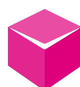
DELIVERING RECORD GROWTH

Annual Report and Group Financial Statements 2020/2021



THE VERY GROUP

With annual sales of over £2.3bn, The Very Group is a unique digital business that combines retail and flexible payments – bringing desirable brands within easy reach of more customers.

Our digital multi-category stores – Very.co.uk, Littlewoods.com and LittlewoodsIreland.ie – sell over 2,000 famous brands and receive 2.2m website visits a day, with 81% of online sales completed on mobile devices.

With our multi-category range of famous brands, market-leading ecommerce and technology capabilities, and unique Very Pay Platform offering flexible ways to pay – we make good things easily accessible to more people.

OUR PURPOSE

Make good things easily accessible to more people.

Find out more:
www.theverygroup.com

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FY21 HIGHLIGHTS

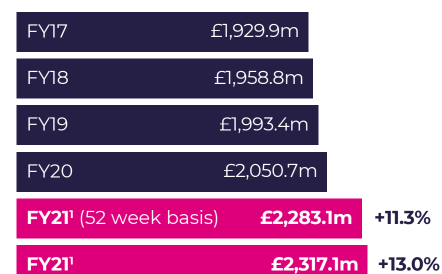
OPERATING AND FINANCIAL HIGHLIGHTS

Our financial results reflect the relevance and resilience of our business.

GROUP SALES

£2,317.1 m

(+13.0%)



PROFIT/(LOSS) BEFORE TAX

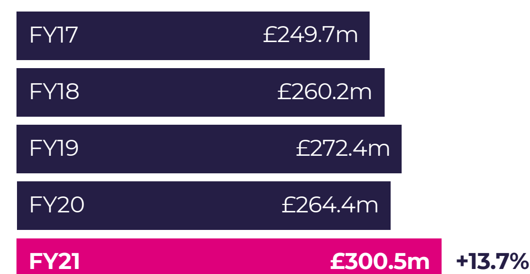
£81.7m

(+68.8%)

UNDERLYING EBITDA[4]

£300.5m

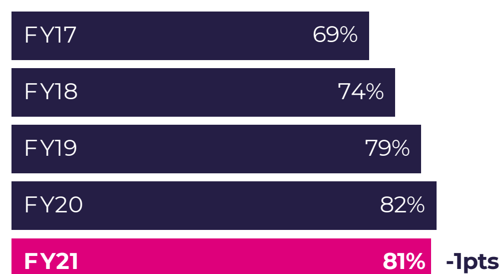
(+13.7%)

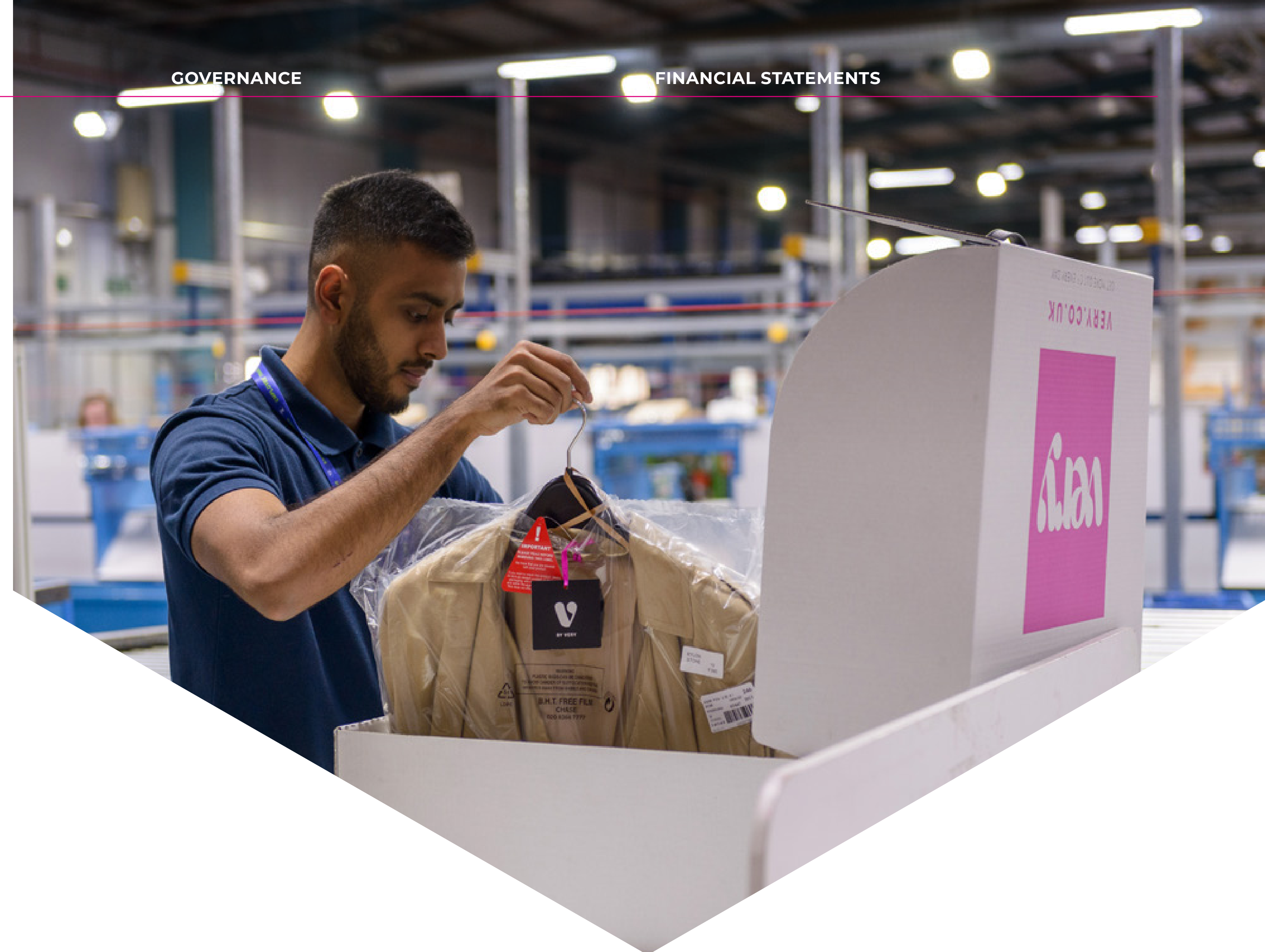


MOBILE SALES MIX % (AS % OF TOTAL ONLINE SALES)

81%

(-1pts)





- We report a strong FY21 with profit before tax of £81.7m[1], an increase of 68.8% on the prior year (FY20 profit before tax: £48.4m). Included in this result are exceptional items of £41.3m (FY20: £42.6m), as outlined in note 6 of the financial statements.
- Group sales increased 13.0% to £2,317.1m (FY20: £2,050.7m) (11.3% after adjusting for week 53[1] of £34.0m). Very.co.uk customers[2] increased 12.4% to 3.82m, with total Group (including Littlewoods and Littlewoods Ireland) customers up by 7.6% to 4.82m.
- Very.co.uk sales increased 18.2% to £1,878.4m (FY20: £1,589.8m) (up 16.4% after adjusting for week 53[1]).
- Littlewoods controlled rate of sales decline slowed – down 4.8% to £438.7m (FY20: £460.9m, an 8.8% decline) or 6.1% after adjusting for week 53[1].
- Group gross margin[3] has been maintained at 36.5% (FY20: 36.5%), with improvements in retail margin offset by a drop in Very Finance contribution.
- Underlying EBITDA[1,4] has increased by 13.7% to £300.5m[1] (FY20: £264.4m), reflecting not only an increase from sales growth but also cost management.
- Pre-exceptional EBITDA[1,4] increased 15.9% to £300.3m (FY20:£259.1m)
- Cash at bank £78.1m (FY20: £206.4m) reflecting the £119.4m final settlement of customer redress payments during FY21, with no further material provisions expected going forward.
- Very.co.uk mobile sales remains at 82% of sales (FY20: 82%).

1 FY21 was a 53 week period whereas FY20 was a 52 week period. Unless otherwise stated, all figures include the extra week in FY21. Where a 52 week comparison has been used, this is calculated as weeks 1-52 of FY21.
2 Defined as having shopped in the last 12 months.
3 Gross profit as a % of total revenue, each as per Consolidated Income Statement on page 70.
4 Underlying and pre-exceptional EBITDA are defined on page 33 of the Financial review (Pre-exceptional EBITDA).

DELIVERING BRANDS OUR CUSTOMERS LOVE

OUR BUSINESS AT A GLANCE

VERY.CO.UK

Making up 81% of Group sales[1] and selling everything from tech to tableware, Very is our biggest and fastest growing retail brand. It's famous for its combination of big-name brands and on-trend fashion.

VERY.CO.UK SALES

Year	Sales	
FY17	£1,263.5m	
FY18	£1,389.1m	
FY19	£1,488.1m	
FY20	£1,589.8m	
FY21[1]	£1,878.4m[1]	+18.2%

+24.9%
RETAIL SALES GROWTH[1]

SALES[1] (FY21)
£1,878.4m
(+18.2%)
(+16.4% on a 52 week basis[1])

ONLINE VISITS (FY21)
652.4m
(+24.5%)[1]

VERY.CO.UK PRE-EXCEPTIONAL EBITDA[1,3] (FY21)
£399.0m
(+21.1%)[1]

TOTAL ACTIVE CUSTOMERS (FY21)
3.82m
(+12.4%)[1]

- A UK online multi-category store with big-name brands.
- Offers customers a broad, curated and inspiring selection of products.
- Provides flexible ways to pay via the Very Pay platform, so customers can buy what they want when they need it most.

Littlewoods.com

Established in 1923, our family-focused digital multi-category store has a loyal customer base.

LITTLEWOODS SALES

Year	Sales	
FY17	£666.4m	
FY18	£569.7m	
FY19	£505.3m	
FY20	£460.9m	
FY21[1]	£438.7m	-4.8%

58.8%
VERY PAY CUSTOMERS RETAINED FOR 5+ YEARS[4]

SALES[2] (FY21)
£438.7m
(-4.8%)
(-6.1% on a 52 week basis[1])

LITTLEWOODS PRE-EXCEPTIONAL EBITDA[1] (FY21)
£120.6m
(+3.4%)[1]

ONLINE VISITS (FY21)
162.3
(-0.2%)[1]

- Offers the big brands our customers desire, for themselves and all the family.
- Services a wide range of customers.
- Lets customers access the products they want while staying in financial control through regular interest-free payments.

1 FY21 was a 53 week period whereas FY20 was a 52 week period. Unless otherwise state, all figures include the extra week in FY21. Where a 52 week comparison has been used, this is calculated as weeks 1-52 of FY21.
2 Littlewoods sales include Littlewoods.com and LittlewoodsIreland.ie.
3 Pre-exceptional EBITDA by brand is stated before central costs. See page 33 for more details.
4 Credit customer retention rate excludes Littlewoods Ireland.

BENEFITING FROM OUR RELEVANT OFFERING

GROUP CHIEF EXECUTIVE'S REVIEW

I am pleased and proud to say we performed exceptionally well in a highly challenging year.

HENRY BIRCH

It is safe to say that the last 12 months are unlikely to ever be forgotten. Covid-19 has had a profound and unprecedented impact on individuals, families and communities across the UK and globally. As the UK and Ireland locked down to manage the spread of Covid-19, The Very Group stepped up. Arguably, we played a more important role in the lives of our customers than at any point in our 100-year history.

Our enduring offer, which combines multi-category online retail with flexible ways to pay, was truly relied upon, both when the high street was open and closed for business. Whether it was entertaining the kids, upgrading the home or decking out the garden, Very and Littlewoods were the chosen destinations for millions of families.

DELIVERING AN OUTSTANDING PERFORMANCE

I am therefore delighted to report outstanding Group performance, including record revenue, continued profit growth and a robust liquidity position. And despite the countless challenges thrown at us by the pandemic, our operational ambitions did not fall by the wayside. We ramped up our new fulfilment centre, added our chatbot – which was previously only available on our app – to the Very website, and introduced soft search to our payments journey, among other initiatives.

These are excellent achievements, but I am most proud of how our colleagues rose to the challenge. Through their dedication, adaptability and ingenuity, they consistently delivered for our customers while adjusting to new ways of working and facing personal tests. Our fulfilment and creative teams took new social distancing measures in their stride, while our office-based colleagues moved to remote working and, in many cases, also managed childcare and home-schooling commitments.

The pandemic has exposed a whole new group of shoppers to the convenience of online retail. More importantly, they like it, and signs indicate that most are here to stay. Our challenge is to continue playing a vital role in the lives of our customers in the face of ever-fiercer online competition. By delivering on a strategy that strengthens our already compelling proposition, while staying true to the needs of hardworking families in the UK and Ireland, I have no doubt that The Very Group will continue to thrive in the years ahead.

FY21 PERFORMANCE

In the 53 weeks to 3 July 2021, driven by 18.2% revenue growth at Very to £1,878.4m (£1,589.8m in FY20), Group revenue grew 13.0% to £2,317.1m (£2,050.7m in FY20).

This performance was underpinned by strong customer acquisition, boosted by consumers' appetite to shop online throughout the pandemic. Very customers grew 12.4% to 3.82m (3.40m in FY20), boosting total Group customers by 7.6% to 4.82m for FY21 (4.48m in FY20).

Very's growth was partially offset by Littlewoods, which continued its managed decline at 4.8% to £438.7m (£460.9m in FY20). This represents a significant improvement on the decline of 8.8% the year before.

Following a return to profit for the Group in FY20, I am pleased to report further profit progress for FY21. Profit before tax of £81.7m represents a 68.8% increase compared to £48.4m for FY20.

Group retail sales increased 18.3% year-on-year, supported by sales growth across all categories. Home increased 20.4%; electrical, which performed particularly well during lockdown, increased 29.8%; fashion and sports 8.0%; and developing categories, which includes toys, gifts, beauty and leisure, 3.5%.

Very sales via mobile devices remained strong at 82% of total sales. Orders from our Very app represented 30.7% of total Very orders across all devices (FY20: 32.0%).

Underlying EBITDA increased 13.7% to £300.5m (£264.4m in FY20), reflecting our strong revenue growth together with our continued focus on carefully managing the cost base.

Our total debtor book declined by 1.1%, whilst the Very debtor book grew 3.3%. Furthermore, the percentage of bad debt within our debtor book decreased by 1.5%pts to 6.1% reflecting our improved decisioning processes. Whilst we have seen a decrease in interest income, interest as a percentage of the total debtor book has improved in FY21.

FY21 PROGRESS
INVESTING IN OUR CUSTOMER PROPOSITION

Adding to our well-loved brands

A big part of Very's appeal is the breadth of amazing brands our customers love and we continued to add to these throughout the year. This included significant expansion of our beauty category, where we added 70 new brands, including the successful launches of Benefit makeup and the Dyson hairdryer. Meanwhile, we introduced 40 new labels to our home department, which proved hugely popular as customers spent more time indoors than ever before. And as sports continued to thrive, we further strengthened our longstanding relationships with Nike and Adidas.

+18.2%
Revenue growth at Very

4.82m
Active Group customers, reflecting 7.6% year-on-year growth

Making good use of technology and automation

We continued to improve our customer experience and use technology and automation, epitomised by Very's chatbot. Our chatbot gives customers immediate, artificial intelligence-powered answers to their queries without the need for human intervention. It is now our most popular customer service channel, handling 268,000 queries a month, helping drive a 23% reduction in inbound customer contact and supporting improvement in our net promoter score.

Continuing to enhance the customer journey

We know that the strength of our customer experience drives loyalty and retention. In that knowledge, we continued to make a range of changes to improve our user journey, including new functionality to allow our customers to select multiple filter values, making it quicker and easier for them to find the products they need. And on the back of user experience research, we implemented a range of updates to our Very app to make the channel even more seamless. We introduced a more intuitive app home screen experience, added spending dials, and increased the prominence of customer balance amounts on the account summary page.

I am delighted to report outstanding Group performance, including record revenue, continued profit growth and a robust liquidity position."

BENEFITING FROM OUR RELEVANT OFFERING

GROUP CHIEF EXECUTIVE'S REVIEW
continued

Strengthening flexible ways to pay

We also significantly strengthened our unique flexible ways to pay. We added soft search, which lets customers check their eligibility for an account before they apply and undergo a full credit check. And we implemented technology changes to allow our Very customers to receive monthly statements, whereas previously they received 28-day statements which resulted in 13 payment dates a year.

APPOINTING A NEW CHIEF INFORMATION OFFICER

To spearhead the development of our technology platforms, Matt Grest joined our executive team as Chief Information Officer (CIO). Matt arrived from the BBC, where he led the transformation of the corporation's digital and broadcast products into a fully integrated tech platform, combining content and user data with audience personalisation to power the BBC's flagship products, including iPlayer and Sounds.

Matt leads our 350-strong technology team and is driving a step change in the velocity of our development work, operational use of our rich data set and significant improvements to our customer experience.

CONTINUING PROGRESS AT SKYGATE

Our fulfilment centre, Skygate, launched on 23 March 2020 when the first national lockdown was announced. Since then it has played a critical role in helping us deliver for our customers. The site allowed us to meet peak-level volumes throughout the year, while managing dramatic shifts in product and category demand as a result of the pandemic.

Skygate helped us increase our order cut-off time for next day customer delivery from 7pm to 10pm. Meanwhile, in April 2021, we kicked off the migration of our fashion returns activity to our new site. As a result, we can now process customer refunds and make returned stock available for sale again faster than ever before.

INTRODUCING A NEW HYBRID WAY OF WORKING

Our performance, as ever, was underpinned by our outstanding people. Throughout the pandemic they told us they liked the flexibility of working from home, but missed in-person contact for meetings and learning. In response, in the course of this year, we put in place the building blocks for a new hybrid way of working that is flexible around the needs of our customers, our business and our people. It is built on trust and empowerment and will help us retain and attract the best talent.

This new model, which is now operating for colleagues across our offices, allows our people to be focused at home – supported by ongoing investment in processes and technology – and collaborative in the office. To underpin this way of working, we invested to transform our Liverpool-based campus to support our hybrid model, creating the ideal setting for teamwork, learning and socialising.

FOCUSING ON SUSTAINABILITY

Our sustainability strategy addresses our impact on society and the environment, and is allied with the United Nations' Sustainable Development Goals. Focusing on the planet, circularity, product, communities and people, we have set 2025 targets based on industry best practice and developed in conjunction with leading sustainability organisations. By working to deliver on our targets, we're giving our people and our customers sustainable choices, reducing our impact on the environment, and supporting our communities.

> By playing an even more important role in the lives of our customers, and investing in our people, our business and our communities, we will continue to grow strongly in the coming years."

In our most significant step yet towards net zero, we switched to renewably sourced energy for all of our UK operations. This meaningfully reduced our carbon footprint, as circa 70% of our emissions were attributed to electricity consumption during the prior year. Now, we have begun work with environmental reporting expert Carbon Intelligence to map and analyse our total carbon footprint, before setting a science-based target to help tackle climate change and devising strategies to address priority areas for improvement.

