REGISTERED NUMBER: 04730752

THE VERY GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 13 weeks ended 1 October 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 13 week period ended 1 October 2022.

Review of the business

As we continue to move through the economic headwinds and industry challenges that began in FY22, our business has continued to show its resilience in the face of difficult conditions. Despite the adverse economic environment, our business has delivered profitability and earnings, with positive pre-exceptional EBITDA[2] of £58.1m (Restated Q1[4] FY22: £67.0m). The profit before tax for the period stood at £2.2m (Restated Q1[4] FY22: £9.0m).

Total revenue

Total revenue decreased by 3.0% to £469.4m (Q1 FY22 YTD: £484.1m), which is a robust performance against the challenges faced by the online non-food market. Within this, Very UK revenue fell slightly by 2.1% to £408.2m compared with prior year (Restated[8] Q1 FY22 YTD: £416.8m). The UK online non-food retail market declined 3.8% over same period[10].

Retail sales

Group retail sales[3] decreased by 6.7% and Very UK retail sales declined by 5.1% compared with Q1 FY22, which was expected and is a resilient result in the context of the challenging retail market.

At a Group level, Fashion & Sports retail sales declined by 9.6% versus Q1 FY22 YTD and were down 8.1% at the Very level. This was driven by a reduction in sportswear in particular, while Fashion alone was stable for Very. This reflects the positive performances seen within ladies high street brands, and celebrity, designer and premium brands, offset by a decline in casual wear. Group Electrical retail sales fell 5.1% year on year as we annualise against a period of popularity for gaming. Nonetheless, we saw 23% growth in sales of small domestic appliances reflecting demand for products such as air fryers. Electrical remains our largest category at 44.0% of Group retail sales. In line with our expectations, Home revenue also decreased, down 8.8% on last year driven by lower sales of garden furniture and larger home items as we continue to see a normalisation of customer spending habits post Covid-19. Toys, Gifts and Beauty (formerly Developing Categories) saw stable sales at the Group level, and 3.4% growth for Very. This reflects strong double digit growth in toys and personal care, offset by decline in football and fitness products.

Very Pay revenue

Very Pay revenue (rendering of services) for the Group has increased by 6.5% to £99.9m compared with the prior year (Q1 FY22 YTD: £93.8m). This was driven by average debtor book growth of 3.7% for the Group and 7.1% for Very, owing to normalising payment rates and the continued addition of new credit customers to our existing portfolio. Interest income has increased by 3.3% as a result and accounts for the majority of total Very Pay income. Interest income as a percentage of the average debtor book has remained stable at 5.6% (Q1 FY22 YTD: 5.6%).

1 Q1 FY23 YTD is the 13 weeks ended 1 October 2022. Q1 FY22 YTD is the 13 weeks ended 2 October 2021.

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

3 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.

4 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.

8 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.

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

INTERIM RESULTS STATEMENT (continued)

Gross profit and costs

In Q1 FY23, we delivered £171.0m of gross profit (Q1 FY22: £186.1m). This corresponds to a statutory gross margin rate of 36.4% which is down 2.0%pts on last year. This is primarily driven by the performance of retail margin which has been impacted by shifting product mix, strategic investments in pricing and the continued normalisation of Very Finance metrics such as bad debt as consumer behaviour continues to revert to that seen pre-pandemic.

On the latter point, the debt expense as a percentage of the average debtor book increased 0.4% pts year on year. However, our bad debt remains much lower than that seen pre-pandemic and remains an area of continued focus and risk management. In Q1 FY23 there is also £10.7m repayment of VAT from HMRC, following successful resolution of a claim submitted to HMRC regarding the treatment of VAT in our debt recovery calculation for the period October 2016 to March 2020. This was accepted by HMRC in September 2022.

