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THE VERY GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 26 weeks ended 31 December 2022

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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 26 week period ended 31 December 2022[1].

Review of the business

Our business has once again demonstrated its resilience as we continue to navigate a market defined by major economic headwinds. Total revenue decreased by 1.0% to £1,219.1m (Q2 FY22 YTD: £1,231.0m) compared with a period that saw heightened consumer demand on the back of the Omicron-variant of Covid-19. We consider this to be a robust performance and we have grown our share of a softening online non-food market, which has declined year on year as customers return to stores but is substantially larger than the pre-pandemic market.

Within total revenue, our flagship brand Very UK saw a small decline of 0.9% to £1,029.8m compared with prior year (Restated[5] Q2 FY22 YTD: £1,039.2m). The performance reflects strong customer recruitment, with 6% growth in new customers shopping with Very, showing that our strategic investments in pricing and stock availability have benefitted our customers. Within this, we saw a 9.5% increase in new Very Pay customers, driving debtor book growth that provides a source of income and profitability for the remainder of the year.

Resilience in the top line has supported the delivery of pre-exceptional EBITDA[2] of £118.7m, compared with our strongest ever half year result at Q2 FY22 (Restated[3] Q2 FY22: £151.0m). The decline year on year is owing to reduced revenue and lower gross margin, as a result of changes in product mix and our strategic investments in pricing and stock. The profit before tax for the period stood at £2.1m (Restated[3] Q2 FY22: £46.3m), with the decline since prior year due to lower EBITDA for the period and higher interest costs.

Retail sales

Retail sales performance was in line with expectations noting the economic headwinds and market challenges, as well as the challenging comparative period that saw enhanced demand due to the impact of the Omicron-variant on consumer spending habits. Specifically, Group retail sales[6] decreased by 3.5%, wherein Very UK retail sales saw a small decline by 1.0% compared with Q2 FY22. When considering the context of the market, which contracted by 3.1%[4] in the same period, Very has grown its market share. Compared to pre-pandemic results in Q2 FY20, retail sales are up 8.6% on a Group basis, and 21.6% at the Very level.

In terms of categories, Fashion & Sports retail sales declined by 8.8% at a Group level and saw a decline of 7.3% at the Very UK level. This reflects a continuation of the position at Q1, with Fashion demonstrating growth of 1.0% at the Very UK level, offset by a decline in Sportswear. This reflects the continued positive performances seen within ladies high street and designer brands. Whilst Group Electrical retail sales fell 2.9% year on year, we saw a decline of just 0.1% at the Very UK level. This reflects positive performances in certain categories, particularly within small domestic appliances (which grew 54.0%) owing to continued demand for products such as air fryers.

1 Q2 FY23 YTD is the 26 weeks ended 31 December 2022. Q2 FY22 YTD is the 26 weeks ended 1 January 2022.

2 Pre-exceptional EBITDA is defined on page 5 of the Financial Statements.

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

4 Based on British Retail Consortium data for the total online non-food market.

5 The comparative split of revenue and operating profit between Very and Littlewoods has been restated for a reallocation of the returns provision between the two key brands.

6 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)

Retail sales (continued)

Electrical remains our largest category at 43.7% of Group retail sales. Retail sales within our Home category declined 2.8% at a Group level and 1.2% at a Very UK level continuing the trend as customer spending habits post Covid-19 return to normal. Toys, Gifts & Beauty (formerly Developing Categories) was an area of strategic focus as we invested in stock and pricing in the run up to the peak season. This decision is borne out in the results wherein we saw 7.5% growth at the Group level, and 12.1% growth for Very UK. In particular, we saw strong sales in certain key categories, with growth of 23.7% for toys, 13.7% growth for personal care, and 11.6% growth for beauty (all growth figures for Very UK).

Compared to Q2 FY20, as a base without distortions brought about through Covid-19, we saw strong growth in all categories for Very.

Very Pay revenue

Very Pay revenue (rendering of services) for the Group has increased by 8.3% to £210.7m compared with the prior year (Q2 FY22 YTD: £194.6m). This reflects growth in the Group's average debtor book of 3.7%, within which we saw growth of 7.0% for Very UK. Group interest income, which accounts for the majority of total Very Pay revenue, has increased by 5.5%. Interest income as a percentage of the average debtor book has increased slightly to 11.2% (Q2 FY22 YTD: 10.9%) as payment rates continue to normalise after increasing through Covid-19 related periods of lockdown.

Gross profit and costs

In Q2 FY23, we delivered £401.8m of gross profit (Q2 FY22: £433.6m), which implies a statutory gross margin rate of 33.0% (a decrease of 2.2%pts from last year). This is driven by retail margin, the decline of which reflects changes in product mix, as well as our strategic investment in pricing and stock of key product lines that ensured we remained competitive in a promotion heavy market, driving the customer recruitment and debtor book growth discussed earlier.

Gross margin is impacted by bad debt, which as a percentage of the debtor book increased by 0.1%pts year on year, again due to normalising consumer behaviours, although this is more than offset by the strong performance of Very Finance. Notably, our bad debt remains much lower than that seen pre-pandemic and remains an area of continued focus and risk management. Year to date results as at Q2 FY23 also include the £10.7m (gross) repayment of VAT from HMRC as highlighted at Q1.