In our communities, we continued to work towards our £600,000 fundraising target for Coram Beanstalk. This will help the national children's literacy charity expand its network of reading helpers in the North West and launch a network in the East Midlands. Over the coming year, we will also build on our commitment to improve the lives of workers in our third-party supplier factories globally by focusing on social dialogue, gender and inclusion, financial literacy and sustainability training.

DIVERSITY AND INCLUSION

We are driving forward our diversity and inclusion agenda throughout the colleague and customer experience. To this end, we have introduced inclusion training available to every colleague; a hiring target of no more than 75% bias towards a single gender on our shortlists, early talent initiatives and inclusive leadership training.

THE FUTURE

While the months ahead remain somewhat unpredictable regarding how the pandemic unfolds, our flexible and diverse supply chain and our strong supplier contracts mean we are well positioned, and the last year has shown that our proposition is ever-more relevant for customers. Arguably, the pandemic has not radically changed customers' shopping behaviour, it has just rapidly increased pre-existing trends. Customers have always liked the choice, convenience and flexibility that our proposition affords, but, in the pandemic, both pre-existing customers and new customers have placed even greater value on our offer. For a large proportion of our customers, we have become the retail destination of choice and the retailer that commands the greatest 'share of their wallet'.

Looking to the future, this means we need to ensure that we continuously improve our proposition – what makes us so popular with customers – and ensure that even greater numbers of people are aware of what we offer. To do so, we are focused on *four priorities* to further strengthen the appeal of our combined multi-category retail and payments offer for customers in the UK and Ireland.

BUILDING BRAND LOYALTY

Firstly, we want to make Very top of customers' minds by increasing consideration of our brand. With greater emphasis on our marketing capability and mix, we will tell more people than ever how our proposition meets their needs. At the same time, we continue to look at how we can retain and reward our customers and are currently piloting a new loyalty mechanism.

GIVING CUSTOMERS MORE OF WHAT THEY LOVE

We will extend our product and brand assortment even further with more of the things our customers love. While we will continue to build across our full multi-category offering, much of our focus will be on lifestyle categories, including fashion, sports and beauty, which we believe have significant growth potential in the post-Covid-19 environment.

INVESTING IN FURTHER IMPROVING THE CUSTOMER EXPERIENCE

We will also invest in further improving our customer experience, including investing significantly in the on-site customer journey and experience. An example of this is our use of 'change model' functionality, whereby customers can view the same items of clothing on models of three different body shapes.

ENHANCING OUR FLEXIBLE WAYS TO PAY

Finally, our flexible ways to pay proposition, which makes brands accessible for our customers and allows them to manage household cash flow, will be further strengthened with the introduction of new products and improvements, with a particular emphasis on personalisation.

LOOKING FORWARD

The pandemic has, and will continue to have, economic implications, but there is a renewed sense of optimism as the UK continues to reopen. We expect online retail, which has flourished during Covid-19, to retain its popularity in the years ahead.

Against this backdrop, we believe our model will prove increasingly relevant and resilient, as it has for over 100 years. Moreover, our recent performance highlights customers' enduring and growing appetite for our offering, which is online, multi-category and provides flexible payment options. By playing an even more important role in the lives of our customers in the UK and Ireland, and investing in our people, our business and our communities, I believe we will continue to grow strongly in the coming years.

CHANGING EVERYTHING FOR THE BETTER

EMBRACING OUR HYBRID WORKING FUTURE

For so many of us at The Very Group, working from home for over a year opened our eyes to new and better ways of doing things.

Despite the personal and commercial challenges posed by Covid-19, remote working drove improvements in flexibility, productivity, cost and performance during a period where we clocked-up record revenues and attracted more new customers than ever before. And, above all, we liked it!

CHANGING EVERYTHING FOR THE BETTER

Colleagues told us in our engagement surveys that working from home gave them greater flexibility and that they wanted this to continue beyond the coronavirus crisis. However, they also said they missed the buzz of the office, face-to-face interaction and the chance to learn with, and from, each other in person.

Consequently, we realised early in the pandemic that we would not return to business as usual when the UK reopened. So in Summer 2020 we shared our intention to move to a hybrid working model. This made us one of the first large companies in the UK to commit to new ways of working as a result of insights gained from the pandemic and, crucially, gave us plenty of time to plan.

Throughout our 2020/21 financial year, we designed, created the right environment for, and tested our hybrid working model. Now, we're ready to begin rolling out the model to our colleagues as the UK continues to reopen.

THE NEW HYBRID WAY

We've created a hybrid way of working that flexes around the needs of our customers, our business and our people; one that is built on trust and empowerment. It allows our colleagues to be truly focused at home – supported by ongoing investment in the right processes and technology – and highly collaborative in the office.

Our new ways of working will be managed and role-modelled at all levels, based on our new, Group-level working principles, guidelines and tools.

REFLECTING INDIVIDUALS

We have not set quotas on time spent in the office or at home. Fifty-fifty is our guide rather than an expectation, and individuals' working patterns will depend on their role, team, personal circumstances and career stage.

MAKING THE MOST OF DIGITAL-FIRST

Meanwhile, to maintain the accessibility, inclusion and connectedness that our colleagues enjoyed during the pandemic, our model is designed for digital-first interaction. Company-wide events, learning content, priority setting, and performance management will all be delivered digitally.

CONTINUING TO COME TOGETHER

Teams will be encouraged to come together in the office for a range of needs, such as personal development and wellbeing activities, including using our on-site gym. Cross-team collaboration and project inception, planning and evaluation meetings will provide more reasons to come to our sites, as will getting closer to our customers through UX sessions.

> "Remote working drove improvements in flexibility and performance during a period where we clocked-up record revenues and attracted more new customers than ever before. And, above all, we liked it."
>
> **SARAH WILLETT,**
> **Chief People Officer**

Crucially, we've shaped a range of new channels for colleagues to tell us more about their experience of working in this new way, and we're closely monitoring performance, productivity and office usage in case we need to tweak our model.

THE RIGHT ENVIRONMENT

We want our offices to be places for culture, community and collaboration. That's why we have invested to transform our Liverpool-based campus for our hybrid model, creating the ideal setting for teamwork, learning and socialising.

At Skyways House – a 12,400-square metre, former aircraft hangar – we have introduced an open plan environment with a plethora of bespoke breakout and collaboration spaces, ideally designed for group working. Hot desks have been installed to let colleagues and teams work from anywhere on site, while green spaces add a sense of calm.

CHANGING EVERYTHING FOR THE BETTER

EMBRACING OUR HYBRID WORKING FUTURE
continued

12,400
Square-metre open-plan environment

750
Customer-care colleagues will be working in the Hub

The Hub, the second office on campus and home to 750 of our customer care colleagues, has been transformed into a leading-edge flexible contact centre. It features collaborative zones, hot desks, quiet pods, training rooms and breakout spaces of different sizes and specifications.

Throughout the campus, new zones have been defined using distinctive décor to help teams come together in the right places to collaborate. The entire project has been delivered to the highest environmental standards, with all old furniture being recycled.

This reinvigoration of our campus, which has also been replicated at our Bolton customer care centre, complements the existing wellbeing area at our Liverpool HQ, which includes a conference centre, juice bar, relaxation zone and a colleague gym with regular fitness classes.

PUTTING PEOPLE FIRST

Of course, the hybrid model, including more time spent at home in the long term, can be overwhelming. During the pandemic, we introduced wellbeing measures, including a four-month virtual programme of live webinars, podcasts, videos and articles available to all colleagues with performance physiologist, scientist, and author, Dr Greg Wells. 'The Ripple Effect' has supported colleagues in understanding and improving their sleep habits, nutrition, movement and mindset. Meanwhile, we continued to partner with the Retail Trust to provide a range of vital colleague support.

HELPING OUR PEOPLE THRIVE

In addition, a range of our wellbeing measures will remain in place beyond the pandemic, including our 'no meeting zone' between 12.30pm and 1.30pm daily, when colleagues are encouraged to step away from their screens and take a break. Meanwhile, a suite of training and support will help our colleagues navigate new systems and technology associated with our hybrid model.

TRAINING OUR LEADERS

We've also invested in our leaders via a new nine-month development programme, which has been created with the help of a leading psychologist and will set them up for hybrid leadership. It is already helping managers exhibit increased humility and flexibility, engender trust, create psychological safety and foster inclusion within their teams and across our business.

Like everything we do at The Very Group, we have a test and learn mindset when it comes to our hybrid model. We will monitor its performance closely, with a real focus on feedback from our people, and make necessary tweaks along the way.

READY FOR WHAT'S NEXT

We believe we have created a model that will help our colleagues to be focused at home and collaborative in the office. It will make us more efficient and productive, while offering flexibility and helping to improve colleagues' wellbeing.

It's about how we can give our colleagues true value and get value back in return. By offering better balance, and interesting and inspiring work, we can widen our potential talent pool, and attract and retain even more amazing people.

With online retail expected to become more competitive than ever in the post-Covid-19 era, our hybrid model puts us in the best possible position to succeed in the years ahead.

OUTSTANDING GROUP PERFORMANCE, AND RECORD REVENUE

KEY PERFORMANCE INDICATORS

We measure the performance of our business in the 53 week period ended 3 July 2021 using the following key performance indicators.

UNDERLYING EBITDA[1]
£300.5m
(+13.7%)

OPERATING PROFIT[2] (PRE-EXCEPTIONAL)
£229.9m
(+12.8%)

PROFIT BEFORE TAX
£81.7m
(FY20: £48.4m)

CASH AT BANK
£78.1m
(FY20: £206.4m)

GROUP SALES

Very.co.uk	Littlewoods
£1,878.4m (+18.2%)	£438.7m (-4.8%)

£2,317.1m
(+13.0%)
Group sales up 11.3% after adjusting for week 53

VERY PAY

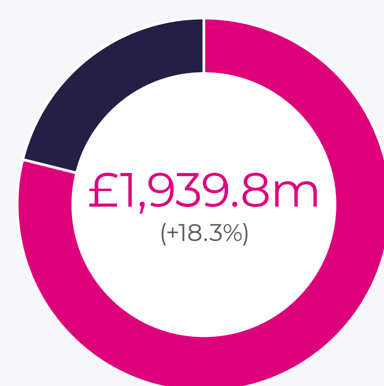
VERY.CO.UK AVERAGE DEBTOR BOOK
£1,251.2m
(+3.3%)

VERY.CO.UK INTEREST INCOME (% OF VERY.CO.UK AVERAGE DEBTOR BOOK)
22.8%
(2.1%pts lower)

VERY.CO.UK BAD DEBT EXPENSE (% OF VERY.CO.UK AVERAGE DEBTOR BOOK)
(6.4%)
(2.0%pts lower)

RETAIL

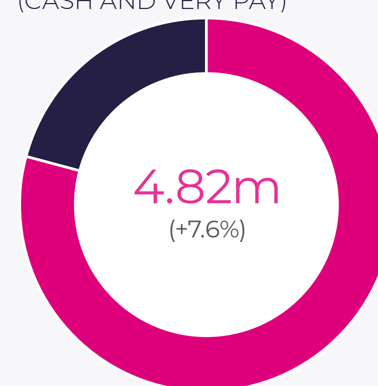
RETAIL SALES[3]



● Very.co.uk	**£1,535.6m** (+24.9%)
● Littlewoods	**£404.2m** (-1.4%)

Retail sales up 16.7% after adjusting for week 53

TOTAL ACTIVE CUSTOMERS[4] (CASH AND VERY PAY)



● Very.co.uk	**3.82m** (+12.4%)
● Littlewoods	**1.00m** (-7.4%)

DEMAND PER CUSTOMER[5]

● TVG ● Very.co.uk ● Littlewoods

£678.9	+1.5%
£673.1	+3.1%
£701.0	-2.8%

SALES CONVERSION[6]
59.3%
(+4.6%pts)

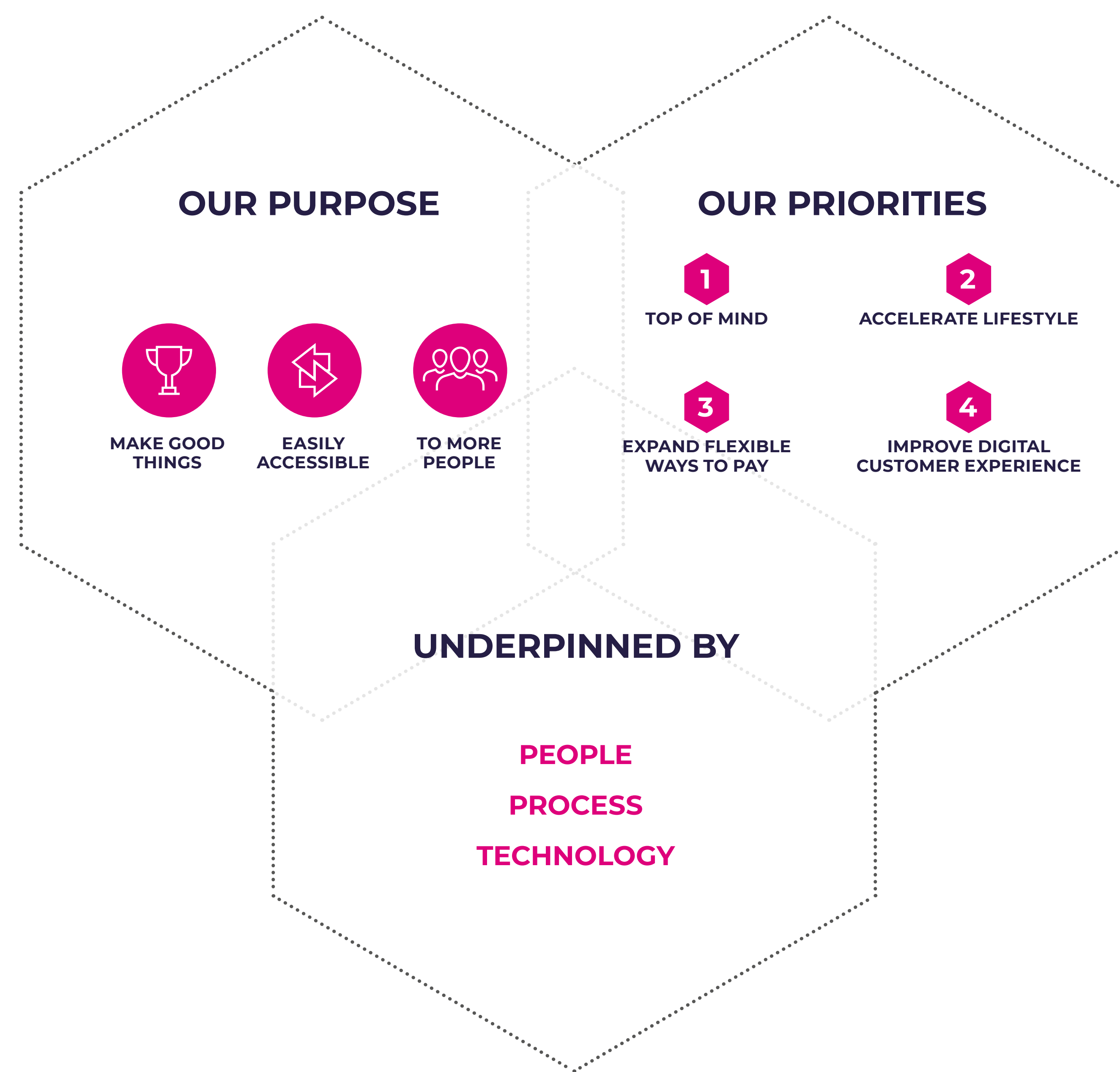
Commentary around these KPIs is contained in the Financial review on page 30.

1. Underlying EBITDA is defined on page 33 of the Financial review (Pre-exceptional EBITDA).
2. Operating profit calculated as profit before tax, exceptional items and net finance costs.
3. Retail sales is on a management accounts basis excluding statutory adjustments, therefore differs to revenue from the sale of goods presented in note 5.
4. Defined as having shopped in the last 12 months.
5. Average order frequency multiplied by average order value stated before customer returns, VAT, not yet despatched goods and credit approval.
6. Impact of customer returns, VAT, not yet despatched goods (due to time lag/stock availability) and credit approval (insufficient credit, fraud detection).

FOCUSED ON OUR AMBITION

OUR BUSINESS MODEL

We're a unique digital business that combines retail and flexible payments – bringing desirable brands within easy reach of more customers.



DRIVEN BY OUR PURPOSE

OUR STRATEGY

In a year full of extraordinary challenges and changes, we went a long way in living our purpose of making good things easily accessible to more people.

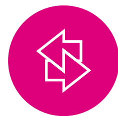
OUR PROGRESS IN 2020/21

Despite the disruption and challenges of Covid-19, we successfully delivered a range of initiatives through the year – strengthening our competitive advantages and improving the experience of our customers. Viewed through the lens of our company purpose – to make good things easily accessible to more people.

GOOD THINGS

Building an unrivalled range of leading brands our customers love

- Led by the successful launches of Benefit makeup and the Dyson hairdryer, we expanded our strategically important beauty category with 70 new brands.
- We continued to expand our strong relationships with Adidas and Nike.
- We launched 40 new brands in our home category, which proved hugely popular during the pandemic, including Char-broil, Einhell, Cox & Cox and Panda London.
- We delivered ongoing growth with leading electricals brands, including Apple, Samsung and Shark. Meanwhile, PS5 and Xbox Series X became our fastest-selling products ever following their high-profile launches.



EASILY ACCESSIBLE

Creating the most simple and seamless customer experience

- Our artificial intelligence (AI)-powered chatbot became our largest customer care channel after we added it to the Very website. Previously only available via our app, it now handles 268,000 queries per month and is helping to improve our net promoter score.
- We increased customer order cut off for next day delivery from 7pm to 10pm, a key benefit of our highly automated fulfilment centre, Skygate.
- We used AI to give tailored product recommendations complementing items already in customers' baskets and, through app push notifications, provided exclusive, relevant deals. These features helped us achieve a record-breaking Christmas period.
- We launched our new creative platform, 'Life is this Very Moment', including ad launches on TV, large format digital outdoor ads and a bespoke campaign on TikTok.
- We built a new customer forensic data capability to draw on our rich consumer data asset and help us drive growth through even more relevant, timely and personalised digital experiences.

MORE PEOPLE

Bringing brands within reach for our customers through flexible payment options

- We launched soft search across our websites to allow customers to check their eligibility for Very Pay before applying and undergoing a full credit check.
- We continued to support our customers throughout the pandemic, including by offering payment freezes and further improving our support for those who found themselves in financial difficulty.
- To help our customers budget more effectively, we made key technology changes to allow for monthly payment dates for Very customers. We previously provided 28-day statements, which resulted in 13 payment dates a year.
- We implemented new customer verification technology to allow Littlewoods Ireland customers to confirm their identity quickly and securely.
- We updated our buy now pay later (BNPL) product to enable customers to spread the cost of product warranties, as well as the cost of the purchased product.