Our overall operating cost base[4] (excluding depreciation, amortisation and exceptionals) has decreased year on year as a percentage of revenue, at 24.2% (Restated[4] Q1 FY22: 24.7%). This is despite the inflationary cost environment, which saw distribution expenses before exceptional costs, amortisation and depreciation increase by £0.6m to £49.7m (Restated[4] Q1 FY22 YTD: £49.1m) due to inflationary rate increases. As a percentage of revenue, this is an increase of 0.5%pts. However, such cost increases were offset by £7.0m of reductions in administrative expenses before exceptional costs, amortisation and depreciation (1.0%pts movement as a percentage of revenue) owing to, amongst other things, efficiencies in marketing spend.

Pre-exceptional EBITDA and adjusted EBITDA

Pre-exceptional EBITDA decreased 13.3%, but was resilient at £58.1m despite the market conditions (Restated[4] Q1 FY22: £67.0m). As a percentage of Group sales, the pre-exceptional EBITDA margin[5] decreased 1.4%pts to 12.4% (Restated[4] Q1 FY22 YTD: 13.8%). Adjusted EBITDA[6], which excludes fair value and pension adjustments, decreased 11.3% to £58.2m (Restated[4] Q1 FY22 YTD: £65.6m)[4].

Finance costs

Net finance costs (before exceptional items) increased to £32.2m (Q1 FY22 YTD: £23.5m) due to increased securitisation interest (owing to both higher Bank of England rates as well as the larger debtor book).

Exceptional items

In the quarter, we recognised exceptional costs of £8.9m (Restated[4] Q1 FY22: £18.0m expenditure) which this year reflects spend on our tech acceleration programme. The exceptional costs in Restated Q1 FY22 include £13.7m in relation to costs incurred as part of refinancing the £550m bond with the new £575m bond and £4.3m 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[4] Q1 FY22 YTD: charge £1.8m). For the 13 weeks ended 1 October 2022 the effective tax rate that has been applied is 0% (2 October 2021: 20.5%). The tax charge includes a £1.7m credit in relation to exceptional items charged in the period (Restated[4] Q1 FY22 YTD: £3.4m credit).

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

6 Adjusted EBITDA is defined on page 5 of the Financial Statements

INTERIM RESULTS STATEMENT (continued)

Statement of cash flows

Cash and cash equivalents decreased by £16.5m to £26.9m during the period (Q1 FY22 YTD: net cash and cash equivalents decreased by £56.1m to £22.0m). The first quarter is a time of cash outflow for the business as we invest in our inventory build ahead of peak season in Q2. The outflow this year is lower than in Q1 FY22, despite bringing forward more of that stock investment to put us in the best position for Black Friday and Christmas trading, owing to the cash inflow from the revolving credit facility.

The cash outflow from operating activities of £50.0m (Restated[4] Q1 FY22 £39.9m) is driven by higher interest payments of £40.5m (Q1 FY22: £22.5m) owing to the timing of the bond repayment in the prior year which led to a lower interest payment in Q1 FY22. As mentioned, we have also seen higher spend year on year on inventory which relates to our decision to buy certain stock earlier before Q2, in anticipation of our peak period. This is partially offset by a decrease in receivables as customers paid down their debtor book balances, which represents a cash inflow for the business.

The cash outflows in respect of investment activities comprise capital additions for the period of £12.1m (Restated[4] Q1 FY22 YTD: £10.6m), which were across business-as-usual and strategic investments.

The cash inflow from financing activities of £45.6m (Q1 FY22: outflow of £5.6m) relates to £75m of inflow from drawing on the revolving credit facility, partially offset by a reduction in the securitisation facility of £23.1m.

Financial position

Increase in equity of £2.6m to £197.2m (2 July 2022: equity £194.6m, Restated[4] 2 October 2021: equity £164.3m) was driven by Comprehensive Income for the period of £2.6m.