We continue to closely monitor costs, with the overall operating cost base (excluding depreciation, amortisation and exceptional items) of £284.2m being largely flat year on year (Restated[3] Q2 FY22: £284.0m). As a percentage of revenue this was 23.3% (Restated[3] Q2 FY22: 23.1%). Within this, distribution expenses before exceptional costs, amortisation and depreciation decreased by £1.1m to £121.2m (Q2 FY22 YTD: £122.3m), being 9.9% as a percentage of revenue and therefore remains flat on last year despite inflationary pressures. Administrative costs before exceptional costs, amortisation and depreciation increased by £1.3m to £163.0m (Restated[3] Q2 FY22: £161.7m) reflecting foreign exchange losses and higher technology spend, partially offset by marketing spend efficiencies.

Pre-exceptional EBITDA and adjusted EBITDA

Despite the tough trading conditions we again delivered robust, positive earnings, with pre-exceptional EBITDA[2] of £118.7m (Restated[3] Q2 FY22: £151.0m). As a percentage of Group sales, the pre-exceptional EBITDA margin[2] decreased 2.6%pts to 9.7% (Restated[3] Q2 FY22 YTD: 12.3%) reflecting the lower gross margin as we strategically invest in pricing. Adjusted EBITDA[7], which excludes fair value, pension and SaaS adjustments, decreased 14.4% to £131.1m (Q2 FY22 YTD: £153.2m).

2 Pre-exceptional EBITDA margin is defined on page 5 of the Financial Statements.

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

7 Adjusted EBITDA is defined on page 5 of the Financial Statements.

INTERIM RESULTS STATEMENT (continued)

Finance costs

Net finance costs (before exceptional items) increased to £70.4m (Q2 FY22 YTD: £47.9m) due to increased securitisation interest (owing to both higher Bank of England rates as well as the larger debtor book).

Exceptional items

Exceptional costs in the year to date of £16.3m (Restated[3] Q2 FY22: £23.6m expenditure) reflects spend on our tech acceleration programme. The exceptional costs in Restated[3] Q2 FY22 include £13.7m in relation to costs incurred as part of refinancing the £550m bond with the new £575m bond and £9.9m in relation to our tech transformation programme.

Taxation

The tax charge in the income statement of £nil is based on management's best estimate of the weighted average annual income tax rate expected for the full financial year (Restated[3] Q2 FY22 YTD: charge £9.5m). For the 26 weeks ended 31 December 2022 the effective tax rate that has been applied is 0.0% (1 January 2022: 20.5%). The tax charge includes a £3.1m credit in relation to exceptional items charged in the period (Restated[3] Q2 FY22 YTD: £4.5m credit).

Statement of cash flows

The first half of the year has traditionally been one of cash outflows reflecting the spend to support our retail proposition across the peak trading period. Cash and cash equivalents decreased by £39.4m to £4.0m in the first two quarters of the year, a reduced outflow compared to that seen last year (Q2 FY22 YTD: net cash and cash equivalents decreased by £72.5m to £5.6m).

The reduced cash outflow from operating activities of £40.6m (Restated[3] Q2 FY22 £53.1m) reflects improved working capital cashflows, notably through the movements in trade and other receivables and trade and other payables, offsetting the higher interest payments of £63.0m (Q2 FY22: £34.8m).

The cash outflows in respect of investment activities, which comprise capital additions for the period of £23.9m, are consistent with prior year (Restated[3] Q2 FY22 YTD: £20.1m) and were across business-as-usual and strategic investments.

The higher cash inflow from financing activities of £25.1m compared with prior year (Q2 FY22: inflow of £0.7m) reflects £113.0m of drawings on the securitisation facility as the debtor book grows, partially offset by a lower £75m repayment of the revolving credit facility such that this was fully undrawn at the end of Q2 FY23 and lower dividend payments during the period.

Financial position

The decrease in equity of £0.4m to £194.2m (2 July 2022: equity £194.6m, Restated[3] 1 January 2022: equity £174.2m) was driven by a Dividend paid of £3.8m (2 July 2022 and 1 January 2022: £25.0m), offset by Comprehensive Income for the period of £3.4m (2 July 2022: £59.0m, Restated[3] 1 January 2022: £42.1m).

Inventory held at 31 December 2022 increased against the 2 July 2022 position to £126.6m (2 July 2022: £112.1m, 1 January 2022: £118.7m), with the increase against Q2 last year primarily owing to prior year inventory levels being suppressed due to supply chain and availability pressures. Trade and other receivables at 31 December 2022 increased against the 2 July 2022 position to £2,353.1m (2 July 2022: £2,144.0m, Restated[3] 1 January 2022: £2,324.4m), reflecting a build in customer debtor balances across the peak trading season. The increase compared to the Q2 FY22 position reflects the structural growth of the Very Pay debtor book. Trade and other payables at 31 December 2022 decreased to £663.3m (2 July 2022: £517.6m, 1 January 2022: £692.9m).

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

INTERIM RESULTS STATEMENT (continued)

Financial position (continued)

The regulatory provision at 31 December 2022 has decreased against the 1 January 2022 position to £3.4m (2 July 2022: £3.7m, 1 January 2022: £4.2m). The remaining provision is based on an estimate of the remaining payments with £0.4m expected to be fully utilised within 12 months. The remaining £3.0m is expected to be utilised after 12 months.

Total lease liabilities at 31 December 2022 decreased to £96.6m from the 2 July 2022 position (2 July 2022: £97.9m, 1 January 2022: £169.3m), as the liability has unwound. The contrast to Q2 FY22 reflects the elimination of leases associated with assets that were consolidated within the Group when Primevere Equipment Limited was acquired at the end of FY22.