WHERE WE PLAY

Our customer proposition remains highly relevant in the markets in which we operate.

DRIVEN BY OUR PURPOSE

OUR STRATEGY continued

OUR PRIORITIES FOR THE YEAR AHEAD

CAPITALISING ON OUR STRONG STRATEGY

Our experience of the pandemic has demonstrated that our model – multi-category digital retail supported by innovative, flexible ways to pay – is ever more relevant to consumers in the UK and Ireland. We have welcomed new customers to Very and Littlewoods, and increased our share of wallet – the proportion of customers' total estimated annual spend in our categories that they choose to spend with us – among our core customers in a clear sign that our strategy and proposition are the right ones. This gives us the confidence to continue to develop and invest in that proposition for the future.

FOCUSING ON FOUR KEY PRIORITIES

Our development and investment will refocus our strategy around four key priorities in the coming year. Firstly, we will increase consumers' consideration of the Very brand, aiming to make it top of mind when they consider online shopping. Second, alongside the development of our wider curated retail offer, we will in particular accelerate the growth of our fashion, sports and beauty ranges – what we call collectively our 'lifestyle' offering. Third, we will grow our range of flexible ways to pay and drive greater personalisation. And fourth, we will invest in and relentlessly advance every part of our customer experience, with a particular emphasis on our websites and apps.

EXCELLING IN SERVING OUR CUSTOMERS

We remain focused on the UK and Irish markets, where we have both scale and significant room for growth. We seek to serve and appeal to the 48m adults in those markets who shop online. Within this population, we have a particular focus on customers we term 'families on a budget'. These are customers who are typically shopping across categories, for all family members and who will take advantage of our flexible ways to pay to help manage household finances. For all of our customers we seek to deliver choice, value, convenience and flexibility.

> “Our model is ever more relevant to consumers in the UK and Ireland.”

1 TOP OF MIND

- To make more people aware of how Very's proposition meets their needs better than any other retailer, we'll increase emphasis on brand marketing and capability.
- We'll implement a new customer strategy, based on updated segmentations, to better serve our changing customer base.
- To reward customer loyalty and increase retention, we'll pilot a new loyalty programme.

2 ACCELERATE LIFESTYLE

- To grow sales through offering customers more of the brands they love, we'll selectively grow the assortment depth while increasing newness.
- We'll increase marketing emphasis to position Very as an attractive lifestyle retailer to grow consideration of Very for lifestyle shopping.
- To drive a better customer experience leading to greater conversion and to improve brand relationships, we'll focus on improving the digital customer experience for lifestyle first.

3 EXPAND FLEXIBLE WAYS TO PAY

- To increase consumer awareness and understanding of our flexible ways to pay, we'll further embed Very Pay, our new credit brand platform, across our digital journey and marketing.
- We'll introduce new technology to personalise our flexible ways to pay.
- To support the financial needs of our customers beyond our current flexible ways to pay, we'll introduce new payment products.

4 IMPROVE DIGITAL CUSTOMER EXPERIENCE

- We'll continue to invest in our digital customer experience team (DCX) – including expanding the team – to deliver an outstanding customer experience and drive greater conversion.
- To make customer-focused changes faster than ever before, we'll invest further in the technology underpinning DCX.
- We'll further invest in AI to personalise customer experience and create predictive models based on historical and current trends to help our customers.

A FASTER MORE FLEXIBLE SERVICE

FLYING HIGH WITH SKYGATE

In and out of Covid-19 restrictions, our customers relied on us to help them buy the things they wanted and needed – from updating their homes to keeping the kids entertained. We delivered – and continue to do so – thanks in large part to Skygate, our highly automated fulfilment centre.

"Thanks to Skygate, we can now process customer orders in minutes rather than hours – much better for our customers and for us."

PHIL HACKNEY,
Chief Operating Officer

750,000
Products processed every week

"In its first year of operation, Skygate shipped 20m items and 8.1m orders, many of them during the Christmas and Black Friday period."

PHIL HACKNEY,
Chief Operating Officer

While most of the UK remembers 23 March 2020 as the day of the first national lockdown, we also remember it as the day Skygate opened. And as soon as the Government announcement was made, our business saw dramatic shifts in customer demand and the types of items purchased. Moreover, this continued throughout the pandemic and our 2020/21 financial year.

RISING TO THE CHALLENGE

Our team rose to the challenge. They migrated 2.28m items to the site from our Greater Manchester centres, ramped-up site capacity faster than planned, and fine-tuned new automated technology with only remote support from our technology partner.

We can move products through the site seamlessly, and now benefit from Skygate's central UK location – adjacent to the M1 and East Midlands Airport – to fulfil items faster than ever before. In its first year of operation, Skygate shipped 20m items and 8.1m orders, many of them during the Christmas and Black Friday period.

A RECORD-BREAKING CHRISTMAS

Our busiest ever festive trading period, which covered the seven weeks to Christmas Day, coincided with the second national lockdown from 5 November 2020. Skygate's role was vital as it processed 3.9m orders – peaking at 265 orders per minute.

Meanwhile, the site broke the record for the fastest item processed by Very – just 18 minutes from customer order placement through to dispatch, compared with an average of four hours at our old fulfilment sites. Skygate also allowed us to deliver up to an industry-leading Christmas cut-off time of 7pm on 22 December. Few retailers were able to offer this level of service in the face of such demand.

UNLOCKING CUSTOMER BENEFITS

Skygate has also reached a number of operational milestones. These include increasing our customer cut-off time for next day delivery to 10pm, helping to boost our competitiveness at a key moment for our business. When we operated from our Greater Manchester sites, the customer order cut off time was 7pm.

Meanwhile, in April 2021 we began to migrate our fashion returns operations to Skygate. This process completed in July 2021. By combining our outbound fulfilment and returns operations within one automated site, returned products are now available for resale faster than ever before, and we can provide quicker refunds for customers.

SUPPORTING OUR PEOPLE

To date, we have hired 700 committed and talented colleagues in the East Midlands to serve our customers. Our ability to secure multi-skilled talent is underpinned by a colleague offering that sets us apart from other organisations locally, and includes progressive, flexible working patterns and on-site wellbeing facilities.

During the financial year, we also wished farewell to our Greater Manchester fulfilment sites and our colleagues. Through a coalition of public and private sector bodies, we pioneered a collaborative new approach to supporting the people and communities impacted by the closures.

Together, the taskforce delivered a plan which included 1,150 instances of individual training, such as functional skills in maths, English and ICT; apprenticeships, including large goods vehicle (LGV), warehouse and team leader accreditations; and forklift truck training and certifications. In addition, colleagues took part in confidence-building digital technology training, pension awareness and financial education, as well as CV writing skills, interview skills and LinkedIn training, to help them prepare for the job market.

HELPING US MEET OUR COMMERCIAL AND ENVIRONMENTAL GOALS

Today, Skygate is responsible for 95% of customer orders, houses six million items and processes 750,000 products every week. The site is also helping us meet our environmental goals by taking one million miles off the road, reducing packaging waste and improving our heat, light and power footprint.

PLAYING A KEY ROLE IN OUR CONTINUED SUCCESS

Overall, Skygate means a faster, more flexible service for our growing customer base and will contribute up to £23m in efficiency savings per year for our business. And with capacity to expand over the next 10 years as we grow and technology develops, Skygate will play a central role in helping us deliver a seamless experience for our customers for years to come.

COMMITTED TO BEING VERY RESPONSIBLE

SUSTAINABILITY

Offering sustainable choices, reducing our environmental impact and supporting our communities.

As a business, we acknowledge the social and environmental impacts of our operations and aim to take a leadership position in this area, delivering against our commitments to the UN Global Compact's 10 Principles and growing stakeholder expectation. Our sustainability strategy is designed to deliver long-term value to our stakeholders and is integrated into core strategy and business operations. It is aligned to the United Nations Sustainable Development Goals (SDG) to ally our aims with the global 2030 agenda and help us make a meaningful impact, particularly in key sourcing countries. We have chosen to focus on six goals that we can directly influence through our business operations, which are good health and wellbeing, gender equality, decent work and economic growth, reduced inequalities, responsible production and consumption and climate action. These goals are reflected in the pillars of our sustainability strategy.

The strategy focuses on five areas: planet, circularity, product, communities and people. This allows us to work on a wide range of social and environmental issues in a structured and targeted way. Each pillar has a clear 2025 target, which has been developed in consultation with relevant business areas and external stakeholders. These targets are based on industry best practice and our long-term ambitions. Our work towards these targets will allow our customers and colleagues to make more sustainable choices, drive our journey to net zero and enable us to positively impact the communities in which we operate.

GOVERNANCE

Recognising the increasing importance of sustainability not only to our business but also to our customers and the investor community, this year we took the decision to develop a dedicated Environment and Sustainability ("E&S") Board, comprising senior leaders from across the business and chaired by Non-Executive Director, Jacqui Humphries. The Board has two objectives; to ensure the clarity of vision and strategic direction of sustainability, and to hold the business to account for its actions and outcomes against the sustainability strategy.

The Board also plays a crucial role in reviewing emerging ESG risks and opportunities to ensure the business includes these within its principal risk review and that effective responses are in place. Critically, our E&S Board shares members with our Company Board, with which it works closely to ensure sustainability remains at the top of our agenda and is integrated into key business decisions.

Furthering our ambition to embed sustainability across everything we do, our Chief Financial Officer, Ben Fletcher, became a member of the United Nations CFO Taskforce on sustainable finance. The taskforce brings together a multi-sector group of corporate finance leaders to develop innovative strategies to mobilise finance towards achieving the sustainable development goals.

Our commitment to these principles, alongside those set out in UN Global Compact's 10 Principles, will support our sustainability agenda and ensure that finance is leveraged to achieve our ambitions.

REACH

Despite the challenges posed by the pandemic, we continued to invest in sustainability during 2020/21, including increasing capacity in our sustainability team across the UK and China.

It is a priority at The Very Group to protect and respect human rights throughout our organisation and in our supply chain. We are committed to tackling labour and human rights risks and our fundamental approach is to ensure we are upholding the principles in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. We have clear policies and processes in place to support our commitment to conducting business responsibly. These policies are reviewed and updated regularly as we learn from our experiences, supply chain risk assessments and industry best practice.

We have a broad supply chain, including the manufacture of products across our own brand clothing and home ranges. We source from 489 tier one factories in 30 countries worldwide.

In order to support the management of our own brand supply chain, we have sustainability colleagues based across six of our key sourcing countries. They are tasked with ensuring we meet high standards in our buying practices, as well as developing programmes to support our third-party supplier colleagues.

As part of our commitment to transparency, we now publish a list of our tier one, tier two and tier three factories, and contribute to the Open Apparel Registry (OAR), enabling ease of visibility into our supply base for industry stakeholders as well as providing an interactive map and database of our factory locations for our consumers.

PLANET

As one of the UK's largest retailers, we know how important it is to reduce our environmental impact. To underpin our efforts, we committed to the British Retail Consortium's Roadmap to Net Zero, along with 62 other leading retailers. As part of this commitment, we will reach net zero in direct emissions from our operations by 2025, with our entire product value chain from supplier to customer reaching net zero by 2040.

In our most significant step towards net zero during 2020/21, we switched to renewably sourced energy for all of our UK operations. This meaningfully reduced our carbon footprint, as circa 70% of our emissions were attributed to electricity consumption during the prior year.

As our new fulfilment centre, Skygate, continued to ramp up during 2020/21, so did the environmental benefits it delivers. The site has been certified A-rated for energy efficiency and we now move all containers to Skygate via rail, as opposed to road. In tandem, we downsized our UK estate, exiting older, inefficient buildings. Having introduced a permanent hybrid working model, we will significantly reduce colleague travel to and from our sites over the coming years. In order to further manage our emissions, we worked with our partner Systems Link on a data dashboard that will enable us to house all scope 1 and 2 emissions data in a centralised location, monitor changes and track progress against our roadmap to net zero.

Alongside the work we have been doing on our scope 1 and 2 emissions, we are developing mechanisms to track and monitor our scope 3 emissions and look at ways to reduce or offset these. At the start of July 2021, we signed an agreement with Kuehne+Nagel to offset all our inbound freight emissions through global nature-based projects, which also help to preserve biodiversity.

CIRCULARITY

To help our customers engage in our sustainability agenda, we partnered with Re-Fashion to create a customer takeback scheme on clothing. The partnership aims to reduce the amount of good quality, wearable clothes going to landfill by encouraging Very's customers to give up their unwanted clothes for new owners to give them a second life. The partnership was launched in the UK in the first half of the financial year, with the scheme being replicated in Ireland in the second half of the year. The Re-Fashion scheme will run alongside our current partnership with Emmaus, offering customers the opportunity to have unwanted items of furniture collected for re-sale or re-use.

Furthermore, our packaging team worked with Mainetti to help us increase the recycled content of our dispatch bags to 80%. We have also implemented the company's polyloop system, which takes packaging waste and recycles it into the new clear polythene bags required to meet our global packaging needs.

COMMITTED TO BEING VERY RESPONSIBLE

SUSTAINABILITY
continued

Alongside the work we do in the UK, we also recognise our responsibility to support our supply chains to become more circular. In Bangladesh, we became part of the Circular Fashion Partnership. Launched in November 2020 as a collaboration of over 50 brands, manufacturers, recyclers and NGOs, it supports the development of the textile recycling industry in Bangladesh by capturing and directing post-production fashion waste back into the production of new fashion products. The success of this scheme will play a vital role in creating circular solutions in our supply chain in the future.

PRODUCT
As a business we recognise the importance of improving the sustainability of the products that we manufacture. With this in mind, we partnered with Jeanologia, which will work with our factories to reduce the environmental impact that comes from manufacturing denim products. This partnership will give us access to an innovative process that reduces the consumption of energy and water required in manufacturing.

We also continue to increase our ranges that include sustainable cotton with 90% of cotton being used now coming through the Better Cotton Initiative. Alongside this we have improved the sustainability of our school uniform range by introducing recycled polyester into core lines.

In order to meet our longer term objectives relating to product sustainability, we worked together with Canopy Planet to create a forest protection policy that will help us make informed procurement choices that reduce the risk of sourcing from ancient and endangered forests.

PEOPLE
OUR COLLEAGUES
We have approximately 3,250 directly employed colleagues across our sites in the UK and Ireland, and overseas, all of whom are guided by our code of conduct. We continue to grow and strengthen our approach to inclusion, focused on every stage of the colleague experience. From hiring through to development, to how we engage and communicate with our people, we are working towards a common goal of driving a more inclusive workplace.

DIVERSITY AND INCLUSION
For diversity to truly thrive at The Very Group, we're building an open and inclusive culture; one that celebrates the business benefits that diversity can bring, and where leaders are proactively progressing talent to achieve balance at all levels.

We have taken a range of steps over the last 12 months to get there, including our 'three steps to inclusion' training, which is available to every colleague; greater flexibility for our people via hybrid working; our colleague-led networks, such as WAVE (Women at Very), PAVE (Parents at Very) and LGBTQ+; a hiring target of no more than 75% bias towards a single gender on our shortlists; early talent initiatives, and our nine-month leadership development programme, which aims to develop leaders who exhibit humility and flexibility, who engender trust, create psychological safety and foster inclusion within their teams and across our business.

Our participation in the inaugural Target Gender Equality programme with the United Nations Global Compact concluded in March 2021. It helped us shape our thinking on how we achieve gender equality in our business and saw two colleagues speak at Target Gender Equality Live, a global United Nations event.

MODERN SLAVERY AWARENESS
Meanwhile, in 2020/21, eradicating modern slavery in all its forms was a focus for the Group. We partnered with Unseen to raise awareness of the issue among our colleagues and provide a way to report suspected instances of slavery. This was duplicated for our colleagues who work closely with our supply chain through a partnership with Carnstone's Modern Slavery solution 'Everyone's Business'.

In addition, we built on the partnership created last year with Liverpool's International Slavery Museum by announcing this strategic relationship in our annual Modern Slavery Statement. The relationship aims to improve education and awareness in the local community, demonstrating the connection between everyday products and an issue which is still prevalent across the globe. Finally, to support our people, 2,665 completed modern slavery training to make sure everyone can play their part in helping our business eradicate modern slavery in all its forms.

OUR THIRD-PARTY COLLEAGUES
All tier one factories are required to undertake an annual ethical audit, whether this is SMETA (Sedex Members Ethical Trade Audit), Fast Forward or BSCI (Business Social Compliance Initiative). These are undertaken by three global audit partners on an unannounced/semi-announced basis. Our local team offers support to our suppliers to remedy any issues found and follow-up audits are conducted to close issues that need independent verification.

Building on the success of previous years, our strategy focuses on supporting our factories and their workers through training to tackle areas of risk. The projects support our factories with complex issues and improve the lives and livelihoods of workers. The impact of Covid-19 has meant working more closely with our suppliers and adapting our audit process where necessary to ensure we are doing all we can to protect workers, whilst navigating the restrictions imposed as a result of the global pandemic.

As Covid-19 struck across the world, we were acutely aware of the impact it would have on the workers across our supply chain. As production slowed down across the world, our in-country teams quickly mobilised to support those most vulnerable by providing food and hygiene parcels through trusted NGOs on the ground. In Bangladesh, we recognised that access to running water can sometimes be limited in worker communities. To combat this we worked with our in-country partners to install hand washing stations in key communities for workers and their families. As factories began to increase production again after the initial outbreak, we quickly moved to mitigate risk where we felt we could make the most impact. All factories in India and Bangladesh were sent best practice guidance and training materials to enable them to reopen safely and ensure that measures were in place to protect workers.

INDIA
The mills we source from in Southern India are one of the few sources of employment for young women in the region. Given the high numbers of women employed in this industry, we saw it as an opportunity to further our work on gender equality, creating a better working environment but also equipping workers with skills that would support their development and future choices. To enable positive change, we established five resource centres to conduct training with potential workers to improve their knowledge around labour rights. This initiative has so far helped 11,000 workers and their families. In addition, we have successfully launched an app, TIMBY, to raise grievances, which we then use to work with factory leadership to resolve issues. In addition, we have provided health check-ups for 3,996 workers, offered subsidised sanitary products and worked to improve general health awareness. The impact of this programme means that we have been able to ensure that workers and their families have better knowledge of labour rights, that agents understand the need for responsible recruitment and that mills have improved relationships with both the agents and workers. This year we have also partnered with the local child welfare commission to further support our work tackling child labour in the region.

CHINA
In China, we held supplier conferences across six cities. The conferences enabled us to reach out to 90% of our supply base and communicate expectations regarding our code of conduct. The conferences were also an opportunity to talk about our ambitions to combat climate change and as a result, we shared best practices on energy consumption and waste reduction.

We have also partnered with The Institute of Public & Environmental Affairs, a non-profit environmental organisation, aiming to collate and analyse business and factories' environmental footprints, raising environmental issues with us and enabling us to work proactively with our suppliers to mitigate and respond to these. This year we will also be included in their brand ranking, holding us to account for our actions and responses to environmental issues within our Chinese supply chain.