Inventory held at 1 October 2022 increased against the 2 July 2022 position to £149.1m (2 July 2022: £112.1m, 2 October 2021: £133.6m), with the increase against Q1 last year owing to bringing forward our stock purchase to put us in a strong position ahead of the peak season. Trade and other receivables at 1 October 2022 decreased against the 2 July 2022 position to £2,115.0m (2 July 2022: £2,144.0m, Restated[4] 2 October 2021: £2,070.2m), showing the expected seasonality as customers paid down balances. The increase compared to the Q1 FY22 position reflects the growth of the Very Pay debtor book. Trade and other payables at 1 October 2022 decreased to £472.8m (2 July 2022: £517.6m, 2 October 2021: £528.5m).

The regulatory provision at 1 October 2022 has decreased against the 2 October 2021 position to £3.7m (2 July 2022: £3.7m, 2 October 2021: £8.7m). The remaining provision is based on an estimate of the remaining payments with £0.7m expected to be fully utilised within 12 months. The remaining £3.0m is expected to be utilised after 12 months.

Total lease liabilities at 1 October 2022 decreased to £93.6m from 2 the July 2022 position (2 July 2022: £97.9m, 2 October 2021: £174.1m), as the liability has unwound. The contrast to Q1 FY22 reflects the elimination of leases associated with assets that were consolidated within the Group when Primevere Equipment Limited was acquired in FY22.

4 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)

Securitisation borrowings decreased to £1,418.6m from the year end position (2 July 2022: £1,441.7m, 2 October 2021: £1,375.7m), driven by the decrease in gross trade debtors. The securitisation borrowings figure includes £22.7m (2 July 2022: £23.9m, 2 October 2021: £23.6m) relating to the balance sheet receivables of Shop Direct Ireland Limited. During the period, the UK securitisation was extended for a further year to January 2025. The UK securitisation has a total facility size of £1,735.0m. The Ireland facility was extended in the prior year and has a total maximum commitment of €35.0m which expires in December 2024.

A further £38.7m (2 October 2021: £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 for the next 15 months to December 2023 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.

4 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 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

	13 weeks to 1 October 2022 £'m	(Restated)4 13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Operating profit	34.4	46.2	186.9
Exclusion of exceptional items	8.9	4.3	27.8
Operating profit before exceptional items9	43.3	50.5	214.7
Exclusion of depreciation and amortisation	14.8	16.5	65.0
Pre-exceptional EBITDA	**58.1**	**67.0**	**279.7**

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

	13 weeks to 1 October 2022 £'m	(Restated)4 13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Pre-exceptional EBITDA	58.1	67.0	279.7
Total revenue	469.4	484.1	2,148.3
Pre-exceptional EBITDA margin	**12.4%**	**13.8%**	**13.0%**

Reconciliation of operating profit to adjusted EBITDA

	13 weeks to 1 October 2022 £'m	(Restated)4 13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Operating profit	34.4	46.2	186.9
Exceptional items	8.9	4.3	27.8
Operating profit before exceptional items9	43.3	50.5	214.7
Depreciation and Amortisation	14.8	16.5	65.0
Pre-exceptional EBITDA	58.1	67.0	279.7
Adjusted for:			
Fair value adjustments to financial instruments	(3.7)	(2.9)	(5.7)
Fair value adjustments to trade creditors	1.4	(1.6)	(0.7)
Pension adjustments	-	-	1.5
SaaS accounting policy change (see note 13)	2.4	3.1	16.6
Adjusted EBITDA	**58.2**	**65.6**	**291.4**

4 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 repayment of VAT from HMRC in respect of debt recovery

INTERIM RESULTS STATEMENT (continued)

Alternative performance measures (continued)

Reconciliation of administrative expenses before amortisation, depreciation and exceptional items

	13 weeks to 1 October 2022 £'m	(Restated)[4] 13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Administrative expenses	86.3	91.5	368.4
Amortisation charged to administrative expenses	(12.2)	(11.5)	(47.0)
Depreciation charged to administrative expenses	(1.5)	(5.0)	(14.2)
Exceptional items	(8.9)	(4.3)	(27.8)
Administrative expenses before amortisation, depreciation and exceptional items	63.7	70.7	279.4

