069.5	2,046.1	2,075.5
Income tax asset		4.4	-	1.5
Cash at bank	10	22.0	120.5	78.1
Derivative financial instruments	5	2.3	-	-
		2,231.8	2,279.6	2,257.3
Total assets		3,057.7	3,044.8	3,090.6
Equity				
Share capital	11	(200.0)	(200.0)	(200.0)
Accumulated (profit)/deficit		(21.0)	92.1	(10.0)
Equity attributable to owners of the company		(221.0)	(107.9)	(210.0)
Non-current liabilities				
Loans and borrowings	9	(572.6)	(550.0)	(550.0)
Securitisation facility	9	(1,375.7)	(1,327.4)	(1,389.2)
Retirement benefit obligations		(1.6)	(19.6)	(1.6)
Deferred income		(25.2)	(28.3)	(26.4)
Lease liabilities		(163.3)	(146.0)	(166.7)
		(2,138.4)	(2,071.3)	(2,133.9)
Current liabilities				
Trade and other payables		(528.5)	(545.0)	(566.1)
Loans and borrowings	9	(88.2)	(150.0)	(90.0)
Retirement benefit obligations		(8.7)	-	(8.7)
Lease liabilities		(10.8)	(13.0)	(11.6)
Deferred income		(47.8)	(54.4)	(48.6)
Provisions	8	(14.3)	(103.0)	(21.1)
Derivative financial instruments	5	-	(0.2)	(0.6)
		(698.3)	(865.6)	(746.7)
Total liabilities		(2,836.7)	(2,936.9)	(2,880.6)
Total equity and liabilities		(3,057.7)	(3,044.8)	(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 13 weeks to 2 October 2021 (unaudited)			
Balance as at 4 July 2021	200.0	10.0	210.0
Profit for the period	-	11.0	11.0
Other comprehensive income	-	-	-
Total comprehensive income	-	11.0	11.0
Balance at 2 October 2021	200.0	21.0	221.0
Changes in equity for the 13 weeks to 26 September 2020 (unaudited)			
Balance as at 28 June 2020	200.0	(139.4)	60.6
Profit for the period	-	7.9	7.9
Other comprehensive income	-	39.4	39.4
Total comprehensive income	-	47.3	47.3
Balance at 26 September 2020	200.0	(92.1)	107.9
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

	13 weeks to 2 October 2021 (unaudited) £'m	13 weeks to 26 September 2020 (unaudited) £'m	53 Weeks to 3 July 2021 (audited) £'m
Cash flows from operating activities			
Profit for the period	11.0	7.9	109.3
Adjustments for:			
Depreciation	5.0	4.0	15.6
Amortisation	14.4	13.2	54.8
Financial instrument net (gains)/losses through profit and loss	(2.9)	2.7	3.1
Finance income	-	-	(0.2)
Finance costs	37.2	27.4	106.3
Income tax charge/(credit)	2.5	0.7	(27.6)
Decrease in provisions	(6.8)	(22.8)	(104.6)
Adjustments for pensions	-	1.0	1.1
Operating cash flows before movements in working capital	60.4	34.1	157.8
Increase in inventories	(31.4)	(47.6)	(36.8)
Decrease/(increase) in trade and other receivables	0.8	26.2	(1.0)
(Decrease)/increase in trade and other payables	(38.8)	(2.8)	19.0
Cash (absorbed)/generated by operations	(9.0)	9.9	139.0
Income taxes paid	(0.6)	(0.1)	(3.0)
Interest paid	(22.5)	(16.9)	(103.2)
Net cash (outflows)/inflows from operating activities	**(32.1)**	**(7.1)**	**32.8**

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	13 weeks to 2 October 2021 (unaudited) £'m	13 weeks to 26 September 2020 (unaudited) £'m	53 Weeks to 3 July 2021 (audited) £'m
Net cash (outflows)/inflows from operating activities	(32.1)	(7.1)	32.8
Cash flows from investing activities			
Interest received	-	-	0.2
Acquisitions of property plant and equipment	(0.3)	-	(18.6)
Acquisitions of intangible assets	(18.1)	(14.8)	(67.9)
Net cash outflows from investing activities	(18.4)	(14.8)	(86.3)
Cash flows from financing activities			
Payments of lease liabilities	(6.4)	(6.0)	(18.6)
(Repayments of)/proceeds from securitisation facility	(13.5)	(58.0)	3.8
Net proceeds from senior secured notes	25.0	-	-
Payment of bond early redemption premium	(10.7)	-	-
Repayment of secured revolving credit facility	-	-	(60.0)
Net cash outflows from financing activities	(5.6)	(64.0)	(74.8)
Net decrease in cash and cash equivalents	(56.1)	(85.9)	(128.3)
Opening cash and cash equivalents (Note 10)	78.1	206.4	206.4
Closing cash and cash equivalents (Note 10)	22.0	120.5	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 ecommerce and technology capabilities, and unique financial services products offering flexible ways to pay.