Securitisation borrowings increased to £1,554.7m[8] from the year end position (2 July 2022: £1,441.7m, 1 January 2022: £1,499.4m), driven by the growth in the debtor book. The securitisation borrowings figure includes £26.6m (2 July 2022: £23.9m, 1 January 2022: £27.4m) relating to the balance sheet receivables of Shop Direct Ireland Limited. In January 2023, after the balance sheet date, the UK securitisation facility size was decreased from £1,735.0m to £1,585.0m. The expiry date of the 'AS' and 'AJ' notes were extended from January 2025 to January 2026. The Ireland facility has a total maximum commitment of €35.0m which expires in December 2024.

A further £39.1m (1 January 2022: £nil, 2 July 2022: £42.1m) of loans are denominated in Euros and relate to the debt brought onto the balance sheet when Primevere Equipment Limited was acquired last year.

Principal risks and uncertainties

The principal risks and uncertainties are as disclosed in the Group's consolidated financial statements for the period ended 2 July 2022.

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, borrowing facilities, and the principal risks and uncertainties relating to its business activities.

Following the work undertaken, the Directors are confident that the Group has sufficient liquidity period to June 2024 and will satisfy covenant requirements. 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. Adjusted EBITDA is an important APM as it provides the best indication of the underlying trading performance of the Group.

8 The borrowing facilities presented here are at their nominal values. The primary financial statements and the notes to the financial present the facilities at values determined in accordance with IFRS 9 and as such will differ from the values shown here.

INTERIM RESULTS STATEMENT (continued)

Alternative performance measures (continued)

Reconciliation of operating profit to pre-exceptional EBITDA

	26 weeks to 31 December 2022 £'m	(Restated)[3] 26 weeks to 1 January 2022 £'m	52 weeks to 2 July 2022 £'m
Operating profit	72.5	107.9	186.9
Exclusion of exceptional items	16.3	9.9	27.8
Operating profit before exceptional items[9]	88.8	117.8	214.7
Exclusion of depreciation and amortisation	29.9	33.2	65.0
Pre-exceptional EBITDA	**118.7**	**151.0**	**279.7**

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

	26 weeks to 31 December 2022 £'m	(Restated)[3] 26 weeks to 1 January 2022 £'m	52 weeks to 2 July 2022 £'m
Pre-exceptional EBITDA	118.7	151.0	279.7
Total revenue	1,219.1	1,231.0	2,148.3
Pre-exceptional EBITDA margin	**9.7%**	**12.3%**	**13.0%**

Reconciliation of operating profit to adjusted EBITDA

	26 weeks to 31 December 2022 £'m	(Restated)[3] 26 weeks to 1 January 2022 £'m	52 weeks to 2 July 2022 £'m
Operating profit	72.5	107.9	186.9
Exceptional items	16.3	9.9	27.8
Operating profit before exceptional items[9]	88.8	117.8	214.7
Depreciation and Amortisation	29.9	33.2	65.0
Pre-exceptional EBITDA	118.7	151.0	279.7
Adjusted for:			
Fair value adjustments to financial instruments	1.8	(2.9)	(5.7)
Fair value adjustments to trade creditors	3.2	(2.2)	(0.7)
Pension adjustments	-	-	1.5
SaaS accounting policy change (see note 13)	7.4	7.3	16.6
Adjusted EBITDA	**131.1**	**153.2**	**291.4**

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

9 Includes a £10.7m (gross) repayment of VAT from HMRC in respect of debt recovery in FY23.

INTERIM RESULTS STATEMENT (continued)

Alternative performance measures (continued)

Reconciliation of administrative expenses before amortisation, depreciation and exceptional items

	26 weeks to 31 December 2022	(Restated)[3] 26 weeks to 1 January 2022	52 weeks to 2 July 2022
	£'m	£'m	£'m
Administrative expenses	207.0	203.2	368.4
Amortisation charged to administrative expenses	(23.7)	(23.6)	(47.0)
Depreciation charged to administrative expenses	(4.0)	(8.0)	(14.2)
Exceptional items	(16.3)	(9.9)	(27.8)
Administrative expenses before amortisation, depreciation and exceptional items	163.0	161.7	279.4

Reconciliation of distribution costs before amortisation, depreciation and exceptional items

	26 weeks to 31 December 2022	26 weeks to 1 January 2022	52 weeks to 2 July 2022
	£'m	£'m	£'m
Distribution costs	123.4	123.9	224.0
Depreciation charged to distribution costs	(2.2)	(1.6)	(3.8)
Distribution costs before amortisation, depreciation and exceptional items	121.2	122.3	220.2

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	26 weeks to 31 December 2022 (unaudited)			(Restated)[3] 26 weeks to 1 January 2022 (unaudited)			52 weeks to 2 July 2022 (audited)		
		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		1,008.4	-	1,008.4	1,036.4	-	1,036.4	1,750.4	-	1,750.4
Rendering of services		210.7	-	210.7	194.6	-	194.6	397.9	-	397.9
Total revenue	3	1,219.1	-	1,219.1	1,231.0	-	1,231.0	2,148.3	-	2,148.3
Cost of sales		(817.3)	-	(817.3)	(797.4)	-	(797.4)	(1,371.6)	-	(1,371.6)
Gross profit		401.8	-	401.8	433.6	-	433.6	776.7	-	776.7
Distribution costs		(123.4)	-	(123.4)	(123.9)	-	(123.9)	(224.0)	-	(224.0)
Administrative costs		(190.7)	(16.3)	(207.0)	(193.3)	(9.9)	(203.2)	(340.6)	(27.8)	(368.4)
Other operating income		1.1	-	1.1	1.4	-	1.4	2.6	-	2.6
Operating profit[3,9]	3	88.8	(16.3)	72.5	117.8	(9.9)	107.9	214.7	(27.8)	186.9
Finance income		0.4	-	0.4	-	-	-	-	-	-
Finance costs		(70.8)	-	(70.8)	(47.9)	(13.7)	(61.6)	(109.3)	(13.7)	(123.0)
Profit before tax		18.4	(16.3)	2.1	69.9	(23.6)	46.3	105.4	(41.5)	63.9
Tax (charge)/credit	7	(3.1)	3.1	-	(14.0)	4.5	(9.5)	(21.0)	7.9	(13.1)
Profit/(Loss) for the period		15.3	(13.2)	2.1	55.9	(19.1)	36.8	84.4	(33.6)	50.8
Profit/(Loss) attributable to equity holders of the Group		15.3	(13.2)	2.1	55.9	(19.1)	36.8	84.4	(33.6)	50.8