Reconciliation of distribution costs before amortisation, depreciation and exceptional items

	13 weeks to 1 October 2022 £'m	13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Distribution costs	50.8	49.1	224.0
Depreciation charged to distribution costs	(1.1)	-	(3.8)
Exceptional items	-	-	-
Distribution costs before amortisation, depreciation and exceptional items	49.7	49.1	220.2

4 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	13 weeks to 1 October 2022 (unaudited) Pre-exceptional items £'m	Exceptional items (Note 4) £'m	Total £'m	(Restated)[4] 13 weeks to 2 October 2021 (unaudited) Pre-exceptional items £'m	Exceptional items (Note 4) £'m	Total £'m	52 weeks to 2 July 2022 (audited) Pre-exceptional items £'m	Exceptional items (Note 4) £'m	Total £'m
Sale of goods		369.5	-	369.5	390.3	-	390.3	1,750.4	-	1,750.4
Rendering of services		99.9	-	99.9	93.8	-	93.8	397.9	-	397.9
Total revenue	3	469.4	-	469.4	484.1	-	484.1	2,148.3	-	2,148.3
Cost of sales		(298.4)	-	(298.4)	(298.0)	-	(298.0)	(1,371.6)	-	(1,371.6)
Gross profit		171.0	-	171.0	186.1	-	186.1	776.7	-	776.7
Distribution costs		(50.8)	-	(50.8)	(49.1)	-	(49.1)	(224.0)	-	(224.0)
Administrative costs		(77.4)	(8.9)	(86.3)	(87.2)	(4.3)	(91.5)	(340.6)	(27.8)	(368.4)
Other operating income		0.5	-	0.5	0.7	-	0.7	2.6	-	2.6
Operating profit[9]	3	43.3	(8.9)	34.4	50.5	(4.3)	46.2	214.7	(27.8)	186.9
Finance income		-	-	-	-	-	-	-	-	-
Finance costs		(32.2)	-	(32.2)	(23.5)	(13.7)	(37.2)	(109.3)	(13.7)	(123.0)
Profit before tax		11.1	(8.9)	2.2	27.0	(18.0)	9.0	105.4	(41.5)	63.9
Tax (charge)/credit	7	(1.7)	1.7	-	(5.2)	3.4	(1.8)	(21.0)	7.9	(13.1)
Profit/(Loss) for the period		9.4	(7.2)	2.2	21.8	(14.6)	7.2	84.4	(33.6)	50.8
Profit/(Loss) attributable to equity holders of the Group		9.4	(7.2)	2.2	21.8	(14.6)	7.2	84.4	(33.6)	50.8

The above results were derived from continuing operations.

4 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 repayment of VAT from HMRC in respect of debt recovery

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	13 weeks to 1 October 2022 (unaudited) £'m	(Restated)[4] 13 weeks to 2 October 2021 (unaudited) £'m	52 weeks to 2 July 2022 (audited) £'m
Profit for the period		2.2	7.2	50.8
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement on retirement benefit obligations before tax		-	-	10.5
Income tax effect	7	-	-	(2.2)
Other comprehensive income for the period for items that will not be reclassified subsequently to profit or loss		-	-	8.3
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation gain/(loss)		0.4	-	(0.1)
Other comprehensive income for the period		0.4	-	8.2
Total comprehensive income attributable to:				
Equity holders of the company		2.6	7.2	59.0