UK
In the UK, to ensure we are doing all we can to support garment workers in Leicester, we are an active member of the Leicester Hosiery Workers Advice and Support Project (L-HWASP). We have supported the project financially as well as committing to work collaboratively with other brands to overcome issues within the Leicester garment sector, and help to provide safe workplaces where all workers are treated fairly and equally.

In addition, as a multi-category retailer of brands, we have a responsibility to work with all of our partners to communicate what we stand for and what we expect from them. This year we have worked with our branded partners via our new 'Very Basics' onboarding programme, which lays the foundations for a collaborative, sustainable working relationship.

OUR CUSTOMERS
Meanwhile, our focus on inclusion also extends to our customers via our consumer websites, where we have invested to improve accessibility and focused on equal representation across the models we use to showcase our products. In particular, we have evidenced our commitment to size diversity through our partnership with Nike, which allows customers to see how individual fashion items fit on female models of sizes eight, 14 or 18. We are now expanding the feature across a broader range of branded fashion.

COMMUNITIES
As an integrated retailer and flexible payments provider, we wanted to better support workers in our supply chain to understand their finances. Across India and Bangladesh, we have supported 1,749 workers through financial literacy training. The training was designed to help workers understand their income and expenditure, set budgets within their day-to-day lives and implement saving.

Meanwhile, we undertook colleague activities and events in support of our £600,000 fund-raising partnership with national reading charity, Coram Beanstalk. The partnership, which will also see The Very Group provide industry-leading tech knowledge, is already helping Coram Beanstalk to expand its network of reading helpers in the North West and launch a network in the East Midlands, where Very's new fulfilment centre is based.

OUR SUSTAINABLE FUTURE
We have established a clear set of sustainability targets we aim to reach by 2025. These comprise being carbon neutral in our own operations; offering take-back schemes on all product types and packaging; using more sustainable raw materials in 70% of own brand product; launching financial literacy training in five key communities; and training 100,000 workers across our supply chain.

Over the coming financial year, we will continue to accelerate our sustainability strategy focusing on a range of key areas for development, whilst building on the work we have already delivered, to help us reach our stated targets.

COMMITTED TO BEING VERY RESPONSIBLE

SUSTAINABILITY
continued

PLANET
To play our part in tackling climate change, we will work with environmental reporting expert Carbon Intelligence to map and analyse our total carbon footprint, before setting science-based carbon reduction targets across our scope 1, 2 and 3 emissions. We will also implement a new system to house our scope 1, 2 and 3 emissions data and enable us to monitor progress against our targets. These steps will form our strategic approach to eliminating carbon emissions through every tier of our business and be supported by public carbon reporting detailing our progress. In order to further enhance our carbon reporting, we will use the Task Force on Climate-related Financial Disclosures (TCFD) framework and conduct a full scenario analysis to enhance our critical thinking in this area.

Furthermore, we will switch to green gas power to offset the remainder of our own operations footprint, launch new carbon measurement tools with our logistics providers, and begin to introduce ways to effectively monitor the emissions of our third-party suppliers. We are also developing a roadmap to switch company vehicles to electric.

CIRCULARITY
Given the challenges we have faced with Covid-19, particularly with our partnership with Emmaus and being unable to get into customers' homes, we will relaunch our current customer take-back schemes. The relaunch will ensure that our customers are aware of our schemes and encourage them to proactively engage with them. We will also look to expand the take-back schemes to a wider array of products, offering customers more solutions for unwanted or end of life product.

We will also continue to work on our circularity programmes for packaging by further increasing the recycled content of our plastic packaging bags, working on more sustainable packaging for our home and living ranges, and encouraging customers to return packaging to us so that we can increase the amount of packaging going through the closed loop system.

PRODUCT
Meanwhile, we will launch new product ranges using sustainable raw materials, such as recycled or organic cotton, Forest Stewardship Council (FSC) timber and Lenzing Ecovero™. To support this ambition, we will implement retail team training to educate product teams on sustainable raw materials.

PEOPLE
We will continue our programmes supporting workers within our supply chains. However our work in this area will be focussed on four key topics: worker voice and social dialogue, gender and inclusion, financial literacy, and sustainability. This new framework will allow us to tailor projects to the individual regions in which we operate while ensuring we are tackling the salient issues within our supply chains.

In South India, we will continue our work on the mill project, looking to work more closely with the industry and wider stakeholders to tackle concerns raised through our worker voice app. Alongside this, there will be a focus on improving the support and training given in mills and further expansion of our offering in the community centres, particularly looking at better supporting migrant workers and young women.

Following the success of the TIMBY app within South India, we are looking to expand this into other regions in which we operate, to enable workers to have a voice and receive adequate access to remedy. In Turkey we will be launching a programme focused on social dialogue in factories, with a wider group of retailers. The aim of this project is to support effective dialogue between workers and management, and enhance capacity within our factories. Meanwhile, in China and Bangladesh, we are exploring opportunities to support disabled workers into the workplace, offering regular employment and job security. All of these initiatives will support us in reaching our target of training 100,000 workers across our supply chains.

COMMUNITIES
As well as continuing to support our local communities via our charity partnership with Coram Beanstalk, we will launch a schools programme to advance understanding of the role of personal finance for teenagers in the UK. This commitment to financial literacy will also extend to our third-party suppliers overseas, where we will increase our existing programmes to even more factories in Bangladesh and India. For customers and colleagues, we will also create a framework to ensure we are doing all we can to improve accessibility and understanding of personal finance.

We have made becoming a fully sustainable business a clear imperative. We still have a long way to go, but believe we made significant steps against our strategic priorities during 2020/21 and are confident we can make even more progress over the coming year, as the impact of Covid-19 on our operations continues to diminish. By empowering our customers and colleagues to make ethical and sustainable choices, reducing our carbon footprint, and positively impacting the communities in which we operate, we believe we will achieve our ambition.

> "As a business, we have made becoming a fully sustainable business a clear imperative. We made significant steps against our strategic priorities during 2020/21 and are confident we can make even more progress over the coming year."

OUR TARGETS

AMBITION	TARGET DATE	MEASURE OF SUCCESS
PLANET		
Net Zero at Scope 1 and 2	June 2025	■ Science based targets ■ Transparent energy and carbon reporting
Set Science Based targets for scope 1, 2 and 3	December 2022	■ SBTi approval
Switch to green gas across our own operations	June 2022	■ Green gas at all sites
Development of carbon measurement tools for our logistics network	June 2022	■ Carbon emission per provider ■ Carbon emission reduction targets set per provider
PRODUCT		
More sustainable product will be used in 70% of our entire own brand offering across fashion and home	June 2025	■ 100% more sustainable cotton ■ 100% FSC Timber
Sustainability training for all retail colleagues to enable more informed purchasing decisions	June 2022	■ Performance measurement considering sustainable buying
Achieve 40% compliance to the 'Very Basics' amongst our third party brand partners	June 2022	■ Responses from branded partners
CIRCULARITY		
Takeback schemes offered to consumers across all product types	June 2025	■ Tonnes of products' lifecycles either extended or repurposed
Achieve 25% donation return on requested bags with Re-Fashion	June 2022	■ Figures confirmed by Re-Fashion
Launch packaging takeback campaign with consumers	June 2022	■ Tonnes of packaging returned to The Very Group for recycling
Engage three suppliers in Bangladesh in the Circular Fashion Partnership textile waste programme	December 2021	■ Metres of circular fabrics generated
COMMUNITY		
Launch financial literacy training in five key communities	June 2025	
Launch financial literacy training in at least one new community	June 2022	■ Community programme is implemented and engaged with
PEOPLE		
Train 100,000 workers across our supply chain	June 2025	■ Number of workers who have received training across the supply chain
Train 20,000 in our supply chain	June 2022	■ Number of workers who have received training across the supply chain

A RESILIENT MODEL

FINANCIAL REVIEW

Through the year, we achieved sustained strong revenue growth while continuing our programme of cost control – resulting in strong earnings and profitability.

BEN FLETCHER

CONTINUING TO GROW STRONGER ON ALL FRONTS

Our financial results reflect the relevance and resilience of our business through what was a challenging year. As described in last year's Annual Report, we are clear on our economic model and the five elements which drive earnings and cash: long-term Very.co.uk revenue growth, stable gross margin, improving return on assets, cost control and increasing the Very.co.uk debtor book. Our FY21 results demonstrate continued progress against all five elements. In addition to the strong commercial performance, we continued to strengthen the underlying financial position of the Group. This is evidenced by the second buy-in of our pension scheme which materially insures all future liabilities, and the reduction in our use of supply chain financing from £149m at the end of FY20 to just £20m at the end of FY21.

REVENUE

	FY21 £m	FY20 £m	Variance £m	Variance %
Very.co.uk	**1,878.4**	1,589.8	288.6	18.2 %
Littlewoods*	**438.7**	460.9	(22.2)	(4.8)%
Group Sales	**2,317.1**	2,050.7	266.4	13.0 %

* Littlewoods sales performance includes growth in Ireland sales of 20.3%.

INCREASING SALES

Group sales[1] increased by 13.0% to £2,317.1m (11.3% adjusted for the 53 week year[2]). During the year, Very.co.uk sales grew 18.2% to £1,878.4m. Our flagship brand continued to see impressive growth in retail sales, up 24.9% in the year. Sales increased across all areas of our product mix and were particularly strong in electrical (+29.8%) and home (+20.4%). See revenue table above.

Our focus and commitment to our mobile apps and user experience continues to support changes in consumer ways of spending. Very.co.uk mobile sales continued to be a significant channel, remaining at 82% of the brand's sales.

Littlewoods sales of £438.7m (FY20: £460.9m) declined at just 4.8%, compared to 8.8% the year before, as we successfully managed the decline of the Littlewoods brand.

The total for Littlewoods includes the performance of Littlewoods Ireland, which performed very strongly, with growth of 20.3%. This was driven by double digit growth across all categories with the exception of developing categories, which still saw strong single digit growth. Littlewoods mobile sales (excluding Ireland), although lower than last year, remain a significant proportion of sales at 77% in FY21 (79% in FY20).

Group retail sales[3] grew 18.3% versus the prior year (16.7% adjusted for the 53 week year). FY21 saw a continuation of the trend that started to emerge at the end of FY20, with a shift in consumer spending towards electricals and home. While all categories have seen growth, the exceptional results in electricals has shifted the sales mix by 5% in its favour.

Very.co.uk retail sales represent 79.2% of group retail sales, growing 24.9% compared to FY20. While fashion and sports saw a slight year-on-year reduction in Q1, growth returned in Q3 and Q4 in particular, reflecting the unwinding of lockdown conditions and a return to more normal spending habits. Total fashion and sport growth in FY21 versus FY20 was 8.0%.

SALES MIX

	2021	2020
Fashion & Sports	28%	32%
Electrical	47%	42%
Home	15%	15%
Developing Categories	10%	11%
Very.co.uk	**100%**	**100%**

Men's, women's and children's sportswear clothing continued to grow, with total sportswear growing significantly by 17.4% in FY21 compared to FY20 (sports clothing grew 27.5% and footwear 7.2%). We continue to see sportswear as a key growth opportunity. We also saw key growth in nightwear (63.6%) and women's celebrity and designer clothing (62.3%).

Electrical grew 29.8% in the year, with growth in Q1 and Q2 driven by a particularly strong performance in vision, and growth in Q3 in line with flagship gaming console releases. Q4 results were flat year-on-year, reflecting an annualisation against the growth started at the end of FY20.

Customers purchasing from our beds, home accessories and textiles ranges resulted in home growth of 20.3%. Developing categories grew by 3.5% in the year, underpinned by growth in beauty, fragrance and personal care which grew by 11.3%.

FOCUSING ON VERY FINANCE REVENUE

Our Very Finance revenue decreased by 8.6% to £359.6m (FY20: £393.3m) due to a number of factors. Interest income performance continued to be impacted by higher customer payments and ongoing enhancements to the credit decisioning process, including proactive measures to limit credit increases. These changes, while reducing the Group debtor book and interest income in the short term, are driving an improvement in the quality of the book (as demonstrated by a reduction in bad debt) and margin earned. As a result, interest income as a percentage of the Group average debtor book has decreased by 1.4%pts to 20.8% (FY20: 22.2%).

We also continued to see the impact of a reduction in the volume of administration fees charged in the year, due to changes we made to our administration fees policy and also customers entering three-month payment freezes, introduced by the FCA in response to Covid-19.

"In addition to the strong commercial performance, we continued to strengthen the underlying financial position of the Group."

£2,317.1m
Group revenue

£81.7m
Profit before tax

1 Group sales defined as net despatches excluding VAT and inclusive of Very Pay and Littlewoods Clearance revenues and IFRS adjustments for discounts and vouchers.
2 FY21 was a 53 week period whereas FY20 was a 52 week period. Unless otherwise stated, all figures include the extra week in FY21. Where a 52 week comparison has been used, this is calculated as weeks 1-52 of FY21.
3 Retail sales is on a management accounts basis excluding statutory adjustments therefore differs to revenue from the sales of goods presented in note 4 to the Financial statements.
4 Defined as having shopped in the last 12 months.
5 Defined as average order frequency multiplied by average order value stated before customer returns, VAT, not yet despatched goods and credit approval.
6 Impact of customer returns, VAT, not yet despatched goods (due to time lag/stock availability) and credit approval (insufficient credit, fraud detection).
7 Pre-exceptional EBITDA is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items. Where reported by brand, it is stated before central costs.

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

A RESILIENT MODEL

FINANCIAL REVIEW
continued

BUILDING STRONG CUSTOMER RELATIONSHIPS

CUSTOMER DATA

	FY21	FY20	Change %
Active customers (m)	**4.82**	4.48	7.6%
Demand per customer (£)	**678.9**	669.2	1.4%
Sales conversion (%)	**59.3%**	54.7%	4.6%

We maintained our focus on building strong customer relationships.

Active customers[4] (those shopping with us over the previous 12 months) grew 7.6% to 4.82m. Very.co.uk active customer growth was 12.4%, including slight growth in Very Pay customers of 2.1% despite wider trends seen during the year. This reflects the relevance of our offer combining a resilient multi-category product mix and flexible ways to pay, as well as our continued focus on improving our customers' experience. In Littlewoods, active customers decreased by 7.4% driven by a decline of 14.0% in Very Pay customers. However, cash customers increased 18.2%, reflecting consumer spending habits across FY21 adapting in light of the Covid-19 pandemic and lockdown conditions. We also saw a 7.1% growth in Littlewoods Ireland customers.

Average order frequency per customer decreased 2.6% at Group level (Very.co.uk -3.1% and Littlewoods +2.0%). However this was offset by an increase in Group average order values (+4.2%). This has allowed us to maintain demand per customer[5] (average order frequency multiplied by average order value) – up 1.4% on FY20.

This increase in demand per customer has been supported by an improvement in sales conversion[6], which was ahead of FY20 by 4.6%.

INCREASING PROFITS AND MANAGING COSTS

Through the year, we built on our return to profitability in FY20 and continued to focus on cost management.

Group gross margin rate was maintained at 36.5% (FY20: 36.5%). This reflects an improved retail margin rate, driven by improved underlying retail gross margin rates and other factors, and lower bad debt expense (see below), which were offset by an overall decrease in Very Finance contribution due to lower interest income, warranty volumes and administration fee charges.

The bad debt expense charged to the income statement was £28.6m lower in FY21 than in FY20. These reductions partly reflect the increased levels of bad debt provisioning in FY20 as a result of customers taking payment freezes during Covid-19 (FY20: £8.4m) as well as our improved credit decisioning processes.

We maintained our focus on cost efficiency. Total costs as a percentage of revenue stayed flat at 26.7% (FY20: 26.6%), despite annualising against a particularly efficient year (see administrative expenses). Twinned with our flat gross profit margin, underlying EBITDA margin rate remained broadly flat at 13.0% (FY20: 12.9%).

Distribution expenses before exceptional items of £241.6m are slightly higher (FY20: £227.3m), due to the growth in retail sales. However, these costs as a percentage of Group sales decreased by 0.7% to 10.4%, reflecting among other things the benefits of our new Skygate fulfilment centre.

Administrative expenses before exceptional items increased to £376.5m (FY20: £319.0m). During the prior year a number of head office costs were strictly controlled due to uncertainty around Covid-19 which means administrative costs as a percentage of revenue were up by 0.7% to 16.2% in FY21. Compared to FY19, administrative costs as a percentage of revenue are down.

Underlying EBITDA increased by 13.7% to £300.5m (FY20: £264.4m). This reflects volume growth and continued cost discipline. Pre-exceptional EBITDA[7] also increased, by 15.9% to £300.3m (FY20: £259.1m). A reconciliation of underlying EBITDA to pre-exceptional EBITDA is provided opposite.

Net finance costs before exceptional items of £106.9m are slightly down versus last year (FY20: £112.8m) despite larger drawings across our securitisation facilities, reflecting savings on market interest rates attaching to the drawn amounts.

Profit before tax of £81.7m increased substantially – by 68.8% (FY20: £48.4m). This was supported by a reduction in exceptional costs to £41.3m (FY20: £42.6m). The Group recognised regulatory charges of £29.4mm (FY20: £15.0m) to cover the cost of customer redress claims regarding historic shopping insurance sales. Exceptional items also include an £8.4m charge (FY20: £20.9m) relating to the dual running costs agreed of our new fulfilment and returns centre in the East Midlands, as well as a £3.5m charge (FY20: £3.4m) for site closure costs.

TAXATION

Profit after tax of £109.3m (FY20: Profit after tax: £69.5m) includes a tax credit of £27.6m(FY20: credit £21.1m). This includes a current tax charge of £2.1m and a credit of £40.2m relating to an increase in the deferred tax asset due to increases in the UK corporation tax rate which were announced in the March 2021 budget and substantively enacted in May 2021.

INCOME STATEMENT

	FY21 £m	FY20 £m
Group revenue	**2,317.1**	2,050.7
Gross margin	**846.2**	747.9
Gross margin rate %	**36.5%**	36.5%
Distribution expenses	**(241.6)**	(227.3)
Administrative expenses	**(376.5)**	(319.0)
Other operating income	**1.8**	2.2
Operating profit before exceptional items	**229.9**	203.8
Net finance costs	**(106.9)**	(112.8)
Profit before tax and exceptional items	**123.0**	91.0
Exceptional items	**(41.3)**	(42.6)
Profit before tax	**81.7**	48.4

RECONCILIATION OF OPERATING PROFIT TO PRE-EXCEPTIONAL EBITDA

	FY21 £m	FY20 £m
Operating profit	**188.6**	165.4
Adjusted for exceptional items	**41.3**	38.4
Operating profit before exceptional items	**229.9**	203.8
Adjusted for depreciation and amortisation	**70.4**	55.3
Pre-exceptional EBITDA	**300.3**	259.1

RECONCILIATION OF REPORTED EBITDA TO UNDERLYING EBITDA

	FY21 £m	FY20 £m
Reported EBITDA	**300.3**	259.1
Adjusted for:		
Fair value adjustments to financial instruments	**3.1**	2.3
Foreign exchange translation movements on trade creditors	**(3.1)**	(0.2)
IAS19 and IFRIC 14 pension adjustments	**0.2**	3.2
Other small adjustments	**–**	–
Management/ Underlying EBITDA	**300.5**	264.4

CASH FLOW

	FY21 £m	FY20 £m
Profit for the year	**109.3**	69.5
Depreciation and amortisation	**70.4**	59.6
Working capital	**(18.8)**	79.1
Securitisation facility drawdown	**3.8**	12.8
Proceeds from revolving credit facility	**(60.0)**	55.0
Pension	**1.1**	(16.0)
Capital expenditure	**(86.5)**	(74.1)
Issue of share capital	**–**	100.0
Other	**(147.6)**	(86.7)
Net increase/ (decrease) in cash and cash equivalents	**(128.3)**	199.2
Opening cash and cash equivalents	**206.4**	7.2
Closing cash and cash equivalents	**78.1**	206.4

A RESILIENT MODEL

FINANCIAL REVIEW
continued

FINANCIAL POSITION
Net assets increased to £210.0m (FY20 £60.6m), driven by the profit for the period (including amounts relating to the pension scheme recognised as other comprehensive income).