The above results were derived from continuing operations.

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

9 Includes a £10.7m (gross) repayment of VAT from HMRC in respect of debt recovery in FY23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	26 weeks to 31 December 2022 (unaudited) £'m	(Restated)[3] 26 weeks to 1 January 2022 (unaudited) £'m	52 weeks to 2 July 2022 (audited) £'m
Profit for the period		2.1	36.8	50.8
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement on retirement benefit obligations before tax		-	8.7	10.5
Income tax effect	7	-	(2.2)	(2.2)
Other comprehensive income for the period for items that will not be reclassified subsequently to profit or loss		-	6.5	8.3
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation gain/(loss)		1.3	(1.2)	(0.1)
Other comprehensive income for the period		1.3	5.3	8.2
Total comprehensive income attributable to:				
Equity holders of the company		3.4	42.1	59.0

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 (unaudited) £'m	(Restated)[3] 1 January 2022 (unaudited) £'m	2 July 2022 (audited) £'m
Assets				
Non-current assets				
Goodwill		202.5	202.5	202.5
Intangible assets		173.3	177.1	174.9
Property, plant and equipment		72.4	24.3	75.4
Right-of-use assets		81.6	153.7	84.7
Deferred tax assets		189.2	195.9	190.8
Trade and other receivables	6	506.3	-	503.8
		1,225.3	753.5	1,232.1
Current assets				
Inventories		126.6	118.7	112.1
Trade and other receivables	6	1,846.8	2,324.4	1,640.2
Income tax asset		3.3	-	1.1
Cash at bank	10	4.0	5.6	43.4
Derivative financial instruments	5	3.3	2.3	5.1
		1,984.0	2,451.0	1,801.9
Total assets		3,209.3	3,204.5	3,034.0

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 (unaudited) £'m	(Restated)[3] 1 January 2022 (unaudited) £'m	2 July 2022 (audited) £'m
Equity				
Share capital	11	(200.0)	(200.0)	(200.0)
Accumulated (profit)/deficit		5.8	25.8	5.4
Equity attributable to owners of the company		(194.2)	(174.2)	(194.6)
Non-current liabilities				
Loans and borrowings	9	(620.0)	(581.7)	(620.9)
Securitisation facility	9	(1,504.7)	(1,499.4)	(1,441.7)
Retirement benefit obligations		(1.3)	(1.6)	(1.3)
Deferred income		(27.1)	(29.4)	(25.2)
Lease liabilities		(92.7)	(157.5)	(96.8)
Provisions	8	(4.5)	-	(5.7)
		(2,250.3)	(2,269.6)	(2,191.6)
Current liabilities				
Trade and other payables		(663.3)	(692.9)	(517.6)
Loans and borrowings	9	(7.1)	-	(80.0)
Securitisation facility	9	(50.0)	-	-
Lease liabilities		(3.9)	(11.8)	(1.1)
Income tax liability		-	(0.7)	-
Deferred income		(37.3)	(46.0)	(44.4)
Provisions	8	(3.2)	(9.3)	(4.7)
		(764.8)	(760.7)	(647.8)
Total liabilities		(3,015.1)	(3,030.3)	(2,839.4)
Total equity and liabilities		(3,209.3)	(3,204.5)	(3,034.0)

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Accumulated profit/(deficit) £'m	Merger reserve £'m	Total £'m
Changes in equity for the 26 weeks to 31 December 2022 (unaudited)				
Balance as at 3 July 2022	200.0	(8.9)	3.5	194.6
Profit for the period	-	2.1	-	2.1
Other comprehensive income	-	1.3	-	1.3
Total comprehensive income	-	3.4	-	3.4
Dividend paid to parent company	-	(3.8)	-	(3.8)
Balance as at 31 December 2022	200.0	(9.3)	3.5	194.2
Changes in equity for the 26 weeks to 1 January 2022 (unaudited)				
Restated[3] balance at 3 July 2021	200.0	(42.9)	-	157.1
Restated profit for the period[3]	-	36.8	-	36.8
Other comprehensive income	-	5.3	-	5.3
Restated[3] total comprehensive income	-	42.1	-	42.1
Dividend paid to parent company	-	(25.0)	-	(25.0)
Restated[3] balance as at 1 January 2022	200.0	(25.8)	-	174.2
Changes in equity for the 52 weeks to 2 July 2022 (audited)				
Restated[3] balance as at 3 July 2021	200.0	(42.9)	-	157.1
Profit for the period	-	50.8	-	50.8
Other comprehensive income	-	8.2	-	8.2
Total comprehensive income	-	59.0	-	59.0
Acquisition[10]	-	-	3.5	3.5
Dividend to parent company	-	(25.0)	-	(25.0)
Balance as at 2 July 2022	200.0	(8.9)	3.5	194.6

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13. The accumulated profit/deficit balance as at 3 July 2021 was restated for a £52.9m reduction in reserves due to the impact of SaaS. Further detail of this restatement is available in the published annual financial statements for the 52-week period ended 2 July 2022.