4 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	1 October 2022 (unaudited) £'m	(Restated)[4] 2 October 2021 (unaudited) £'m	2 July 2022 (audited) £'m
Assets				
Non-current assets				
Goodwill		202.5	202.5	202.5
Intangible assets		174.3	180.1	174.9
Property, plant and equipment		73.8	24.9	75.4
Right-of-use assets		83.0	160.5	84.7
Deferred tax assets		189.5	205.4	190.8
Trade and other receivables	6	505.0	-	503.8
		1,228.1	773.4	1,232.1
Current assets				
Inventories		149.1	133.6	112.1
Trade and other receivables	6	1,610.0	2,070.2	1,640.2
Income tax asset		2.9	-	1.1
Cash at bank	10	26.9	22.0	43.4
Derivative financial instruments	5	8.8	2.3	5.1
		1,797.7	2,228.1	1,801.9
Total assets		3,025.8	3,001.5	3,034.0

4 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	1 October 2022 (unaudited) £'m	(Restated)[4] 2 October 2021 (unaudited) £'m	2 July 2022 (audited) £'m
Equity				
Share capital	11	(200.0)	(200.0)	(200.0)
Accumulated (profit)/deficit		2.8	35.7	5.4
Equity attributable to owners of the company		(197.2)	(164.3)	(194.6)
Non-current liabilities				
Loans and borrowings	9	(609.0)	(572.6)	(620.9)
Securitisation facility	9	(1,418.6)	(1,375.7)	(1,441.7)
Retirement benefit obligations		(1.3)	(1.6)	(1.3)
Deferred income		(23.9)	(25.2)	(25.2)
Lease liabilities		(89.9)	(163.3)	(96.8)
Provisions	8	(4.6)	-	(5.7)
		(2,147.3)	(2,138.4)	(2,191.6)
Current liabilities				
Trade and other payables		(472.8)	(528.5)	(517.6)
Loans and borrowings	9	(155.7)	(88.2)	(80.0)
Retirement benefit obligations		-	(8.7)	-
Lease liabilities		(3.7)	(10.8)	(1.1)
Income tax liability		-	(0.5)	-
Deferred income		(44.4)	(47.8)	(44.4)
Provisions	8	(4.7)	(14.3)	(4.7)
		(681.3)	(698.8)	(647.8)
Total liabilities		(2,828.6)	(2,837.2)	(2,839.4)
Total equity and liabilities		(3,025.8)	(3,001.5)	(3,034.0)

4 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 13 weeks to 1 October 2022 (unaudited)				
Balance as at 3 July 2022	200.0	(8.9)	3.5	194.6
Profit for the period	-	2.2	-	2.2
Other comprehensive income	-	0.4	-	0.4
Total comprehensive income	-	2.6	-	2.6
Balance as at 1 October 2022	200.0	(6.3)	3.5	197.2
Changes in equity for the 13 weeks to 2 October 2021 (unaudited)				
Restated balance at 3 July 2021[4]	200.0	(42.9)	-	157.1
Restated profit for the period[4]	-	7.2	-	7.2
Other comprehensive income	-	-	-	-
Restated total comprehensive income[4]	-	7.2	-	7.2
Restated balance as at 2 October 2021[4]	200.0	(35.7)	-	164.3
Changes in equity for the 52 weeks to 2 July 2022 (audited)				
Restated 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
Acquisitions[5]	-	-	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

4 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.

5 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

	13 weeks to 1 October 2022 (unaudited) £'m	(Restated)[4] 13 weeks to 2 October 2021 (unaudited) £'m	52 weeks to 2 July 2022 (audited) £'m
Cash flows from operating activities			
Profit for the period	2.2	7.2	50.8
Adjustments for:			
Depreciation	2.6	5.0	18.0
Amortisation	12.2	11.5	47.0
Financial instrument net (gains)/losses through profit and loss	(3.7)	(2.9)	(5.7)
Finance income	-	-	-
Finance costs	32.2	37.2	123.0
Income tax charge/(credit)	-	1.8	13.1
Decrease in provisions	(1.1)	(6.8)	(10.7)
Adjustments for pensions	-	-	1.5
Operating cash flows before movements in working capital	44.4	53.0	237.0
(Increase) in inventories	(37.0)	(31.4)	(9.9)
Decrease/(Increase) in trade and other receivables	29.3	0.4	(64.8)
(Decrease) in trade and other payables	(46.2)	(38.8)	(65.8)
Cash generated by operations	(9.5)	(16.8)	96.5
Income taxes paid	-	(0.6)	(1.4)
Interest paid	(40.5)	(22.5)	(100.2)
Net cash (outflows)/inflows from operating activities	**(50.0)**	**(39.9)**	**(5.1)**