Inventories increased to £102.2m (FY20: £65.4m) driven by a lower opening year position than prior year due to particularly strong trading in Q4 FY20 when UK lockdown measures were eased. We will continue to focus on working capital efficiency through inventory management as a key priority. Trade debtors remained broadly constant at £1,347.3m (FY20: £1,330.6m), due to continued strong payment rates and higher levels of cash purchases. Trade and other payables increased to £566.1m (FY20: £533.1m), reflecting year-on-year sales growth.

Closing securitisation borrowings also remained largely flat at £1,389.2m (FY20: £1,385.4m), reflecting the consistency of gross trade debtors. The securitisation facility expires in December 2023 for 'AS' Notes (£1,143.3m), and 'AJ' Notes (£181.7m), 'B' Notes (£105.0m), 'C1' Notes (£105.0m) and 'C2' Notes (£50.0m). The total facility size is £1,585.0m. The securitisation borrowings also include £25.2m per note 23 (FY20: £26.4m) relating to the balance sheet receivables of Shop Direct Ireland Limited.

After the balance sheet date of 3 June 2021, we successfully refinanced our £550m 7.75% bonds with £575m of new listed bonds, which carry a lower coupon rate of 6.5% and will be renewable in August 2026.

PENSIONS
The Group operates a defined benefit pension scheme. There are three main elements of the defined benefit pension scheme: the Scheme, UURBS and Ex-gratia.

The Littlewoods Pensions Scheme ("Scheme"), is a defined benefit arrangement based on final pensionable salaries. It is set up under trust and the assets of the scheme are held separately from those of the Company.

During the period ended 27 June 2020, the Group opted to carry out a Guaranteed Minimum Pensions (GMP) conversion within the Scheme. GMP is the minimum level of pension set by the Government that must be paid to Scheme members who built up benefits pre-1997. In October 2019 the High Court ruled that pension schemes must adjust scheme benefits to remove gender inequalities caused by GMP earned between 1990 and 1997. As well as applying this GMP equalisation the Group opted to concurrently carry out a GMP conversion which was permitted under the 2019 ruling. This resulted in a credit in the income statement during the period ended 27 June 2020 of £21.1m as disclosed in the notes to the accounts.

On 8 July 2020 the Group completed a buy-in of the Scheme and that has been reflected in these financial statements.

On 19 August 2020 formal agreement was reached between the Group and the Trustees of The Littlewoods Pensions Scheme ("Scheme") regarding future Company Scheme contribution obligations. This has been documented in a revised Schedule of Contributions, which allows for a single future contribution of £18.7m payable on or before 31 August 2021.

On 15 June 2021 further formal agreement was reached with regards to the August 2021 contribution obligation. This has been documented in a revised Schedule of Contributions, which allows for a reduction to a single future contribution of £9.4m payable on or before 31 January 2022. This has reduced the Scheme liability as at 3 July 2021.

The Group also operates a defined contribution pension scheme for all employees: the Shop Direct Group Personal Pension Plan. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £7.0m (2020: £6.2m). The defined contribution scheme complies with employer pension duties in accordance with part 1 of the Pensions Act 2008, including auto enrolment requirements. Contributions to the defined contribution schemes are charged to the income statement.

CASH FLOWS
The cash and cash equivalents balance decreased by £128.3m to £78.1m during the year (FY20 cash and cash equivalents: £206.4m). This was driven by the payment of PPI obligations, the impact of unwinding our supply chain financing and the capital investments discussed below.

CAPITAL INVESTMENT
Net capital additions for the year totalled £86.5m (FY20: £74.1m) across business-as-usual and strategic investment.

DRIVING EFFICIENCY THROUGH DATA
As part of our drive to better manage cash and working capital, we have invested in infrastructure to help us be more flexible and agile with our inventory and brands. This includes building on our use of data science to help us better forecast appropriate levels of stock, which in turn helps us drive efficiency and invest elsewhere in the business.

INVESTING IN SERVING OUR CUSTOMERS BETTER
During the year we continued to invest in systems and technology to provide better experiences for our customers. This included enhancing our customer relationship management systems so we can better understand our market, and improve the digital experience through both the website and our apps. These apps have been a key channel through which our customers access our products. Our investment underlines our determination to serve our customers better and ultimately drive improved customer satisfaction.

CONTINUING TO ENHANCE OUR STRENGTHS AND CAPABILITIES
We continue to review our Very Pay Platform offerings and capabilities. This year we have explored how we better tailor the delivery of flexible payments services products to our customers. Building on the successful investment in our Skygate facility, we also continued to invest in fulfilment and logistics by turning our focus to the wider aspects of the fulfilment journey.

DETERMINED TO STAY AHEAD

CREATING A SEAMLESS DIGITAL CUSTOMER EXPERIENCE

The pandemic saw more people than ever shop online.

Now more than ever, a seamless digital customer experience (DCX) is essential for retailers hoping to retain their customers. After all, the competition is just a tap away – and we're determined to stay ahead on this front.

INVESTING IN TECHNOLOGY, DATA AND OUR CUSTOMER JOURNEY

We know that DCX drives consideration, loyalty and customer perception. Equally importantly, it influences product range, because the digital experience we offer has an impact on whether the biggest brands decide to work with us.

FOCUSING ON CREATING THE BEST POSSIBLE CUSTOMER EXPERIENCE

Our digital journey takes in the total customer experience – before, during and after they shop with us – and we want to make it the best possible. To this end, we invest in our websites, apps, partnerships and communications, and also the technology and data that underpin them. We focused on all of this during 2020/21.

STRENGTHENING OUR TECHNOLOGY LEADERSHIP

Recognising the importance of DCX, we resolved to strengthen leadership across technology. Former BBC technology director Matt Grest joined as Chief Information Officer to lead the team and become a member of our Executive Board, while Steve Pimblett, who led data at connected cars technology firm Wejo, was hired as Chief Data Officer. Meanwhile, Paul Hornby, who previously held roles including head of ecommerce and head of transformation at The Very Group, rejoined us as DCX Director from Matalan.

Paul and Steve linked up with Chief Technology Officer Karl Wintrell and Technology Operations Director Noreen Garland to form an experienced and ambitious technology leadership team.

Alongside our leadership hires, we recruited a number of new roles within technology to drive forward our DCX agenda, as well as support the way our people work during what proved to be a critical period.

DELIVERING A NUMBER OF DCX IMPROVEMENTS

Despite the challenges of the pandemic, including our technology colleagues working from home, our DCX team delivered a range of operational initiatives. To do so, team members worked largely as cross-functional squads, delivering iterative change to specific parts of the customer journey faster than ever before.

EXTENDING OUR AI-POWERED ASSISTANT TO THE VERY WEBSITE

In the most significant development, we added our artificial intelligence (AI)-powered chatbot, previously only available via our iOS app, to the Very website. The Very Assistant is now our largest customer care channel, handling 268,000 queries per month. Furthermore, our DCX team supported our Very Finance teams in delivering soft search across our websites, allowing our customers to check their eligibility for credit before applying. They also helped the Littlewoods Ireland team implement new customer verification technology to allow customers to confirm their identity quickly and securely.

ENHANCING THE CUSTOMER APP EXPERIENCE

App sales continued to grow strongly during 2020/21, and we released a range of experience improvements in response to customer feedback and UX research. These included a new, more intuitive home screen experience; adding spending dials and increasing the prominence of customer balance amounts on the account summary page, and new navigation elements at the bottom of the app screen. We also introduced new functionality to allow customers to select multiple filter values, making it quicker and easier for them to find suitable products on both our websites and apps.

GIVING CUSTOMERS INCREASINGLY TAILORED HELP

Moreover, to support our performance during Christmas and Black Friday 2020, we used artificial intelligence to provide tailored product recommendations that complemented items already added to customers' baskets. In addition, via a new targeted promotions feature on the Very app, we offered customers exclusive, relevant deals via push notifications.

> "Our digital journey takes in the total customer experience – before, during and after they shop with us – and we want to make it the best possible."
>
> **MATT GREST,**
> **Chief Information Officer**

DETERMINED TO STAY AHEAD

CREATING A SEAMLESS DIGITAL CUSTOMER EXPERIENCE continued

268,000

Customer service queries handled by our AI-powered chatbot each month.

APPLYING DATA AND TECHNOLOGY TO UNDERPIN DCX

Our data and technology teams played an important role in helping us better understand our customers and work effectively during the pandemic. They made significant progress in building a new customer forensic data capability to draw on our rich consumer data asset. Over the coming years, it will help us drive growth through even more relevant, timely and personalised digital experiences.

In addition, our data team supported the upgrade of our retail forecasting capability to make the most of automation and machine learning, allowing us to forecast more accurately and ensure availability for our customers.

ENSURING WEBSITE AVAILABILITY THROUGHOUT AN EXTRAORDINARY YEAR

Throughout a period of exceptional customer demand, our technology team maintained website availability throughout the year, including during key events like the PS5 and Xbox Series X console launches, which were our fastest-selling products ever. This performance was supported by the formation of our technology operations centre, where colleagues monitor systems and information security around the clock.

ACCELERATING OUR JOURNEY TO THE CLOUD

To future-proof our systems, we accelerated our journey to the cloud with best-in-breed providers. This included the adoption of MS Teams in ways of working, migrating our retail systems to AWS, and implementing Salesforce for improved case management in customer care.

A STRATEGIC PRIORITY

As the UK begins to reopen, we need to continue investing in our digital customer experience as a strategic priority. So we will continue to invest in talent, upgrade our platforms to make customer changes faster than ever before, and give our DCX team the capacity to focus purely on our end-to-end customer journey – the changes that really make a difference for our customers.

LOOKING AHEAD

We've already got some strong initiatives in the pipeline. Having automated our change model functionality – which allows customers to view the same items of clothing on models of three different body shapes – over the coming year we will scale the feature across our fashion and sports ranges. Meanwhile, we've begun testing a new loyalty proposition for our highly engaged customers to help increase retention.

Moreover, it is our ambition to operate in a fully cloud-based world, moving away from a monolithic ecommerce application to a micro-service architecture, with our own in-house built digital customer experience layer. In the year ahead, we'll make even bigger strides towards this goal.

Following the pandemic, more people are shopping online than ever before. Our investments to create a digital experience that delights our customers, and in turn drives increased loyalty, will be important building blocks for our success as we head forward into the future.

> "Our investments to create a digital experience that delights our customers, and in turn drives increased loyalty, will be important building blocks for our success as we head forward into the future."

PROMOTING LONG-TERM SUCCESS

STAKEHOLDER ENGAGEMENT AND SECTION 172

COMPANIES ACT 2006

This report sets out how the Directors comply with the requirements of Section 172 Companies Act 2006 and how these requirements have impacted The Very Group Board's decision making throughout FY21.

The Very Group Board's primary responsibility is to promote the long-term success of the group by ensuring an excellent consumer experience, which, in turn, delivers sustainable shareholder value and positively contributes to wider society. The successful delivery of the long-term plans relies on key inputs and positive relationships with a wide range of stakeholders, as described in the Corporate Governance report on page 55. The Very Group Board seeks to achieve this by setting out its strategy, monitoring performance against the Group's strategic objectives and reviewing the Executive Committee's implementation of the strategy. A description of the Board and Executive Committee is outlined in the Corporate Governance statement on page 55.

The Very Group Board has chosen to apply its own corporate governance arrangements for the year ended 3 July 2021. The Corporate Governance report is included on page 55.

The Very Group Board's priority is to ensure that the Directors have acted both individually and collectively in ways they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a-f of Section 172 of the Companies Act 2006. These details are set out on the following pages:

SECTION 172: A) THE LIKELY CONSEQUENCE OF ANY DECISION IN THE LONG TERM

The Executive Committee agrees a capital investment plan with The Very Group Board annually and agrees three-year and five-year plans annually. The Executive Committee monitors its implementation throughout the year using detailed reports on operating and financial performance.

This includes monitoring progress against key strategic programmes (both short-term and long-term) as well as considering the allocation of capital to support the rolling three-/five-year business plan. As an example, as outlined in our Strategy report on page 18 and in our Financial Review, we have focused investment on enhancing the digital experience for our customers and developing how we personalise our Very Pay offerings, in line with our strategic goals for the year ahead.

The Executive Committee and Very Group Board regularly review the group's forecast funding requirements. During the year, the Committee and Board extended the expiry of the AS and AJ notes of the securitisation facility – the facility now expires in December 2023. Similarly, the Executive Committee and Very Group Board were involved in the decision-making process leading up to the refinancing of our senior secured notes, issuing new secured notes with a lower coupon and extending our redemption date back to 2026.

External factors, such as competitor behaviour, the performance of the retail industry and the evolving economic, political and market conditions, are also considered by the Directors in approving vs setting the strategy.

SECTION 172: B) THE INTEREST OF THE COMPANY'S EMPLOYEES

The Directors recognise the vital importance of the Group's employees, their abilities and dedication to the long-term success of the business.

The health and safety of the Group's employees, and other stakeholders, is of paramount importance and the Directors review performance in this area. Accordingly, the Executive Committee reviews the monthly health and safety reporting and agrees actions to address and resolve any issues identified. With the continued prevalence of Covid-19 during the financial year, this has been of even greater relevance, and has been discussed extensively by the Executive Committee.

Feedback from colleagues around factors linked to their engagement is received through our Voice surveys. The results, along with action plans implemented in response to the feedback received, are reviewed by the Executive Committee. Our focus on listening to and reflecting colleague feedback has accordingly driven an improvement in our Voice survey scores.

The ways we ensure full and open engagement with colleagues and their representatives, and our approach to remuneration are described in the Corporate Governance report on page 55 and the Remuneration Committee report on page 62.

Our business values (see the Corporate Governance report on page 55) help us create a workplace in which our employees are supported and celebrated. Our business culture encourages each employee to consider the impact of their decisions on each other.

The Group undertook restructuring activities during the year, the most notable of which were the closures of its Shaw and Little Hulton fulfilment sites – impacting 800 colleagues – and the migration of operations to the new fulfilment centre in the East Midlands. This was a long-term strategic decision announced in 2018 to offer a greater customer experience. The new facilities created an additional 500 jobs, and colleagues who chose redundancy were provided support and skills training to help them move into new roles.

SECTION 172: C) THE NEED TO FOSTER THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Executive Committee regularly reviews how the Group maintains positive relationships with all its stakeholders, including suppliers, customers and others, and this is further outlined in the Corporate Governance report on page 55.

The Directors understand the importance of the Group's suppliers in delivering the long-term plans of the group. We work with a large range of suppliers – from global technology companies to local businesses.

We understand that our ongoing success depends on suppliers being able to operate efficiently and effectively. Supplier relationship management is therefore a key discipline across the business and we work collaboratively with our key suppliers to ensure the best outcomes for our customers and colleagues.

Ethical audits of suppliers and factories remain a crucial part of our due diligence programme. Our audits are carried out by three third party audit companies against local law, our code of conduct and the ETI base code. These audits allow us to identify risks and enable our in-country teams to work with factories on improvement actions. Our in-country experts carry out regular visits to our factories to offer advice and support on improving issues and implementing best practice. Where we recognise salient human rights risks or identify problems relating to specific issues within our supply chain, we work with partners to develop and deliver training to both factories and workers to mitigate and remediate.

Our Sustainability report on page 24 further describes our commitments and actions towards our supply chain and the environment in which we live and work.

We have been serving UK customers for well over a century and the criticality of the customer in our business model is reflected at executive Committee level in areas including the level of reporting received and executive remuneration. This is discussed in the Corporate Governance report on page 55. The importance of the customer to our business is demonstrated in our Strategy report on page 18.

Other stakeholders include communities, government bodies, shareholders, financing partners and industry and regulatory bodies, as described in the Corporate Governance report on page 55.

SECTION 172: D) THE IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND ENVIRONMENT

The Executive Committee and Directors support the Company's goals and initiatives supporting the communities and reducing adverse impacts on the environment. Please see our Sustainability report on page 24 for details.

SECTION 172: E) THE DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Directors take the reputation of the Group seriously. This is not limited only to operational and financial performance.

Our business values include being proud and trusted, which is supported by upholding the highest standards of conduct. To reinforce this across the company, we have annual mandatory training for employees across a number of core areas including bribery and modern slavery.

The Executive Committee has committed to having a workforce that more accurately reflects society and our Diversity and Inclusion strategy is outlined in the Corporate Governance report on page 55.

The Executive Committee has also approved the Group's Third Party Code of Business Conduct & Ethics and Modern Slavery statements (which can both be found on the Group's website www.theverygroup.com). The Executive Committee has considered the data and narrative relevant to the Group's Gender Pay Reporting in preparation for external publication (which can also be found on the Group's website).

SECTION 172: F) THE NEED TO ACT FAIRLY BETWEEN MEMBERS OF THE COMPANY

The Very Group is 100% family owned via the Sir David Barclay and Sir Frederick Barclay Family Settlements. The Group regularly engages with family shareholder members, including at The Very Group Board meetings. The Board of The Very Group Limited comprises the Group CEO and CFO together with two Non-Executive Directors and representatives of the shareholders, including members of the Barclay family.