10 During the previous financial year, The Very Group Limited acquired 100% of the ordinary share capital of Primevere Equipment Limited.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	26 weeks to 31 December 2022 (unaudited) £'m	(Restated)[3] 26 weeks to 1 January 2022 (unaudited) £'m	52 weeks to 2 July 2022 (audited) £'m
Cash flows from operating activities			
Profit for the period	2.1	36.8	50.8
Adjustments for:			
Depreciation	6.2	9.6	18.0
Amortisation	23.7	23.6	47.0
Financial instrument net losses/(gains) through profit and loss	1.8	(2.9)	(5.7)
Finance income	(0.4)	-	-
Finance costs	70.8	61.6	123.0
Income tax charge	-	9.5	13.1
(Decrease) in provisions	(2.7)	(11.8)	(10.7)
Adjustments for pensions	-	-	1.5
Operating cash flows before movements in working capital	101.5	126.4	237.0
(Increase) in inventories	(14.5)	(16.5)	(9.9)
(Increase) in trade and other receivables	(203.7)	(254.5)	(64.8)
Increase/(Decrease) in trade and other payables	139.1	127.7	(65.8)
Cash generated/(utilised) by operations	22.4	(16.9)	96.5
Income taxes paid	-	(1.4)	(1.4)
Interest paid	(63.0)	(34.8)	(100.2)
Net cash outflows from operating activities	**(40.6)**	**(53.1)**	**(5.1)**

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	26 weeks to 31 December 2022 (unaudited) £'m	(Restated)[3] 26 weeks to 1 January 2022 (unaudited) £'m	52 weeks to 2 July 2022 (audited) £'m
Net cash outflows from operating activities	(40.6)	(53.1)	(5.1)
Cash flows from investing activities			
Acquisitions of property plant and equipment	(1.4)	(0.6)	(1.7)
Acquisitions of intangible assets	(22.5)	(19.5)	(37.0)
Consideration paid from investing activities	-	-	(0.3)
Net cash outflows from investing activities	(23.9)	(20.1)	(39.0)
Cash flows from financing activities			
Payments of lease liabilities	(5.5)	(8.8)	(11.6)
Proceeds from securitisation facility	113.0	110.2	52.5
Net proceeds from senior secured notes	-	25.0	25.0
Payment of bond early redemption premium	-	(10.7)	(10.7)
Repayment of secured revolving credit facility	(75.0)	(90.0)	(14.9)
Repayment of bank loans	(3.6)	-	(5.9)
Dividends to parent company	(3.8)	(25.0)	(25.0)
Net cash inflows from financing activities	25.1	0.7	9.4
Net decrease in cash and cash equivalents	(39.4)	(72.5)	(34.7)
Opening cash and cash equivalents (Note 10)	43.4	78.1	78.1
Closing cash and cash equivalents (Note 10)	4.0	5.6	43.4

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

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 21 February 2023.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the 26 weeks ended 31 December 2022 should be read in conjunction with the annual financial statements for the 52 week period ended 2 July 2022, 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 as adopted by the United Kingdom 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 52 week period ended 2 July 2022.

The financial information included in this set of condensed accounts for the 52 week period ended 2 July 2022 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 1 July 2023 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 1 July 2023.

The financial statements are drawn up to Saturday 31 December 2022 for the current 26 week period. The financial information for the comparative periods relates to the 26 week period ended Saturday 1 January 2022 and the 52 week period ended Saturday 2 July 2022.

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)

Change in accounting policy - Software-as-a-service (SaaS) arrangements

In the annual financial statements for the 52 weeks ended 2 July 2022, the Group changed its accounting policy related to the capitalisation of certain software costs; this change followed the IFRIC Interpretation Committee's agenda decision published in April 2021 and related to the capitalisation of costs under 'Software as a Service' (SaaS) arrangements.

The Group's accounting policy had historically been to capitalise costs related to SaaS arrangements as intangible assets in the Consolidated Statement of Financial Position. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements were identified and assessed to determine if the Group had control of the software. For those arrangements where control did not exist, the Group derecognised the intangible asset previously capitalised. This methodology was adopted during the period ended 2 July 2022 and retrospectively applied to prior financial periods to allow direct comparison.

Further details regarding the impact of this change in accounting policy on the 26 week period ended 31 December 2022 has been disclosed within note 13 of these condensed consolidated interim financial statements.

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 52 week period ended 2 July 2022. There have been no changes to the Group's critical accounting judgements and key sources of estimation uncertainty in the 26 weeks ended 31 December 2022.

The Group has been in a long running VAT dispute with HMRC in respect of the methodology used for the Group's partial exemption calculation. The Group has received four assessments of £2.4m, £8.5m, £2.7m and £1.9m from HMRC covering the period April 2015 to March 2021, which have all been paid in line with standard practice to proceed to tribunal. 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 £9.0m as at the balance sheet date (2 July 2022: £7.9m). The net asset balance of £6.5m (2 July 2022: £7.6m) has been recognised as a tax deposit within other receivables in the Group accounts. Based on the amounts reflected in the Consolidated Statement of Financial Position as at 31 December 2022, the Directors estimate that a worst-case unfavourable settlement of this case could result in a charge to the income statement of up to £6.5m.

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 period to June 2024. These have been considered in conjunction with the current economic climate.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

Going concern (continued)
Following the work undertaken, the Directors are confident that the Group has sufficient liquidity for the period to June 2024 and will satisfy covenant requirements.