These consolidated interim financial statements were approved for issue on 17th November 2021.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the 13 weeks ended 2 October 2021 should be read in conjunction with the annual financial statements for the year 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 the 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 year ended 3 July 2021.

The financial information included in this set of condensed accounts for the year 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 2 October 2021 for the current 13 week period. The financial information for the comparative periods relates to the 13 week period ended Saturday 26 September 2020 and the 53 week period ended Saturday 3 July 2021.

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 year ended 3 July 2021. There have been no changes to the Group's critical accounting judgements and key sources of estimation uncertainty in the 13 weeks ended 2 October 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

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 Statement or they are not currently relevant for the Group.

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 12 months from the date of issue of these interim financial statements. These have been considered in conjunction with the current economic climate, including the Covid-19 pandemic.

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 12 months, and they are confident the Group will satisfy covenant requirements.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

Going concern (continued)

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 focussed 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

	13 weeks to 2 October 2021 £'m	**13 weeks to 26 September 2020 £'m**	**53 Weeks to 3 July 2021 £'m**
Analysis of revenue:			
Very†	403.8	368.5	1,878.4
Littlewoods◊	80.3	97.6	438.7
	484.1	466.1	2,317.1
Gross profit	186.1	177.6	846.2
Distribution costs excluding depreciation	(49.1)	(49.1)	(241.6)
Administrative costs excluding depreciation and amortisation	(67.6)	(71.2)	(306.1)
Other operating income	0.7	0.3	1.8
Pre-exceptional EBITDA*:			
Very†	95.1	83.7	399.0
Littlewoods◊	23.6	25.4	120.6
Central costs	(48.6)	(51.5)	(219.3)
	70.1	57.6	300.3
Exceptional items	-	(4.6)	(41.3)
Depreciation	(5.0)	(3.8)	(15.6)
Amortisation	(14.4)	(13.2)	(54.8)
Operating profit	50.7	36.0	188.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

	13 weeks to 2 October 2021 £'m	13 weeks to 26 September 2020 £'m	53 Weeks to 3 July 2021 £'m
Operating profit	50.7	36.0	188.6
Finance income	-	-	0.2
Finance costs	(23.5)	(27.4)	(107.1)
Exceptional finance costs	(13.7)	-	-
Profit before taxation	13.5	8.6	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

	13 weeks to 2 October 2021 £'m	13 weeks to 26 September 2020 £'m	53 Weeks to 3 July 2021 £'m
Revenue:			
United Kingdom	467.4	446.7	2,204.6
Republic of Ireland	16.7	19.4	112.5
	484.1	466.1	2,317.1
Operating profit:			
United Kingdom	49.5	33.4	175.4
Republic of Ireland	1.2	2.2	13.2
Rest of World	-	0.4	-
	50.7	36.0	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

	13 weeks to 2 October 2021 £'m	13 weeks to 26 September 2020 £'m	53 Weeks to 3 July 2021 £'m
Regulatory costs and associated administrative	-	-	29.4
New fulfilment centre costs charged to	-	4.6	8.4
Site closure costs	-	-	3.5
Charged to operating profit	-	4.6	41.3
Exceptional finance costs	13.7	-	-
	13.7	4.6	41.3

In the period to 2 October 2021, 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 13 weeks ended 2 October 2021 there has been no further increase. The remaining provision of £8.7m at 2 October 2021 (26 September 2020: £90.6m; 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 began in mid-2020. 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:

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Notional amount – Sterling contract value	119.4	74.2	150.4
Fair value of asset/(liability) recognised	2.3	(0.2)	(0.6)

Changes in the fair value of derivative financial instruments amounted to a gain of £2.9m in the period (period to 26 September 2020: loss of £2.7m), 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

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Trade receivables	1,329.7	1,295.8	1,347.3
Amounts owed by group undertakings (note 12)	521.2	524.9	511.3
Prepayments	169.4	172.3	162.2
Other receivables	49.2	53.1	54.7
Total trade and other receivables	2,069.5	2,046.1	2,075.5

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

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Gross trade receivables	1,571.3	1,545.7	1,586.3
Allowance for bad debts	(241.6)	(249.9)	(239.0)
Net trade receivables	1,329.7	1,295.8	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 13 week period ended 2 October 2021 the effective tax rate that has been applied is 19% (26 September 2020: 8%).