PROMOTING LONG-TERM SUCCESS

STAKEHOLDER ENGAGEMENT AND SECTION 172

continued

KEY DECISION	KEY STAKEHOLDERS CONSIDERED	STAKEHOLDER CONSIDERATION & OUTCOME
SUPPORTING CUSTOMERS, COLLEAGUES AND OUR COMMUNITIES THROUGH THE PANDEMIC The Executive Committee recognised that The Very Group had a key role in helping customers, colleagues, and communities during the pandemic. Various taskforces and business initiatives were created during the pandemic to meet the multiple needs of the different stakeholders.	▪ **Customers** (Ensuring customers had both the products required and the financial support) ▪ **Colleagues** (Enabling safe working conditions for all) ▪ **Communities** (Supporting those most in need) ▪ **Suppliers** (Working with suppliers to procure the key items customers needed and ensuring home delivery where possible)	The Chief Operating Officer and the crisis management team, supported by the Executive Committee, led the Very Group's response to the pandemic for all key stakeholders. Customers' financial needs were identified through government advice, and taskforces across the financial services business were stood up to deliver payment freeze options and online portals, allowing customers to self serve and reducing call wait times. The retail changes for customers included a heavy focus on electrical and home products. The Retail Director, supported by the executive team, made key decisions around stock packages and managed new supplier relationships to ensure The Very Group offered what customers needed. Communities needs were identified through various stakeholder groups and charities which are connected to the Group. Taskforces within the retail business were stood up to create NHS and elderly care packages. For colleagues, there were several taskforces put in place to enable home working and additional safety measures. The Executive Committee made considered judgements on the use and application of furlough. Within operations, the Executive Committee agreed to open the new warehousing facilities in the East Midlands to support capacity and continue the operations at Shaw to ensure businesses could deliver goods to customers during peak Christmas trading whilst keeping colleagues safe. Throughout the pandemic, colleagues were consulted and engaged via weekly videos from the CEO, digital balcony briefings (i.e. all company video conferences) and colleague surveys. The feedback was reported to the Executive Committee, and where appropriate, acted on. The outcome of these actions enabled customers to take advantage of the payment freeze options where needed and purchase the items they required. Colleagues were able to work safely from home or within our fulfilment centres. Within the communities, targeted support was given to those areas identified as most requiring help.
CREATION OF A HYBRID WORKING MODEL Following the success of home working through the pandemic, the Executive Committee led by the people director, made the strategic decision to create a hybrid working model.	▪ **Colleagues** (Directly impacted through changes to how they work) ▪ **Shareholders** (Considered in the aim of increasing shareholder value) ▪ **Market & Competitors** (Review of the shifts in the market to ensure competitiveness is retained) ▪ **Environmental impacts**	The pandemic disrupted how colleagues worked, forcing more focus on safety, wellbeing, productivity and connection in a more digitised workplace. The pandemic drove the business and colleagues to learn new skills, and be effective with the new working conditions. As lockdown measures were easing the discussion with the executive of how the business best operates in the future was a key topic. Consulting (via leaders and engagement surveys) with colleagues, teams reported that home working increased productivity due to quieter environments and more free time without the daily commute. However, colleagues also reported missing the social and relational element of coming together in offices and the opportunity to collaborate. A review of the rest of the market and key competitors reported that a hybrid working model was the favoured option. The decision to move to a hybrid model was the result of feedback from colleagues, market review and an assessment of the overall office footprint. The Executive Committee agreed that a hybrid working model was the 'best fit' option for colleagues and enabled the business to stay aligned to the market enabling the group to remain competitive in talent attraction and retention. The option also enabled a reduction in the office footprint, driving cost-saving and reducing emissions across the Group. The continued shifting of lockdown measures has resulted in a phased rollout of the new model. The ongoing success of the model will be measured through colleague engagement scores and business performance. See the Embracing Our Hybrid Working Future case study on page 12 for more detail.
INVESTING IN THE DIGITAL CUSTOMER EXPERIENCE The increase in online shopping through the pandemic has created a focus on customer experience and the need to create a seamless customer journey.	▪ **Customer** (Directly impacted through improved customer service) ▪ **Suppliers** (Continuing strong relationships with brands) ▪ **Colleagues** (Directly impacted through changes to how they work) ▪ **Shareholders** (Considered in the aim of increasing shareholder value) ▪ **Technology talent** (Investing in a more diverse workforce in tech)	The Executive Committee recognises that the competitive landscape is intensifying as more customers shop online. The Chief Information Officer has championed the need to invest in the digital customer experience. The Executive Committee and shareholders have agreed to a greater level of investment in the technology teams. Insights from both customer research and supplier relationships indicated that the customer journey was key to both customers choosing to shop with a brand and suppliers choosing where to stock. Therefore, the consideration of both customers and suppliers was at the centre of the agreement to invest further into the customer journey. The group is committed to investing long-term in creating an upper quartile digital experience, keeping up with the changing expectations of customers and suppliers and enabling a personalised and contextually relevant digital experience both now and in the future. The investment will accelerate the build of a microservices technology architecture. Microservices will offer the business increased speed to market, reduced downtime, a more engaging engineering environment and a platform for future growth and partnerships. The Executive Committee has also recognised the need to strengthen the leadership and tech teams and have made several new hires in the year. Longer-term, the business is also focused on creating a talent pipeline to respond to the highly competitive tech talent market and increase diversity within technology roles. The company is investing and working with strategic partners to create a technology resource network that will include early talent pipelines and returners to technology initiatives. See the Creating A Seamless Digital Customer Experience case study on page 36 for more detail.

DEVELOPING AN ENTERPRISE-WISE APPROACH TO RISK

RISK MANAGEMENT AND PRINCIPAL RISKS

We have moved to revise and update our risk management framework, reflecting the changing economic landscape and our acceleration to a digital-first operating model.

OUR OBJECTIVE

Our objective is to ensure we holistically identify and manage key risks across the Group and continue to leverage the depth and breadth of our risk management capability from within our regulated business.

During the year we evolved the development of a truly enterprise-wide approach to risk management, adopting an integrated approach across all three lines of defence.

RISK GOVERNANCE

The Very Group Board has overall responsibility for risk management, including reviewing and changing key risks and delegating the risk management framework to the Audit and Risk Committee.

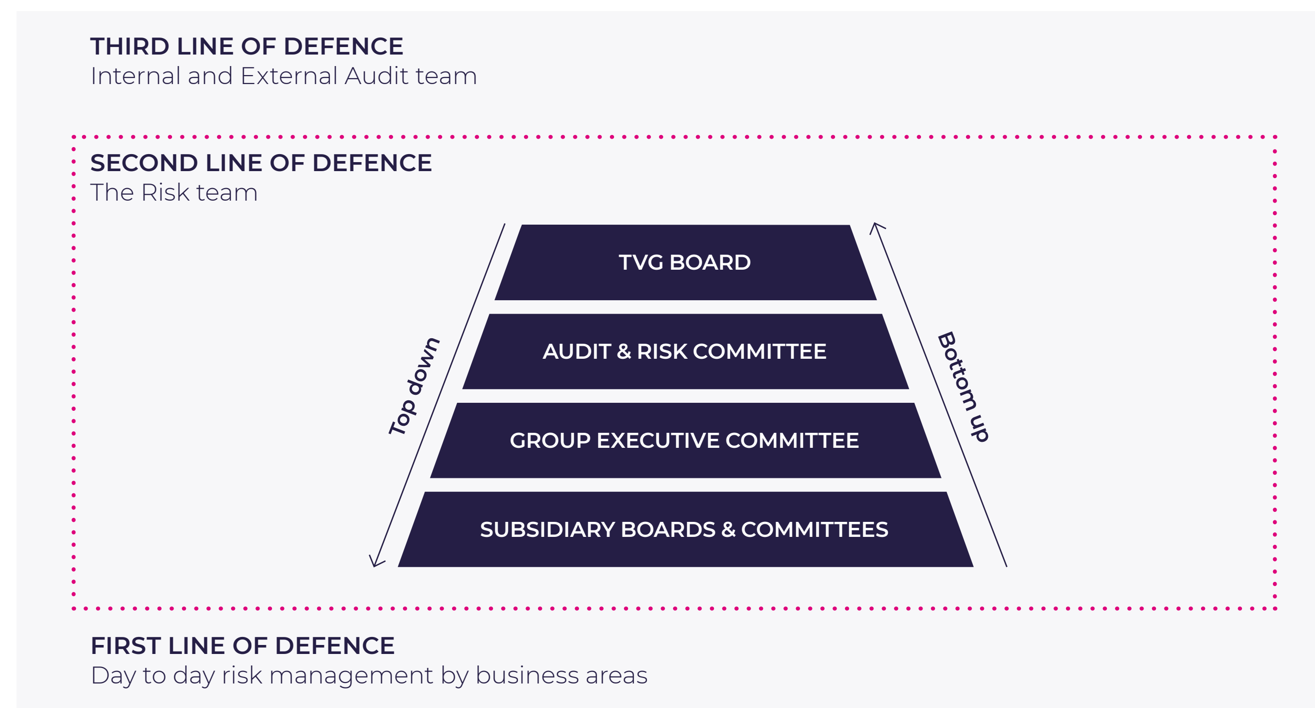
Accountability for risk management in entities authorised by the Financial Conduct Authority remains within those entities.

As part of the developing Enterprise Risk Management Programme the Group has adopted a "three lines of defence" best practice approach, with responsibility for day-to-day risk management residing in the first line.

The Risk team sits in the second line and seeks to challenge the business regarding risk management activity, while providing insight and assurance to the Board and its committees.

The third line consists of internal and external audit activity, providing independent assurance over risk management activities.

RISK GOVERNANCE



OUR APPROACH TO RISK

Protecting our customers, colleagues, the Group and the society we serve is central to our risk management philosophy. It is the foundation of our approach to enterprise-wide risk management, which forms a virtuous cycle as shown below.

VIRTUOUS CYCLE

We have simplified and enhanced our approach to risk management. Our enterprise risk management framework (ERM) is summarised here:

DEVELOPING AN ENTERPRISE-WISE APPROACH TO RISK

RISK MANAGEMENT AND PRINCIPAL RISKS
continued

OUR RISK STRATEGY AND CULTURE

In addition to our Group-wide business strategy, we have a forward looking risk strategy for how we manage risk. These strategies are core components of our ERM framework.

Our risk strategy articulates how our risk function sets out to support the delivery of our business strategy. To summarise our strategy, we aim to:

- Achieve the Group's growth targets through the organic development and expansion of our existing product and business lines.
- Build reliable and scalable client and processing technology.
- Enhance the "The Very Way" of client service and best practice.
- Optimise the balance sheet to ensure highest returns for lowest consumption of capital and risk resources.

Our strategy for risk management is to:

- Ensure that the risk philosophy and culture of the Group are understood and embedded at all levels of the Group.
- Monitor the level of key risks at an inherent and residual risk level, ensuring this is in line with our stated appetite and business objectives.
- Continually develop the ERM so that it remains valid for the Group's current and anticipated future state.
- Capture all new risks as they evolve, whether through new business initiatives, changing market or regulatory conditions, and ensure that they are adequately measured and controlled by the Group's policies and procedures.
- Ensure that growth and change is managed through a clearly defined expansion and integration plan.

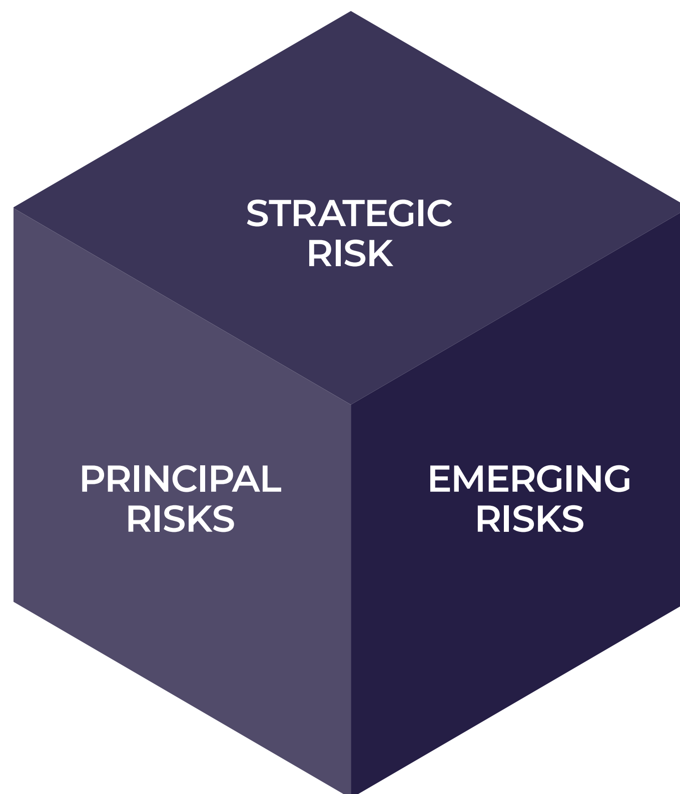
To deliver our strategy we have set the following risk objectives:

- Maintain a risk profile which supports the delivery of planned revenue and quality earnings growth while limiting earnings volatility.
- Ensure that as we grow the business we maintain our strong control infrastructure.
- Ensure that we have the resources and skills to deliver the business plan.
- Ensure that our reputation is one of a trusted brand, market participant and business partner.
- Enhance our relationship with regulators through an embedded, effective risk and compliance culture throughout the business.

A DYNAMIC RISK PROFILE

The challenges faced by businesses and the world at large over the past year have highlighted the need to ensure that the risk management framework adopts a proactive rather than simply a reactive position.

During this year we have continued to develop our thinking around our risk taxonomy, how emerging and strategic risks are connected and how they impact our principal risks. Monitoring risk through all three lenses ensures we are well prepared and can respond dynamically to better protect the business and our customers.



PRINCIPAL RISKS

Agreed by the Board, these high-level categories are used to report risk exposures regarding those areas of greatest threat to strategy. A detailed description of these risks is set out on page 48.

STRATEGIC RISK

Strategic risk is a principal risk that could arise from the decisions taken concerning the Group's objectives and assumptions concerning macroeconomic and geopolitical factors.

EMERGING RISK

A future event, whether internal or external, which has the propensity to materially impact the Group.

CHANGES TO OUR RISK PROFILE SINCE LAST YEAR

It is no surprise that the overall level of inherent risk faced by the business on a global macroeconomic and geopolitical basis has remained high over the past year, as businesses continued to navigate the impacts of the pandemic.

We have been vigilant in monitoring the horizon, and diligent in challenging our own assessed risk positions and as a result have managed our net risk positions effectively over this period.

The key changes to our risk profile since last year, therefore, come in our enhancements to the way we define our principal risks, through the development of our ERM programme and the tightening of their relationship to our strategy.

DEALING WITH UNCERTAINTY

In monitoring the horizon, we seek to identify emerging risks in order to support good, well informed risk-based decisions. We consider a range of themes including:

Strategy – We seek to reflect upon our business model while also maintaining a view of changes within the marketplaces we operate in. During the past year we have seen unprecedented levels of change in the retail market in terms of participants and channel. The impact of M&A activity and of new entrants has an as yet undetermined impact on market.

Technological – The continual changes in technology and how consumers interact with devices and consequently the marketplace is a key focus area. While opportunities exist through initiatives such as the roll out of the 5G network across the UK, the level of sophistication seen in aspects such as cyber-crime requires continual monitoring.

Geopolitical – While Brexit and its associated impact to market conditions and access continue to be closely monitored, issues such as Covid-19 highlight the need to monitor geopolitical risks across the supply chain.

Climate change – This remains an emerging risk and while we continue to understand and monitor how this may impact us financially, this is an area in which we are actively seeking to make a positive difference through the way we do business.

> Empowering the business to make insightful, risk-based decisions is at the very core of our risk philosophy.
>
> Every part of the business plays a key role in the effective identification, management and optimisation of risk, supported and overseen by our Risk function."

NICK MCBRIEN,
The Very Group Chief Risk Officer

DEVELOPING AN ENTERPRISE-WISE APPROACH TO RISK

RISK MANAGEMENT AND PRINCIPAL RISKS

continued

Our priorities

1. Top of mind
2. Accelerate lifestyle
3. Expand flexible ways to pay
4. Improve digital customer experience

PRINCIPAL RISKS

RISK AND IMPACT	HOW WE IDENTIFY THE RISK	HOW WE MITIGATE	CHANGE DURING THE YEAR	STRATEGIC PRIORITIES POTENTIALLY IMPACTED
POLITICAL & ECONOMIC The risk posed by changes to specific macroeconomic conditions or geopolitical factors which may in turn impact our ability to trade or adversely affect customer behaviour.	Global economic volatility may remain high due to Covid-19, with clear geopolitical uncertainties relating to the pandemic response and recovery. Brexit continues to drive uncertainty and has the potential to impact core business activities including logistics and workforce management.	▪ We continue to monitor key macroeconomic indicators and geopolitical uncertainties including but not limited to those regarding Covid-19 and Brexit. ▪ Key models deployed within the business are stress tested to ensure sufficient resilience. ▪ We have commenced a programme of scenario analysis to further explore potential impacts, optimise the control environment and ensure reliance.	↑	1, 2
REGULATORY The risk that our culture, behaviour or actions lead to a failure to comply with regulators, or cause detriment to customers or the markets.	Failure to correctly interpret and implement the requirements of a regulator and/or failure to pay due interest to the needs of our customer leading to poor outcomes.	▪ We have an established policy framework underpinned by documented business standards which sets out the regulatory requirements and the expectations of the Board. ▪ A comprehensive control programme is in place that sits across all three lines of defence. ▪ We maintain a live view of changes to regulatory requirements and expectations with a view to ensuring that the senior managers within the business are well informed. ▪ We seek to maintain a positive and open relationship with key regulators, including the Financial Conduct Authority, and government departments such as the BEIS.	→	3
FINANCIAL & LIQUIDITY The risk we are unable to meet our obligations as they fall due or are adversely hit by market rate or price movements.	Loss of confidence in the Group leading to the withdrawal of funding lines, or a reduction of liquidity within the bond market.	▪ We undertake sound financial planning, with liquidity and funding targets built into planning process. ▪ We undertake scenario analysis and stress testing. ▪ We monitor and report on key metrics daily. ▪ We maintain strong relationships with supporting securitisation banks and have a rolling three-year funding programme. ▪ We have successfully negotiated an extension of the longstanding securitisation programme and continue to actively monitor debt markets.	→	3, 4
CREDIT The risk of loss caused by the failure of a customer to meet their contractual obligations and repay their borrowings.	Degradation of socioeconomic conditions within the UK which in turn impacts the ability of our customers to meet the minimum payments required under the terms of borrowing.	▪ We consider micro and macroeconomic factors as we look to understand the impact that changes may have on the portfolio. This forward-looking approach ensures that where economic risks are identified, we are able to quickly react to influence the debtor portfolio mix. ▪ We ensure our lending policies and models align. ▪ We have developed an enhanced model risk framework. ▪ We have introduced an enhanced outcome data-led monitoring programme. ▪ We have delivered enhanced forbearance measures to assist customers to deal with the impact of Covid-19.	→	2, 3
OPERATIONAL Losses or disruption resulting from inadequate or failed processes, people and systems or from external events.	Operational risk is, by its nature, the broadest area of risk for the Group. It may arise from aspects such as: ▪ A failure to attract or retain the top talent we need to thrive as a business. ▪ A failure to adequately protect or invest within our IT estate. ▪ Disruption or physical loss of one of our distribution centres.	▪ We have a clear risk model and have built an integrated approach to managing risk across the three lines of defence. ▪ We carry out real-time reporting of our risk profile to ensure the early identification of risk movements. ▪ Through the development of the ERM programme we have established a governance routine that will ensure priority risks are reviewed monthly at the Executive Committee, with a deep dive at lower subordinate committees across the Group. ▪ We have enhanced our framework to ensure we have a more complete view of our operational risks and their respective control environments. ▪ We have established a core data function within the Risk team to establish and monitor data driven risk indicators. ▪ We have invested in building first line risk management capacity and capability within key business areas. ▪ We have robust business continuity plans in place and continue to build resilience within our business.	↑	1, 2, 3, 4

DEVELOPING AN ENTERPRISE-WISE APPROACH TO RISK

SUSTAINABILITY RISKS

At Very, we have also recognised sustainability as a principal risk area of growing importance to the business (see sustainability on page 24 for more detail). With this in mind, we have undertaken a social, ethical and environmental review.