Forecasts have been stress tested with sensitivities around reductions in revenue, deterioration in customer payments, higher interest rate outlook and increased write offs of trade receivables.

Reverse stress testing has also been applied to the forecasts which represent a suitably significant deterioration in the key assumptions from the base case forecasts. The reverse stress sensitivities are considered to be remote. The Directors have also considered seasonality and the mitigating actions available in their base and stress scenarios.

After making appropriate enquiries the Directors have a reasonable expectation that the Group 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 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

By business segment

Analysis of revenue:	26 weeks to 31 December 2022 £'m	(Restated)[3,5] 26 weeks to 1 January 2022 £'m	52 weeks to 2 July 2022 £'m
Very†	1,071.8	1,088.8	1,790.5
Littlewoods◊	147.3	142.2	357.8
	1,219.1	1,231.0	2,148.3
Gross profit	401.8	433.6	776.7
Distribution costs excluding depreciation and exceptionals	(121.2)	(122.3)	(220.2)
Administrative costs excluding depreciation, amortisation and exceptionals	(163.0)	(161.7)	(279.4)
Other operating income	1.1	1.4	2.6
Pre-exceptional EBITDA*:			
Very†	192.3	204.0	382.3
Littlewoods◊	46.7	52.5	103.9
Central costs	(120.3)	(105.5)	(206.5)
	118.7	151.0	279.7
Exceptional items	(16.3)	(9.9)	(27.8)
Depreciation	(6.2)	(9.6)	(18.0)
Amortisation	(23.7)	(23.6)	(47.0)
Operating profit	72.5	107.9	186.9
Finance income	0.4	-	-
Finance costs excluding exceptionals	(70.8)	(47.9)	(109.3)
Exceptional finance costs	-	(13.7)	(13.7)
Profit before taxation	2.1	46.3	63.9

* Pre-exceptional EBITDA is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items.

† Very revenue and pre-exceptional EBITDA includes Very.co.uk and Very.ie following the rebrand of LittlewoodsIreland.ie to Very.ie at the beginning of FY23. The comparative amounts for Very revenue and pre-exceptional EBITDA have been restated to include Very.ie accordingly.

◊ Littlewoods revenue and pre-exceptional EBITDA include Littlewoods.com following the rebrand of LittlewoodsIreland.ie to Very.ie at the beginning of FY23. The comparative amounts for Littlewoods revenue and pre-exceptional EBITDA have been restated to remove Very.ie accordingly.

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

5 The comparative split of revenue and operating profit between Very and Littlewoods has been restated for a reallocation of the returns provision between the two key brands.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

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

By geographical location of destination

	26 weeks to 31 December 2022 £'m	(Restated)[3] 26 weeks to 1 January 2022 £'m	52 weeks to 2 July 2022 £'m
Revenue:			
United Kingdom	1,177.1	1,181.4	2,067.7
Republic of Ireland	42.0	49.6	80.6
	1,219.1	1,231.0	2,148.3
Operating profit:			
United Kingdom	69.7	102.2	175.9
Republic of Ireland	2.8	5.7	11.0
	72.5	107.9	186.9

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.

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Exceptional items before tax

	26 weeks to 31 December 2022 £'m	(Restated)[3] 26 weeks to 1 January 2022 £'m	52 weeks to 2 July 2022 £'m
Restructuring costs	-	-	3.4
Release of warranty claims provision	-	-	(0.8)
Professional fees for corporate projects	-	-	7.4
Technical transformation spend	16.3	9.9	17.8
Charged to operating profit	16.3	9.9	27.8
Exceptional finance costs	-	13.7	13.7
Total exceptional costs	16.3	23.6	41.5

Progress continues on our multi-year technical transformation program, which involves moving a significant portion of the Group's current on-premises technology to the cloud by December 2024. This has resulted in elevated levels of spend on cloud-based services and related implementation costs which are not considered to be representative of the Group's normal level of activity. As such, £16.3m of costs have been classified as exceptional in relation to spend incurred on this program during the current period (52 week period ended 2 July 2022: £17.8m). Exceptional costs have been restated for the 26 week period ended 1 January 2022 to recognise £9.9m of costs relating to this transformation program.

Professional fees of £7.4m were recognised in the 52 week period to 2 July 2022 relating to costs incurred in relation to corporate projects.

The restructuring costs of £3.4m for the 52 week period ended 2 July 2022 reflect expenditure on the rationalisation of processes and functions within The Very Group.

A warranty provision credit of £0.8m was recognised in the 52 week period ended 2 July 2022 relating to the release of the warranty provision which had been held in the accounts since the period ending June 2017. This provision was in relation to a historic issue with warranties on cancelled non-regulated retail products dating back as far as 2008 rather than existing warranties. The provision was released as it was no longer considered required and was recognised as an exceptional credit consistent with the initial recognition of the provision.

In the period to 2 July 2022, the Group successfully refinanced its £550m bond with £575m of new senior secured notes, which carry a lower coupon rate of 6.5% and will be renewable in August 2026. Exceptional finance costs recognised in the prior 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.

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

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:

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Notional amount – Sterling contract value	124.4	173.6	104.1
Fair value of asset/(liability) recognised	3.3	2.3	5.1

Changes in the fair value of derivative financial instruments amounted to a loss of £1.8m in the period (period to 1 January 2022: gain of £2.9m, period to 2 July 2022: gain of £5.7m), 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.