4 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)

	13 weeks to 1 October 2022 (unaudited) £'m	(Restated)[4] 13 weeks to 2 October 2021 (unaudited) £'m	52 weeks to 2 July 2022 (audited) £'m
Net cash outflows from operating activities	(50.0)	(39.9)	(5.1)
Cash flows from investing activities			
Interest received	-	-	-
Acquisitions of property plant and equipment	(1.3)	(0.3)	(1.7)
Acquisitions of intangible assets	(10.8)	(10.3)	(37.0)
Consideration paid from investing activities	-	-	(0.3)
Net cash outflows from investing activities	(12.1)	(10.6)	(39.0)
Cash flows from financing activities			
Payments of lease liabilities	(2.6)	(6.4)	(11.6)
Proceeds from securitisation facility	(23.1)	(13.5)	52.5
Net proceeds from senior secured notes	-	25.0	25.0
Payment of bond early redemption premium	-	(10.7)	(10.7)
Proceeds from/ (repayment of) secured revolving credit facility	75.0	-	(14.9)
Repayment of bank loans	(3.7)	-	(5.9)
Dividends to parent company	-	-	(25.0)
Net cash inflows/(outflows) from financing activities	45.6	(5.6)	9.4
Net decrease in cash and cash equivalents	(16.5)	(56.1)	(34.7)
Opening cash and cash equivalents (Note 10)	43.4	78.1	78.1
Closing cash and cash equivalents (Note 10)	26.9	22.0	43.4

4 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 22 November 2022.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the 13 weeks ended 1 October 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 1 October 2022 for the current 13 week period. The financial information for the comparative periods relates to the 13 week period ended Saturday 2 October 2021 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 13 week period ended 2 October 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 13 weeks ended 1 October 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 £8.1m as at the balance sheet date (2 July 2022: £7.9m). The net asset balance of £7.4m (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 2 July 2022, the directors estimate that an unfavourable settlement of this case could result in a charge to the income statement of up to £7.4m.

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 15 months from the balance sheet date of these interim financial statements. These have been considered in conjunction with the current economic climate.

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 next 15 months to December 2023 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 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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

By business segment

Analysis of revenue:	13 weeks to 1 October 2022 £'m	(Restated)[4,8] 13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Very†	422.2	433.5	1,858.1
Littlewoods◊	47.2	50.6	290.2
	469.4	484.1	2,148.3
Gross profit	171.0	186.1	776.7
Distribution costs excluding depreciation and exceptionals	(49.7)	(49.1)	(220.2)
Administrative costs excluding depreciation, amortisation and exceptionals	(63.7)	(70.7)	(279.4)
Other operating income	0.5	0.7	2.6
Pre-exceptional EBITDA*:			
Very†	85.6	100.4	396.7
Littlewoods◊	15.4	18.3	89.5
Central costs	(42.9)	(51.7)	(206.5)
	58.1	67.0	279.7
Exceptional items	(8.9)	(4.3)	(27.8)
Depreciation	(2.6)	(5.0)	(18.0)
Amortisation	(12.2)	(11.5)	(47.0)
Operating profit	34.4	46.2	186.9
Finance income	-	-	-
Finance costs excluding exceptionals	(32.2)	(23.5)	(109.3)
Exceptional finance costs	-	(13.7)	(13.7)
Profit before taxation	2.2	9.0	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.

4 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.