Below we have summarised the most significant of these risks and have outlined the mitigating activity undertaken by the Group.

RISK AREA	SEVERITY	MITIGATING ACTIVITIES
Covid-19: The global Covid-19 pandemic is having an ongoing impact on our supply chain. Its effects will be felt for a long time to come. The pandemic has disrupted supply, with our suppliers facing shutdowns, labour shortages, increased material costs and business closures. We need to adapt to the changes Covid-19 has brought about and ensure we have the processes and tools in place to effectively manage the environmental and social risks associated with any future pandemics to ensure continuity of supply and business success.	High	▪ We worked quickly with suppliers across the business to ensure continuity of supply and, where needed, to cancel or defer orders. ▪ We developed best practice guidance for factories to ensure social distancing, temperature testing and regular cleaning to reduce the risk of Covid-19 spread. ▪ We held regular check-ins with supplier sites to implement actions to minimise factory disruption. ▪ We joined the ILO Garment Industry call to action to support industry wide responses to the pandemic.
Climate change: Climate change has the potential to fundamentally change the planet we live on and the communities we operate in. The rapid increase in global warming has led to climate change becoming a key priority for governments, businesses and wider society. We identify the risks and opportunities of climate change to The Very Group and understand how they may impact our business operations going forward.	High	▪ Our sustainability strategy sets out our ambitions and targets around climate change, including our commitment to 'net zero' and desire to set a science-based target. ▪ We are working with a number of external organisations to further develop our climate strategy, including ensuring we have relevant metrics in place and effective monitoring mechanisms. ▪ We developed a net zero steering group within the business which reports to the E&S Board, which provides governance and oversight.
Responsible sourcing and supply chain: Failure to ensure that we uphold our social and environmental commitments and comply with relevant legalisation may result in supply chain disruption, potential regulatory sanctions and reputational damage. The increasing legal framework in this area, enhanced expectations from customers and wider stakeholders, and the impacts of Covid-19 have reiterated that sourcing and supply chain are a principal risk area to the business.	High	▪ A code of conduct is in place which is reviewed and updated regularly. Alongside this there are a number of policies and guidance documents within the business including modern slavery, child labour, health and safety, migrant labour, access to remedy and anti-bribery and corruption. ▪ We have an established audit process for all suppliers, which includes the use of unannounced audits. ▪ We have dedicated in-country sustainability resource focused on supporting suppliers and factories with challenges and implementing capacity building. ▪ We run colleague training on sustainability and have also developed specific training on topics such as modern slavery.
Third-party management: Our business model includes a reliance on a significant number of third-party relationships, particularly within our product offering. Events over the past 12 months have shown that a failure within these suppliers' sustainability due diligence approach can also have an impact on our operational activities and our customer experience. This can, in turn, negatively impact our brand reputation.	Medium	▪ We developed a third party 'Brands at Very' programme, to confirm compliance with expected standards and policies. ▪ We have clear supplier management and procurement policies in place, which include a requirement for all suppliers to sign our code of conduct or provide an alternative. ▪ We worked closely with the retail teams to ensure sustainability forms part of ongoing conversations with branded partners.

COMMITTED TO FULL FINANCIAL SUSTAINABILITY

ENERGY AND CARBON REPORT

WORKING TOWARDS FULL CLIMATE-RELATED FINANCIAL DISCLOSURE

Below we set out our climate-related financial disclosures for the 53 weeks ended 3 July 2021. As a business we recognise the growing importance of climate-related financial disclosure and demonstrate below our commitment to working towards full Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) reporting in FY22/23.

We recognise that enhanced reporting may be challenging and will require the business to ensure robust frameworks are in place for monitoring and measuring scope 1, 2 and 3 emissions going forward. We also know that this will need to be underpinned by strong governance structures ensuring the business is accountable for meeting its targets in this area.

The table below summarises our progress this year and focus areas for the year ahead across the TCFD competency areas of governance, strategy, risk management, and metrics and targets:

TCFD FOCUS AREA	PROGRESS 20/21	FOCUS FOR 21/22
GOVERNANCE	▪ Established our E&S Board. The Board is accountable for overseeing the effectiveness of our proactive sustainability strategy and our risk management processes. ▪ Joined the CFO taskforce on sustainable finance to ensure sustainability is at the top of our finance agenda and evolve the metrics we report. ▪ See Sustainability on page 24 for more details on our approach to governance.	▪ Build ESG factors into our broader business decision making and risk frameworks. ▪ This will be done through the newly formed ESG Committee analysing ESG risks and making recommendations to the Board based on financial and strategic impacts.
STRATEGY	▪ Further developed our ESG strategy, taking salient risks into account. ▪ Committed to five key focus areas for 2025, including our net zero commitment (see below). ▪ Enhanced conversations with investors and broader stakeholders on the business's ESG agenda.	▪ Continue delivery of our net zero roadmap. ▪ Further investor conversations around our ESG agenda.
RISK MANAGEMENT	▪ Reviewed the physical and reputational risks and opportunities presented by climate change (see Sustainability risk section). ▪ Included climate-related risks within the Board's principal risk review.	▪ Conduct climate-related risk and opportunity assessment using the TCFD framework. ▪ Develop climate scenario analysis to inform our actions and metrics going forward.
METRICS AND TARGETS	▪ Set stretching targets for scope 1, 2 and 3 emissions reductions (see below). ▪ Implemented a new system to track and monitor progress against metrics and targets.	▪ Develop science-based targets for scope 1, 2 and 3 emissions and get approval from the Science-based Targets Initiative (SBTI). ▪ Publish climate-related risks and opportunities over the short, medium, and long-term.

OUR STRATEGY AND AMBITION

Climate change and the environmental impacts of our business have been part of our wider sustainability strategy for several years. With the urgency to tackle climate change and the increased interest from the investor community, we recognised the importance of including climate change within our principal risk review as well as for setting stronger targets in this area.

We have been working for a number of years to tackle the impacts of our operations on the environment. Although formal targets were not in place, we have been partnering with the Carbon Trust for over four years, managing a 16.2% reduction in our overall carbon emissions in that time. This work and our existing focus on tackling climate change have helped ensure that we take environmental factors into account in investment decisions. This is most clearly seen in our new warehouse in the East Midlands, which has been A-rated for energy efficiency.

We recognise the need to further verify our climate-related targets and aim to have verified science-based targets. Over the course of the next 18 months we will be working with Carbon Intelligence to strengthen the commitments we already have in place, fully map our scope three emissions, develop an accurate baseline for scope 3 and develop delivery roadmaps. Once completed, this work will enable us to report across all emission scopes more accurately going forward. It will also help us carry out a scenario analysis, to improve our understanding of climate-related risks and opportunities. We intend to track and monitor our emissions using an external system, which will house our scope 1, 2 and 3 emissions data and support us in monitoring our progress against the agreed science-based targets.

To support our strategy and ambition in this area we have committed to the British Retail Consortium (BRC) roadmap to net zero. This is in line with our determination to work with other retailers, governments, customers, and wider industries to collectively deliver a net zero agenda.

CLIMATE RISK

We recognise that climate change has the potential to fundamentally change the planet we live on and the communities we are part of. The rapid increase in global warming has led to climate change becoming a key priority for governments, businesses and wider society. Given the speed of change in this area, we must identify the risks and opportunities of climate change to The Very Group and understand how they may impact our business operations going forward.

TARGETS

	TARGET	MEASUREMENT
SCOPE 1 AND 2 EMISSIONS	Net Zero across scope 1 and 2 emissions by 2025 (using 2018/19 as a benchmark).	Metrics found within the streamlined energy and carbon reporting.
SCOPE 3 EMISSIONS	Net zero across scope 3 emissions by 2035 (using 2021/22 as a benchmark).	Reduction against a baseline of modelled emissions, verified externally.
WASTE	Zero waste sent to landfill.	Percentage of waste sent to landfill.
PACKAGING	Closed loop system implemented for all plastic and cardboard (i.e. waste is turned into a new product).	Percentage of packaging processed through closed loop systems.
PRODUCT	75% of own brand product to utilise more sustainable raw materials by 2025.	External verification schemes.

With the increased interest in businesses' environmental, social and governance strategies, we decided to create a new E&S Board solely focused on our environmental and social responsibilities. The new Board ensures visibility of these issues at main Board level and is responsible for overseeing the effectiveness of our sustainability strategy and our risk management processes. The Board has a direct line into our CEO, who is ultimately responsible for the delivery of the business's environmental, social and governance (ESG) ambitions.

Since the E&S Board started, it has worked with the sustainability team to firm up the business's 2025 ESG targets. Work is now underway to develop short and medium-term deliverables and detailed delivery plans against these. This includes our ambition to be net zero within our own operations by 2025. Performance against this target will be tracked through our technology partner Greenstone and will be reported to the E&S Board quarterly and main Board at least annually.

PROGRESS SO FAR

We continue to work with Inspired Energy to ensure our energy consumption is monitored, assessed and reduced to be as efficient as possible. In March 2020 our new £200m fulfilment centre opened in the East Midlands, which has resulted in further consolidation of sites across the Group. The warehouse uses state of the art technology to operate as efficiently as possible. As an A-rated energy certified building it is designed with the highest levels of energy efficiency in mind. The building incorporates water harvesting technology, LED lighting, onsite generation offsetting as well as potential for a solar panel installation to generate our own renewable energy. The warehouse is located by a rail freight terminal which means our imported goods arrive to the warehouse by train. This has significantly reduced the amount of road miles and carbon emissions versus our previous inbound logistics processes. Given that the new warehouse opened during Covid-19 and for a time was operating in conjunction with our existing warehouses, we will be able to more accurately report on its impact on reducing our operations' carbon emissions in FY22.

In our most significant step towards net zero, we switched to renewably sourced energy for all of our UK operations in September 2020. Prior to this switch 61% of the business's carbon footprint was generated through our electricity consumption. This switch will significantly reduce our emissions, and the full implications of this will be reported in next year's report.

We have also consolidated our property portfolio, switched all lighting on sites to LED and invested in more efficient boilers, all of which is helping us reduce our overall emissions.

GREENHOUSE GAS EMISSIONS – STREAMLINED ENERGY AND CARBON REPORTING (SECR)

ORGANISATIONAL STRUCTURE

The Very Group is classified as a large unquoted company due to its size and shareholding structure.

COMMITTED TO FULL FINANCIAL SUSTAINABILITY

ENERGY AND CARBON REPORT
continued

REPORTING PERIOD
The Very Group is reporting for the financial year ended 3 July 2021.

REPORTING BOUNDARY
The reporting boundary for the Energy and Carbon Report is the UK-based elements of The Very Group Limited and its subsidiaries.

DATA COMPLETENESS
All The Very Group's electricity and gas invoices have been entered into a fully managed energy database up to 3 July 2021, and data quality checks have been carried out for data completeness and accuracy. All transport information has also been entered into the energy database up to 3 July 2021.

The following figures show the consumption and associated emissions for this second year of reporting for The Very Group, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For The Very Group, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

REPORTING METHODOLOGY
Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting year 01/07/2020 – 30/06/2021.

DATABASE 2021, VERSION 1.0.
All consumption data for The Very Group Limited was complete for the reporting year, and as such no estimations were required. For properties where The Very Group is indirectly responsible for utilities (i.e. via a landlord or service charge), an average p/kWh rate of £0.15p/kWh was applied to provided cost values of service charges to calculate kWh consumption.

Intensity metrics have been calculated utilising the full-time employee and £m annual revenue figures for the 53 week period ending 3 July 2021. TCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e per metric.

Utility and Scope	FY21 Consumption (kWh)	FY20 Consumption (kWh)
Grid-supplied electricity (Scope 2)	**14,513,940**	21,087,860
Gaseous and other fuels (Scope 1)	**8,791,011**	13,119,658
Transportation (Scope 1 and 3)	**190,403**	726,794
Total	**23,495,354**	34,934,313

Utility and Scope	FY21 Consumption (tCO_2e)	FY20 Consumption (tCO_2e)
Grid-supplied electricity (Scope 2)	**3,081.74**	4,916.42
Gaseous and other fuels (Scope 1)	**1,610.16**	2,412.31
Transportation (Scope 1 and 3)	**44.36**	179.76
Total	**4,736.26**	7,508.50

INTENSITY METRIC
An intensity metric of tCO_2e per FTE has been applied for the annual total emissions of The Very Group. An additional intensity metric of tCO_2e per £m revenue has also been applied to the annual total emissions.

Intensity metric	FY21 Intensity Metric	FY20 Intensity Metric
tCO_2e/FTE	**1.13**	1.60
tCO_2e/£m revenue	**2.37**	3.75

ENERGY AND CARBON REPORTING COMMENTARY
2020/21 saw a significant impact to the operational space of our business as we consolidated our existing warehouses and operated a work at home and hybrid model driven by national lockdowns. These changes have materially reduced our energy consumption.

Alongside these changes we continue to look for ways to reduce our emissions and improve energy efficiency. In 2020/21 this included switching to renewably sourced electricity across sites, consolidating into our A-rated energy efficient warehouse in Skygate and switching to LED lighting across all sites.

We have also started working with Carbon Intelligence to map our scope 1, 2 and 3 emissions, prior to setting a science-based target for climate change to provide a validated framework for reaching net zero.

APPROVAL OF THE STRATEGIC REPORT
The Strategic report has been approved by the Board on 15 October 2021 and signed on its behalf by:

DAVID KERSHAW
Director

GOVERNANCE

CORPORATE GOVERNANCE REPORT

ROBUST GOVERNANCE
At The Very Group we have robust governance arrangements that fit the type, scale and complexity of our activities. The Very Group Board has chosen to apply its own corporate governance arrangements for the year ended 3 July 2021. The directors concluded that the governance arrangements in place were robust and appropriate for an organisation of our size and ownership structure.

Strong governance is at the heart of our purpose to make good things easily accessible to more people."

OUR PURPOSE AND LEADERSHIP
A GREAT HERITAGE

The heritage of The Very Group Limited can be traced back to the founding of the Kay and Company mail order business in Worcester in 1890. Our story to date includes the creation of the Littlewoods businesses in 1923; the combination of the Littlewoods and Great Universal organisations in the early 2000s under the ownership of the Barclay family; the expansion of eCommerce; and the transformation of the Group from a traditional mail order business into the UK's largest integrated pureplay digital retailer and flexible payments provider. 2020 saw the latest phase in our development with the rebranding and renaming of The Very Group Limited to align the Group as a whole with our lead brand, Very.co.uk.

A CLEAR PURPOSE
We have a very clear and well-established purpose: we make good things easily accessible to more people. This purpose reflects our combination of multi-category retail and famous brands with market leading eCommerce and technology capabilities and unique Very Pay Platform offering flexible ways to pay.

WELL-ESTABLISHED VALUES AND BEHAVIOURS
We have a well-established and embedded framework of values and leadership behaviours, which evolves as our business continues to develop, and which underpins our culture. Our values are:

- Trusted – We're empowered and committed to deliver
  - We take our responsibilities seriously. Our customers, colleagues and partners can count on us.
- Ambitious – We thrive on being the best
  - We've achieved extraordinary things and we're hungry for more. We push ourselves every day to create the best experience for our customers and the best outcome for our business.
- Proud – Our customers are our world
  - We're passionate about our customers and what's important to them.
  - We're proud of our history and excited about our future.
- Innovative – We go after ideas that make a difference
  - We constantly search for ways to improve, both big and small.
  - We're adaptive, resilient and we learn as we go.
- Together – We're unbeatable when we collaborate
  - We're one team, working towards one ambition. We're at our best when we focus, support each other and celebrate our progress.

KEY DEVELOPMENTS
Key developments during the year included establishing a playbook ahead of the move to hybrid working in FY22. This sets out how hybrid working will be managed and role-modelled at team level by our leaders, based on our new, Group-level working principles, guidelines and tools.

CORPORATE CITIZENSHIP
We take our corporate citizenship responsibilities seriously and play our full part as a citizen in the communities we live and work in. Colleague wellbeing and investment in our colleagues remains a key focus for us, together with support for our chosen charities and the charitable activities of our colleagues. We are also committed to high ethical and environmental standards in our supply chain and workplaces – please see our Sustainability report on page 24 for further information.

Further details of our purpose, leadership and culture can be found in the Strategic report.

BOARD AND EXECUTIVE COMMITTEE
The Board of The Very Group Limited comprises the Group CEO and Group CFO, together with two Non-Executive Directors, and representatives of the shareholders, including members of the Barclay family. Operational responsibility for day-to-day running of the business is executed through the Group Executive Committee, which is led by the CEO and comprises highly experienced specialist executives including the Group CFO, Chief Information Officer, Chief People Officer, CEO of Very Finance, Chief Operations Officer and Managing Director Retail. Profiles of the members of the Executive Committee can be found on The Very Group Limited website.

The Very Group Board considers that its composition and that of the Executive Committee reflect the scale and complexity of the Group. (See Section 172 for detail on the board and committee structure.)

The Executive Directors of the Executive Committee meet weekly for trading meetings and bi-weekly for operational meetings. There is also a monthly meeting of the Executive Committee with Non-Executive Directors and a shareholder representative, chaired by a Non-Executive Director, to consider planning and strategic issues.

GOVERNANCE

CORPORATE GOVERNANCE REPORT
continued

An Audit and Risk Committee, Remuneration Committee and Nomination Committee are established as sub-committees of The Very Group Board, each chaired by a Non-Executive Director. Significant matters from the sub-committees are escalated to The Very Group Board.

Responsibility for the management of the three regulated companies in the Group – Shop Direct Finance Company Limited in the UK, Shop Direct Ireland Limited in the Republic of Ireland and Douglas Insurance in the Isle of Man – lies with the Directors and Executive management teams of those entities, within the parameters of the overall strategic objectives of the Group. Audit and Risk sub-committees are also established in these businesses.

DIRECTOR RESPONSIBILITIES

As detailed in the Section 172 Report, The Very Group Board has delegated responsibility for day-to-day operations to the Executive Committee, which comprises a team of experienced executive leaders in their respective fields, alongside Non-Executive Directors and a shareholder representative. In addition to the Executive Committee, the Audit and Risk, Remuneration and Nomination sub-committees of The Very Group Board provide support across wider corporate and governance matters, escalating these to The Very Group Board where necessary.

The purpose of the Executive Committee is to manage the day-to-day activities of the business in line with the guidance provided by The Very Group Limited Board through:

a) Developing and implementing strategy, operational plans, policies, procedures and budgets.

b) Ensuring the business has the correct people capability and operating model to deliver against the strategy.

c) Driving and monitoring operating and financial performance.

d) Assessing and controlling risk.

e) Prioritising and allocating resources.