6. Trade and other receivables

Non-current:	31 December 2022 £'m	(Restated)[3] 1 January 2022 £'m	2 July 2022 £'m
Amounts owed by group undertakings (note 12)	506.3	-	503.8

Current:	31 December 2022 £'m	(Restated)[3] 1 January 2022 £'m	2 July 2022 £'m
Trade receivables	1,577.1	1,541.2	1,394.1
Amounts owed by group undertakings (note 12)	3.8	522.7	6.7
Prepayments	199.3	199.7	182.7
Other receivables	66.6	60.8	56.7
	1,846.8	2,324.4	1,640.2
Total trade and other receivables	2,353.1	2,324.4	2,144.0

3 The comparative information has been restated as a result of a change in accounting policy on Software-as-a-service (SaaS) arrangements, as discussed in note 2 and note 13.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Trade and other receivables (continued)

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

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Gross trade receivables	1,859.0	1,802.6	1,647.6
Allowance for bad debts	(281.9)	(261.4)	(253.5)
Net trade receivables	1,577.1	1,541.2	1,394.1

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 31 December 2022 the effective tax rate that has been applied is 0% (Restated[3] 1 January 2022: 20.5%).

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.

8. Provisions

	Restructuring £'m	Regulatory £'m	Total £'m
At 3 July 2022	6.7	3.7	10.4
Provisions utilised	(2.4)	(0.3)	(2.7)
At 31 December 2022	4.3	3.4	7.7
Non-current	1.5	3.0	4.5
Current	2.8	0.4	3.2
	4.3	3.4	7.7

The restructuring provision relates largely to costs associated with the closure of the Group's customer care centre in Aintree. £2.8m of the restructuring provision is expected to be utilised within 12 months. The remaining £1.5m is expected to be held until December 2024 at which point previous contractual commitments will no longer be in place.

The regulatory provision reflects the estimated cost of all historical shopping insurance claims and associated processing costs. £0.4m of this provision is expected to be utilised within 12 months from the balance sheet date whilst the remaining provision of £3.0m is expected to be fully utilised after 12 months.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Provisions (continued)

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 4 July 2021	0.8	9.2	11.1	21.1
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

	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 released	(0.8)	-	-	(0.8)
Provisions utilised	-	(5.9)	(7.4)	(13.3)
At 2 July 2022	-	6.7	3.7	10.4
Non-current	-	2.7	3.0	5.7
Current	-	4.0	0.7	4.7
	-	6.7	3.7	10.4

The warranty provision of £0.8m was released to the Income Statement during the period ended 2 July 2022 following a comprehensive review. This provision was in relation to a historic issue with warranties on cancelled non-regulated retail products dating back as far as 2008 rather than existing warranties. Since no issues had arisen, along with the number of years that had passed since the warranties were taken out, the provision was no longer deemed to be required and so it was released.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and borrowings

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,504.7	1,499.4	1,441.7
Senior secured notes	588.0	581.7	585.9
Bank Loans	32.0	-	35.0
	2,124.7	2,081.1	2,062.6
Current loans and borrowings at amortised cost			
Securitisation facility	50.0	-	-
Secured revolving credit facility	-	-	73.5
Bank loans	7.1	-	6.5
	57.1	-	80.0

Within the securitisation facility £26.6m (1 January 2022: £27.4m, 2 July 2022: £23.9m) is denominated in Euros and within bank loans £39.1m (1 January 2022: £nil, 2 July 2022: £42.1m) is denominated in Euros. The underlying currency of all the other borrowings and overdrafts is Sterling.

The borrowings are repayable as follows:

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Within one year	57.1	-	80.0
In the second year	83.7	50.0	57.4
In the third to fifth year	2,037.5	2,031.1	1,998.2
Over five years	3.5	-	7.0
Amount due for settlement after one year	2,124.7	2,081.1	2,062.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Loans and borrowings (continued)

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

(a) The Group has drawn £1,528.1m (1 January 2022: £1,472.0m, 2 July 2022 £1,417.8m) 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 January 2025 for 'AS' Notes (£1,113.1m), 'AJ' Notes (£155.0m), 'B' Notes (£105.0m) and 'C1' Notes (£105.0m). The 'C2' Notes (£50.0m) expire in December 2023. The total facility size at 31 December 2022 was £1,735.0m and was re-negotiated in January 2023 to total £1,585.0m. See note 14 for detail of changes to the securitisation facility after the balance sheet date.

(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 a nominal value of £nil was fully drawn down at 31 December 2022 (1 January 2022: £150.0m of which £nil was drawn down, 2 July 2022: £150.0m of which £75.0m was drawn down). The senior secured notes are presented at amortised cost.

(c) The Group has an Irish securitisation facility against which it has drawn down £26.6m (1 January 2022: £27.4m, 2 July 2022: £23.9m), 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 2024.

(d) On 22 June 2022, the Group acquired Primevere Equipment Limited, which holds a bank loan with a carrying value of £39.1m at 31 December 2022 (1 January 2022: £nil, 2 July 2022 £42.1m). Regular payments are made against this loan which is expected to be fully settled in February 2028.

10. Reconciliation of net cash and cash equivalents

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Cash at bank	4.0	5.6	36.1
Cash equivalents	-	-	7.3
Net cash and cash equivalents in statement of cash flows	4.0	5.6	43.4

Cash and cash equivalents comprise cash net of outstanding bank overdrafts of which there are none. The carrying amount of these assets is approximately equal to fair value.