8 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

	13 weeks to 1 October 2022 £'m	(Restated)[4] 13 weeks to 2 October 2021 £'m	52 weeks to 2 July 2022 £'m
Revenue:			
United Kingdom	455.4	467.4	2067.7
Republic of Ireland	14.0	16.7	80.6
	469.4	484.1	2,148.3
Operating profit:			
United Kingdom	34.1	45.0	175.9
Republic of Ireland	0.3	1.2	11.0
	34.4	46.2	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.

4 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

	13 weeks to 1 October 2022 £'m	(Restated)[4] 13 weeks to 2 October 2021 £'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	8.9	4.3	17.8
Charged to operating profit	8.9	4.3	27.8
Exceptional finance costs	-	13.7	13.7
Total exceptional costs	8.9	18.0	41.5

Progress continues on our multi-year technical transformation program, which involves moving 93% 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, £8.9m of costs have been classified as exceptional in relation to spend incurred on this program during the current period (2 July 2022: £17.8m). Exceptional costs have been restated for the 13 week period ended 2 October 2021 to recognise £4.3m 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 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.

4 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:

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Notional amount – Sterling contract value	81.7	119.4	104.1
Fair value of asset/(liability) recognised	8.8	2.3	5.1

Changes in the fair value of derivative financial instruments amounted to a gain of £3.7m in the period (period to 2 October 2021: 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:	1 October 2022 £'m	(Restated)4 2 October 2021 £'m	2 July 2022 £'m
Amounts owed by group undertakings (note 12)	505.0	-	503.8

Current:	1 October 2022 £'m	(Restated)4 2 October 2021 £'m	2 July 2022 £'m
Trade receivables	1,378.3	1,329.7	1,394.1
Amounts owed by group undertakings (note 12)	1.8	521.2	6.7
Prepayments	179.5	170.1	182.7
Other receivables	50.4	49.2	56.7
	1,610.0	2,070.2	1,640.2
Total trade and other receivables	2,115.0	2,070.2	2,144.0

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.

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Gross trade receivables	1,639.2	1,571.3	1,647.6
Allowance for bad debts	(260.9)	(241.6)	(253.5)
Net trade receivables	1,378.3	1,329.7	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 39 week period ended 1 October 2022 the effective tax rate that has been applied is 0% (Restated[4] 2 October 2021: 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	(1.1)	-	(1.1)
At 1 October 2022	5.6	3.7	9.3
Non-current	1.6	3.0	4.6
Current	4.0	0.7	4.7
	5.6	3.7	9.3

The restructuring provision relates largely to costs associated with the closure of the Group's customer care centre in Aintree. £4.0m of the restructuring provision is expected to be utilised within 12 months. The remaining £1.6m 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. £0.7m 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.

4 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)

8. Provisions (continued)

	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

	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

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,418.6	1,375.7	1,441.7
Senior secured notes	577.5	572.6	585.9
Bank Loans	31.5	-	35.0
	2,027.6	1,948.3	2,062.6
Current loans and borrowings at amortised cost			
Secured revolving credit facility	148.6	88.2	73.5
Bank loans	7.1	-	6.5
	155.7	88.2	80.0

Within the securitisation facility £22.7m (2 October 2021: £23.6m, 2 July 2022: £23.9m) is denominated in Euros and within bank loans £38.6m (2 October 2021: £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:

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Within one year	155.7	88.2	80.0
In the second year	57.1	1,352.1	57.4
In the third to fifth year	1,960.3	572.6	1,998.2
Over five years	10.2	23.6	7.0
Amount due for settlement after one year	2,027.6	1,948.3	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 £1,395.9m (2 October 2021: £1,352.1m) 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 (£1,016.8m), 'AJ' Notes (£119.1m), 'B' Notes (£105.0m) and 'C1' Notes (£105.0m). The 'C2' Notes (£50.0m) expire in December 2023. The total facility size is £1,735.0m.