In the March 2021 Budget, the Government announced, with effect from 1st April 2023, an increase in the main rate of corporation tax from 19% to 25%. The Finance Bill 2021 was substantively enacted on 24th 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	-	3.4	-	3.4
Provisions utilised	-	(7.8)	(2.4)	(10.2)
At 2 October 2021	0.8	4.8	8.7	14.3
Non-current	-	-	-	-
Current	0.8	4.8	8.7	14.3
	0.8	4.8	8.7	14.3

The restructuring provision relates to costs associated with the closure of the Group's customer care centre in Aintree. The remaining provision of £4.8m 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 £8.7m at 2 October 2021 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	-	-	-	-
Provisions utilised	-	(12.3)	(10.5)	(22.8)
At 26 September 2020	0.8	11.6	90.6	103.0
Non-current	-	-	-	-
Current	0.8	11.6	90.6	103.0
	0.8	11.6	90.6	103.0

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

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,375.7	1,327.4	1,389.2
Senior secured notes	572.6	550.0	550.0
	1,948.3	1,877.4	1,939.2
Current loans and borrowings at amortised cost			
Secured revolving credit facility	88.2	150.0	90.0
Unsecured bank overdrafts	-	-	-
	88.2	150.0	90.0

Within the securitisation facility £23.6m (26 September 2020: £24.5m, 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 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. The senior secured notes are presented at amortised cost.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and Borrowings (continued)

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
The borrowings are repayable as follows:			
Within one year	88.2	150.0	90.0
In the second year	1,352.1	-	550.0
In the third to fifth year	572.6	1,877.4	1,364.0
Over five years	23.6	-	25.2
Amount due for settlement after one year	1,948.3	1,877.4	1,939.2

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

(a) The Group has drawn £1,352.1m (26 September 2020: £1,302.9m) 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. The securitisation facility expires in December 2023 for 'AS' Notes (£984.9m) and 'AJ' Notes (£107.2m), and December 2023 for 'B' Notes (£105.0m), 'C1' Notes (£105.0m) and 'C2' Notes (£50.0m). The total facility size is £1,585.0m.

(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 £90.0m was drawn down at 2 October 2021 (26 September 2020: £150.0m). The senior secured notes are presented at amortised cost. The revolving credit facility is presented net of prepaid arrangement fees.

(c) The Group has an Irish securitisation facility against which it has drawn down £23.6m (26 September 2020: £24.5m), 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.

10. Reconciliation of net cash and cash equivalents

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Cash at bank	22.0	120.5	78.1
Bank overdrafts	-	-	-
Net cash and cash equivalents in statement of cash flows	22.0	120.5	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

	2 October 2021		26 September 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. 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

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Yodel Delivery Network Limited	0.2	0.4	2.7
Arrow XL Limited	-	-	0.5
	0.2	0.4	3.2

Purchase of services

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Yodel Delivery Network Limited	(15.8)	(17.1)	(76.2)
Drop & Collect Limited	-	(3.9)	(16.9)
Arrow XL Limited	(8.9)	(10.1)	(44.1)
Trenport Property Holdings Limited	(0.1)	(0.3)	(1.5)
Shop Direct Holdings Limited	(1.3)	(1.2)	(7.5)
	(26.1)	(32.6)	(146.2)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Related party transactions (continued)

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

Amounts due from fellow Group undertakings

	2 October 2021 £'m	26 September 2020 £'m	3 July 2021 £'m
Shop Direct Holdings Limited	491.8	486.8	488.0
Yodel Delivery Network Limited	4.5	2.2	2.3
Arrow XL Limited	0.8	0.5	0.3
Drop & Collect Limited	-	0.2	0.4
Primevere Limited	8.9	22.9	6.1
Primevere Equipment Limited	15.2	12.3	14.2
	521.2	524.9	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.