11. Share Capital

Allotted, called up and fully paid shares

	31 December 2022		1 January 2022		2 July 2022	
	No. m	£'m	No. m	£'m	No. m	£'m
Ordinary shares of £1 each	200	200	200	200	200	200

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Yodel Delivery Network Limited	0.1	0.7	2.4
Arrow XL Limited	-	0.1	1.0
	0.1	0.8	3.4

Purchase of services

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Yodel Delivery Network Limited	(50.8)	(44.9)	(80.2)
Arrow XL Limited	(24.1)	(17.5)	(37.9)
Trenport Property Holdings Limited	(0.3)	(0.3)	(0.6)
Shop Direct Holdings Limited	(3.8)	(2.5)	(7.2)
	(79.0)	(65.2)	(125.9)

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

Amounts due from fellow Group undertakings

	31 December 2022 £'m	1 January 2022 £'m	2 July 2022 £'m
Shop Direct Holdings Limited	498.0	493.0	495.5
Yodel Delivery Network Limited	3.8	3.4	5.5
Arrow XL Limited	-	1.5	1.2
Primevere Limited	8.3	9.0	8.3
Primevere Equipment Limited	-	15.8	-
	510.1	522.7	510.5

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.

The Group acquired Primevere Equipment Limited on 22 June 2022. Prior to acquisition, Primevere Equipment Limited was deemed a related party and as such any outstanding trade relationships were disclosed as related party transactions. Upon acquisition, Primevere Equipment Limited ceased to be classified as a related party and instead is regarded as a subsidiary of the Group and so intercompany balances have been eliminated on consolidation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Impact of the change in accounting policy - Software-as-a-service (SaaS) arrangements

In the annual financial statements for the 52 weeks ended 2 July 2022, the Group changed its accounting policy related to the capitalisation of certain software costs; this change followed the IFRIC Interpretation Committee's agenda decision published in April 2021 and related to the capitalisation of costs under 'Software as a Service' (SaaS) arrangements.

The Group's accounting policy had historically been to capitalise costs related to SaaS arrangements as intangible assets in the Consolidated Statement of Financial Position. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements were identified and assessed to determine if the Group had control of the software. For those arrangement where control did not exist, the Group derecognised the intangible asset previously capitalised. This methodology was adopted during the period ended 2 July 2022 and retrospectively applied to prior financial periods to allow direct comparison.

This change in accounting policy led to adjustments amounting to a reduction of £62.1m in 1 January 2022 statement of financial position, and to a £11.6m increase in operating expenses within administrative expenses.

Impact on the Group Statement of Financial Position

	(As previously reported) 1 January 2022 £'m	Impact of restatement £'m	(Restated) 1 January 2022 £'m
Intangible assets	253.0	(75.9)	177.1
Deferred tax asset	181.6	14.3	195.9
Corporation tax asset	0.5	(0.5)	-
Other assets	2,830.8	0.7	2,831.5
Total assets	3,265.9	(61.4)	3,204.5
Equity			
Share capital	(200.0)	-	(200.0)
Accumulated (profit)/deficit	(36.3)	62.1	25.8
Equity attributable to owners of the company	(236.3)	62.1	(174.2)
Corporation tax liability	-	(0.7)	(0.7)
Other liabilities	(3,029.6)	-	(3,029.6)
Total liabilities	(3,029.6)	(0.7)	(3,030.3)
Total equity and liabilities	(3,265.9)	61.4	(3,204.5)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Impact of the change in accounting policy - Software-as-a-service (SaaS) arrangements (continued)

Impact on Group's Segmental Analysis, Income Statement and Statement of Comprehensive Income

	(As previously reported) 1 January 2022 £'m	Impact of restatement £'m	(Restated) 1 January 2022 £'m
Pre-exceptional EBITDA:			
Very	204.0	-	204.0
Littlewoods	52.5	-	52.5
Central Costs	(98.2)	(7.3)	(105.5)
	158.3	(7.3)	151.0
Exceptional items	-	(9.9)	(9.9)
Depreciation	(9.6)	-	(9.6)
Amortisation	(29.2)	5.6	(23.6)
Operating profit	**119.5**	**(11.6)**	**107.9**
Profit before tax	57.9	(11.6)	46.3
Profit for the period	46.0	(9.2)	36.8

As per the disclosure in note 3, the comparative split of revenue and operating profit between Very and Littlewoods has been restated for a reallocation of the returns provision between the two key brands.

The total impact on administrative expenses (including exceptional items) presented in the Income Statement for the 26 week period ending 1 January 2022 is £11.6m.

Impact on Group's effective tax rate

	(As previously reported) 1 January 2022 £'m	Impact of restatement £'m	(Restated) 1 January 2022 £'m
Profit before tax	57.9	(11.6)	46.3
Tax charge	(11.9)	2.4	(9.5)
Profit for the period	46.0	(9.2)	36.8
Effective tax rate	21%	21%	21%

Impact on Group's Statement of Cash Flows

	(As previously reported) 1 January 2022 £'m	Impact of restatement £'m	(Restated) 1 January 2022 £'m
Net cash flow from operating activities	(35.5)	(17.6)	(53.1)
Net cash flow from investing activities	(37.7)	17.6	(20.1)
Net cash flow from financing activities	0.7	-	0.7
Net decrease in cash and cash equivalents	(72.5)	-	(72.5)

There is no impact on the overall increase in cash and cash equivalents for the period.

14. Events after the balance sheet date

On 12 January 2023, the total size of the UK securitisation facility was updated from £1,735.0m to £1,585.0m, and the 'AS' and 'AJ' note expiry dates were extended from January 2025 to January 2026. These amendments do not have a significant impact on the Group's liquidity for the next 15 months to March 2024 and as such these accounts have been prepared on a going concern basis.