(b) The Group has senior secured notes with a nominal value of £575.0m, at 6.5%, due August 2026 with a secured revolving credit facility of £150.0m which was fully drawn down at 1 October 2022 (2 October 2021: £150m of which £90m 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 £22.7m (2 October 2021: £23.6m), 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 £38.6m at 1 October 2022. 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

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Cash at bank	25.3	22.0	36.1
Cash equivalents	1.6	-	7.3
Net cash and cash equivalents in statement of cash flows	26.9	22.0	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

	1 October 2022		2 October 2021		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

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Yodel Delivery Network Limited	-	0.2	2.4
Arrow XL Limited	-	-	1.0
	-	0.2	3.4

Purchase of services

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Yodel Delivery Network Limited	(19.0)	(15.8)	(80.2)
Arrow XL Limited	(11.4)	(8.9)	(37.9)
Trenport Property Holdings Limited	(0.1)	(0.1)	(0.6)
Shop Direct Holdings Limited	(1.9)	(1.3)	(7.2)
	(32.4)	(26.1)	(125.9)

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

Amounts due from fellow Group undertakings

	1 October 2022 £'m	2 October 2021 £'m	2 July 2022 £'m
Shop Direct Holdings Limited	496.7	491.8	495.5
Yodel Delivery Network Limited	1.3	4.5	5.5
Arrow XL Limited	0.5	0.8	1.2
Primevere Limited	8.3	8.9	8.3
Primevere Equipment Limited	-	15.2	-
	506.8	521.2	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 £56.2m in 2 October 2021 statement of financial position, and to a £4.5m increase in operating expenses within administrative expenses.

Impact on the Group Statement of Financial Position

	(As previously reported) 2 October 2021 £'m	Impact of restatement £'m	(Restated) 2 October 2021 £'m
Intangible assets	248.9	(68.8)	180.1
Deferred tax asset	189.1	16.3	205.4
Corporation tax asset	4.4	(4.4)	-
Other assets	2,615.3	0.7	2,620.4
Total assets	3,057.7	(56.2)	3,001.5
Equity			
Share capital	(200.0)	-	(200.0)
Accumulated deficit	(21.0)	56.7	35.7
Equity attributable to owners of the company	(221.0)	56.7	164.3
Corporation tax liability	-	(0.5)	(0.5)
Other liabilities	(2,836.7)	-	(2,836.7)
Total liabilities	(2,836.7)	(0.5)	(2,837.2)
Total equity and liabilities	(3,057.7)	56.2	(3,001.5)

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) 2 October 2021 £'m	Impact of restatement £'m	(Restated) 2 October 2021 £'m
Pre-exceptional EBITDA:			
Very	97.7	-	97.7
Littlewoods	21.0	-	21.0
Central Costs	(48.6)	(3.1)	(51.7)
	70.1	(3.1)	67.0
Exceptional items	-	(4.3)	(4.3)
Depreciation	(5.0)	-	(5.0)
Amortisation	(14.4)	2.9	(11.5)
Operating profit	**50.7**	**(4.5)**	**46.2**
Profit before tax	13.5	(4.5)	9.0
Profit for the period	11.0	(3.8)	7.2

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 presented in the Income Statement for the 13 week period ending 2 October 2021 is £4.5m.

Impact on Group's effective tax rate

	(As previously reported) 2 October 2021 £'m	Impact of restatement £'m	(Restated) 2 October 2021 £'m
Profit before tax	13.5	(4.5)	9.0
Tax charge	(2.5)	0.7	(1.8)
Profit for the period	11.0	(3.8)	7.2
Effective tax rate	19%	(16%)	(20%)

Impact on Group's Statement of Cash Flows

	(As previously reported) 2 October 2021 £'m	Impact of restatement £'m	(Restated) 2 October 2021 £'m
Net cash flow from operating activities	(32.1)	(7.8)	(39.9)
Net cash flow from investing activities	(18.4)	7.8	(10.6)
Net cash flow from financing activities	(5.6)	-	(5.6)
Net decrease in cash and cash equivalents	(56.1)	-	(56.1)

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