The framework for oversight by The Very Group Board is described above.

The Executive Committee reviews extensive management information provided from the Company's systems, together with analysis of that information. The Group Finance function is responsible for the integrity and accuracy of the financial information, supported by the Technology function. Trading and other information is reviewed daily, weekly or monthly, depending on the nature of the information. Performance against budgets, forecasts and other KPIs is also measured and reported on to the same timescales.

Our customer focus is reflected in the reporting to the Executive Committee, including the outputs of customer focus groups, our customer closeness programme, Relationship Net Promoter Score, First Contact Resolution and our Digital Customer Experience (DCX) team.

Within our Very Finance businesses we maintain a strong focus on treating customers fairly and ensuring customers receive the right outcomes, including through our forbearance policies and processes for customers in financial difficulties.

OPPORTUNITY AND RISK

Short-term operational and trading opportunities are kept constantly under review as part of the day-to-day routine of the business and through the weekly trading Executive Committee meetings.

The Executive Committee regularly considers both medium and longer term opportunities in its planning meetings, Committee meetings and in meetings with shareholders. Formal strategy days are held quarterly. The Executive Committee agrees a capital investment plan with The Very Group Board annually and agrees three-year and five-year plans annually. Similarly, opportunities for generating income streams from new sources are regularly considered by the Executive Committee.

Protecting our customers, colleagues, the commercial interests of the Group and the society that we serve is central to our risk management philosophy and we have continued to develop an enterprise-wide approach to risk management.

The Very Group Board has overall responsibility for risk management. Responsibility for reviewing and changing key risks and the risk management framework is delegated to the Audit and Risk Committee. Having adopted a "three lines of defence" model, day-to-day responsibility resides with the business areas.

Dealing with uncertainty is at the heart of our thinking and we take a dynamic, forward-looking approach to risk management ensuring we are well placed to identify and respond to emerging risks as well as managing those principal and strategic risks inherent within the business.

Risks within the regulated companies within the Group are managed by the boards of the respective companies. This is recognised and delivered through the enterprise-wide risk management framework and corresponding reporting structures to satisfy the requirements and expectations of their respective regulators. Where relevant, matters are reported from those companies into the Executive Committee, The Very Group Board and Audit Committee. Please see the Risk Management and Principal Risks report on page 44 for more details on how we recognise and manage risk.

The Group leverages the risk management and compliance capability of its UK regulated subsidiary in a number of key areas across the wider Group, including data protection, information security and business continuity. Its delegated approval levels and contract approval and authorisation process provide robust control and extensive Executive Committee and senior management oversight over commitments to expenditure and legal and contracting risk. Internal Audit provides a third line of assurance, working to an audit plan directed by the Group Audit Committee.

REMUNERATION

Executive pay structures are designed to promote sustainable, long-term success. The Group Remuneration Committee is chaired by a Non-Executive Director. It has clear terms of reference that are intended to enable the Group to attract and retain high quality senior management while incentivising behaviours and performance consistent with our values and leadership culture. Executive remuneration is linked to both financial performance and to customer outcomes and the customer experience. Remuneration is considered in the light of remuneration structures and rewards across the workforce.

Each of the regulated companies in the Group has its own remuneration committee responsible for recommending to their respective boards on matters including recruitment and remuneration strategy and reward frameworks. Compliance with regulatory obligations and expectations on senior management conduct is a key element of those frameworks.

Remuneration committee report is page 62 while the overall disclosure is done in note 10 – page 89.

STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

We are very conscious of the role we play in the lives of our customers and colleagues and in the communities in which we live and work and are determined to be the best citizen we can be. Our relationships with our key stakeholders are critical to our continued, sustainable success, and those relationships are major considerations when decisions are made by the Executive Committee and The Very Group Board.

OUR COLLEAGUES

Our continued focus on colleague engagement is measured through our periodic colleague engagement survey. The results are reviewed at every level of the organisation to inform plans to further enhance colleague engagement. We are committed to equality and diversity in the business and produce an annual Gender Pay Report and associated plans, and have a series of initiatives promoting diversity in the business.

We engage fully and openly with colleagues and their representatives through channels such as consultative committees, joint working parties, briefing groups and collective bargaining agreements with the USDAW and SATA trade unions. Colleagues are regularly updated on corporate and individual business unit objectives, trading performance and market conditions through a variety of communication media, including our regular head office "balcony briefings", which have been communicated to all colleagues remotely during this financial year, as well as other presentations and video updates.

Whistleblowing procedures are in place, managed by the People function and issues are escalated to the Audit and Risk Committee (which is chaired by a Non-Executive Director) as appropriate. These include an independent whistleblowing line and regular colleague training and awareness which encourages people to safely highlight any concerns they may have. Internal Audit also monitor the whistleblowing line to provide secondary, independent oversight.

OUR SUPPLIERS

We work with a large range of suppliers – from global technology companies to local businesses.

We understand that our ongoing success depends on our suppliers being able to operate efficiently and effectively. Supplier relationship management is therefore a key discipline across the business, and we work collaboratively with our key suppliers to ensure the best outcomes for our customers and colleagues.

OUR WIDER STAKEHOLDERS

RAISING FUNDS FOR CHARITY

Within our communities we have chosen charities to support at a corporate level. Our current charity partner is Coram Beanstalk, a national reading charity, which recruits and trains volunteers to provide reading support in primary schools. We plan to raise £600,000 through colleague activities and events, and this money will be used to give 40,000 children one-to-one reading support. In addition, we help colleagues with their own individual charitable fundraising efforts through our matched funding portal, payroll giving and online fundraising platforms.

BEING RESPONSIBLE

As a business we are determined to be responsible, adhering to strong ethical and environmental standards. We invest in corporate social responsibility to keep it at the heart of our business and we're committed to promoting diversity, sourcing responsibly and helping communities thrive. We accept our responsibility to be transparent and resolve problems. We regularly review our business practices and collaborate with others to protect the rights of workers, particularly those who are most vulnerable to exploitation. Our approach to sustainability encompasses all our operations and focuses on our communities, the planet, our people and our customers.

Our Sustainability report on page 24 provides more detail around our commitments and actions towards our colleagues, supply chain and the environment in which we live and work.

In FY21 we took the decision to develop a dedicated E&S Board, comprising senior leaders from across the business and chaired by Non-Executive Director, Jacqui Humphries. The Board has two main objectives: to ensure the clarity of vision and strategic direction of sustainability and to hold the business to account for its actions and outcomes against the sustainability strategy. Alongside this the Board plays a crucial role in reviewing emerging ESG risks and opportunities, to ensure the business includes these within its principal risk review and that effective responses are in place. Critically, our E&S Board shares members with our Company Board, with which it works closely to ensure sustainability remains at the top of our agenda and is integrated into key business decisions.

Our corporate website, theverygroup.com, contains information and reports on the Group for media, investors, suppliers, colleagues and prospective colleagues and other stakeholders.

We work closely with government bodies such as HMRC and have a tax strategy which is available on our corporate website.

Our communication with our shareholders is described in the "Board and Executive Committee" section above.

We liaise extensively with our bondholders and other financing partners, including via quarterly calls with our collective bondholders, and via a communication programme managed by our Investor Relations function. We also engage with the trustees and advisors of the pension schemes on an ongoing basis.

We are active participants in industry bodies across the retail and financial services sectors, including the British Retail Consortium and the Finance and Leasing Association. We also engage actively with government and regulators on industry matters, including regulatory change, both as a Group and as a proactive contributor to industry responses.

APPROVAL OF THE CORPORATE GOVERNANCE REPORT

Approved by the Board on 15 October 2021 and signed on its behalf by:

DAVID KERSHAW
Director

GOVERNANCE

AUDIT AND RISK COMMITTEE REPORT

CHAIRMAN'S INTRODUCTION

On behalf of the Board, I am pleased to present the Audit and Risk Committee's report for the year ended 3 July 2021. This report explains the Committee's role and its work during the year.

The financial year has been an extraordinary year for the entire world with many previously uncharted challenges having to be faced. For The Very Group these challenges impacted the Group's customers, suppliers and colleagues. Customers moved decisively, and in my view, irreversibly towards online retailing with the Group's model being an ideal partner. The Group's multi-category model base had to be more fleet of foot than ever to meet the shifting customer needs particularly toward electrical and home products, and The Very Group's colleagues had to learn to work from home while still acting together as a single team. The fact that The Very Group produced record-breaking profits is testament to how well the Company and its support base adapted and more importantly to the key role the Company plays in so many of our customers' lives.

The Audit and Risk Committee has also necessarily evolved during this time. The Committee's role in assessing the fairness and accuracy of the quarterly accounts published on the Company website remained undiminished but naturally looked in even greater depth at key financial risks, in particular, liquidity and going concern. What was evidenced, and was clearly necessary, in the early part of the pandemic, was the professionalism of the executive team to act with speed and courage to ensure any financial risks were mitigated. The Committee also requested a full review of the Company's governance capabilities as an Other Entity of Public Interest which was conducted by PwC. The review assisted in identifying the key business risks through the formal creation of a business-wide risk framework owned by the Executive Team but monitored by an independent risk team. The third line of defence for the organisation is the effectiveness of the Internal Audit team.

An external quality assessment (EQA) was undertaken by a specialist firm to identify whether any improvements were required. Overall, the function was held to be effective and continues to meet its aims.

I would like to thank the management team at The Very Group and all of my fellow Committee members for their valuable contribution during this unique year.

MARK MCMENEMY
Chairman of the Audit and Risk Committee
15 October 2021

MEMBERSHIP AND MEETINGS

During the year the Committee comprised the following Non-Executive Directors:

Mark McMenemy (Chair)
Jacqui Humphries
David Kershaw
Graham Singleton
Stuart Winton

The Company operates a Group Audit and Risk Committee and also operates Audit Committees in its regulated subsidiaries (SDFC and Shop Direct Ireland). Any significant matters arising in the regulated subsidiaries are also covered in the Group Audit and Risk Committee. The Group Audit and Risk Committee held four meetings during the year. The attendance details are set out below:

Member	Attendance
Mark McMenemy	4/4
Jacqui Humphries	4/4
David Kershaw	3/4
Graham Singleton	3/3*
Stuart Winton	4/4

* Graham Singleton resigned from The Very Group on 30 April 2021 and his attendance is based on the number of meetings he was required to attend during this time.

The Committee has a wide range of experience and skills which provides the required knowledge and ability to work as an effective committee and to robustly challenge the Board and senior management as and when appropriate. The Audit and Risk Committee Chairman is an accountant and former Chief Financial Officer of this and other businesses and has relevant financial experience. The overall Committee also continues to have skills and experience deemed relevant to the sector within which The Very Group operates.

COMMITTEE ACTIVITIES DURING 2020/21

REVIEW OF ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

The Committee has reviewed and discussed with management and the external auditor, the audited consolidated financial statements within the FY21 Annual Report. The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements.

The Committee is satisfied that the judgements are reasonable, and that suitable accounting policies have been adopted and disclosed in the accounts.

The following areas were all discussed and addressed with our external auditor throughout the external audit process. The issues are deemed significant in relation to the financial statements:

MATTER CONSIDERED	BACKGROUND AND DETAILS
1. VALUATION OF DOUGLAS GOODWILL	The carrying value of the Douglas goodwill is £97.0m. Management have prepared a paper outlining their assessment that the goodwill is not impaired at the Balance Sheet date. Having reviewed management's paper and the results for the external audit, the Committee concluded that the goodwill was supportable based on predicted future cash flows and that the assumptions around future cash flows and discount factors were reasonable.
2. CARRYING VALUE OF ASSETS	The Committee reviewed management's papers on asset impairment with a focus on tangible and intangible assets with a significant carrying value. After challenge, the Committee concluded that management's assessment of the carrying value of the assets remained appropriate and that no impairment should be charged.
3. GOING CONCERN	The Committee reviewed management's paper, scenario modelling and disclosures regarding going concern. It is noted that post year end, the Group completed its refinancing plan to secure continued liquidity. Based on their review, including liquidity forecasting, the Committee was satisfied that it was appropriate to produce the accounts on a going concern basis.
4. REGULATORY PROVISION	The regulatory provision balance as at 3 July 2021 was £11.1m, (2020: £101.1m). The Committee reviewed a paper from management setting out the judgements made in respect of the remaining provision which is substantially reduced from the prior year end. The Committee also considered the results of the external auditor's work on provisions. The Committee concluded that the methodology for calculating the regulatory provision was balanced and appropriate.
5. REVENUE RECOGNITION	The Committee assessed management's analysis of revenue recognition under IFRS15, in particular the valuation of the early settlement accrual, and concluded that revenue has been properly recorded in the period in accordance with accounting standards.
6. EXPECTED CREDIT LOSS MODEL ADJUSTMENT IN RELATION TO COVID-19	Significant judgements are made around the provisioning of potential credit risk of customers, including the continuing impacts of Covid-19. The net expected credit loss provision is £228.8m at 3 July 2021. Based on detailed reports and thorough discussions with management and the external auditor, the Committee reviewed and assessed the basis and level of provisions under IFRS 9 "Financial instruments" standard methodology including the impact of Covid-19, which results in specific overlays to the underlying predictive model. The Committee is satisfied that the judgements made were reasonable and appropriate.
7. CLASSIFICATION OF EXCEPTIONAL COSTS	The exceptional costs incurred in the year to 3 July 2021 were £41.3m, (2020: 42.6m). Management have prepared a paper outlining their assessment as to the nature of these costs and the rationale for them being presented separately as exceptional. Having reviewed management's paper including supporting rationale, the Committee concluded that the treatment of these costs is appropriate. The Committee will keep the classification of exceptional costs under review.

GOVERNANCE

AUDIT AND RISK COMMITTEE REPORT
continued

During the year, the Committee held four scheduled meetings. By invitation, this year's meetings were attended by external auditors, internal auditors including co-source partners PwC, and senior management as appropriate including the Chief Financial Officer.

ROLE OF THE COMMITTEE

The Audit and Risk Committee is responsible for ensuring the financial performance of the Group is properly prepared, reviewed and reported. Our role also includes the maintenance of comprehensive internal control and risk management systems to safeguard shareholder interests. The committee focuses on monitoring and/or reviewing:

- The integrity and fairness of financial statements and narrative announcements and reporting.
- The Very Group's systems of risk management and related controls and compliance.
- The activities of the internal audit function, including review of findings and implementation of these findings.
- The effectiveness, scope, objectivity and independence of the external auditor and the appropriateness of the relationship with the external auditor, including use on non-audit work.
- The effectiveness and robustness of whistleblowing arrangements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board retains overall responsibility for the Group's approach to risk management. The Committee is charged with reviewing the overall effectiveness of risk management within the business on a regular basis, and at least annually. During the year the Committee sought external advice from PWC on the current methodology to not only risk management but governance more generally. This has led to a strengthening of the risk management framework, its oversight and the associated controls and mitigating factors.

Further details regarding the risk framework and approach to risk management, together with details of The Very Group's principal risks and risk assessment can be found on pages 44 to 51.

INTERNAL AUDIT

The Internal Audit function is led by the Group Head of Internal Audit and the resource model is made up of an internal team supplemented by co-source partners (PwC).

During the current financial year, the Audit and Risk Committee reviewed and approved the annual internal audit plan and any subsequent material changes to the plan. The Committee ensured that the audit plan and related changes were aligned to the significant risks of the business. In FY22, the internal audit function is planning to move from an annual to quarterly updated internal audit plan.

During the year the Internal Audit function performed audits across key risk areas of the business including: Very Pay regulation; Technology; Cyber Security; Financial Controls and Retail.

The Committee also commissioned an External Quality Assessment (EQA) of the Internal Audit function in line with internal audit good practice. The EQA concluded that theinternal audit function complies with UK internal audit good practice and is fit for purpose. Some improvement opportunities were identified and are being progressed by the Internal Audit function and oversighted by the Group Audit and Risk Committee. The Group Audit and Risk Committee also regularly review the adequacy of resource requirements in the Internal Audit function.

During the year, the Head of Internal Audit had direct access to all Committee members. Both the Head of Internal Audit and senior members of the PwC internal audit team attended Audit and Risk Committee meetings during the year and provided their reports and communicated findings and updates on actions to the Committee. The Head of Internal audit holds monthly meetings with the Audit and Risk Committee Chairman to discuss internal audit matters.

There were no restrictions placed on the scope of work to be carried out by the Internal Audit function or its ability to report to the Committee.

The Committee is satisfied that the Internal Audit function has continued to perform effectively during the year.

EXTERNAL AUDITOR

The Audit and Risk Committee is responsible for recommending to the Board the re-appointment and remuneration of the external auditor. The reappointment of Deloitte was approved by the Audit and Risk Committee during the year. When considering whether to recommend the reappointment of the external auditor, the Committee considers a range of aspects, including the effectiveness of the external audit and the ongoing external auditor independence.

AUDITOR INDEPENDENCE

Deloitte conducted its first audit of The Very Group's financial statements in 2012, following a competitive tender process. Rachel Argyle, the Lead Audit Partner, has held her position since 2018. Due to the length of Rachel's involvement, this will be her final annual audit cycle and a successor Lead Audit Partner has been identified.

The Committee has and will continue to assess the independence, tenure, and quality of the external auditor at least once a year, in addition to requiring both verbal and written confirmation of the auditor's independence. Deloitte has confirmed that there are no relationships between themselves and the Group that could have a bearing on their independence.

NON-AUDIT SERVICES

The Board maintains a policy regarding the provision of non-audit services by the external auditor to ensure continued objectivity and independence of the external auditor. Further, the Audit and Risk Committee adopts a cap on the level of fees to be spent with the incumbent audit firm on non-audit services and all non-audit services require approval by the Audit and Risk Committee. The Group's external auditor is prohibited from providing any services that could compromise their objectivity or independence or which would conflict with their statutory responsibilities.

During the year, Deloitte's audit fee amounted to £0.7m and its non-audit fees were £0.4m in total. Further details are provided in note 11 to the financial statements. The non-audit services during the current year were the review of the Group's quarterly reporting in relation to the bond refinancing. Deloitte were selected for these services as they would normally be undertaken by the external auditor.

EFFECTIVENESS AND REAPPOINTMENT

The Committee has responsibility to evaluate the effectiveness of the external auditors. During the year, Deloitte's terms of engagement, scope of work and the process for the quarterly reviews and annual audit were approved and monitored against those terms. The challenges raised by Deloitte over management's assumptions in key areas of judgement and the number and nature of the accounting and control observations raised by Deloitte have had suitably robust debate. These debates not only provide a level of clarity and comfort for the FY21 Report and Accounts but provide guidance to aid the focus of the Committee going forward.

The Audit and Risk Committee Chairman was in regular contact with the external audit partner during the year to discuss, amongst other things, progress of the audit including any emerging issues and the level of errors identified during the audit.

We have reviewed feedback from the parties involved in the external audit process. Overall, the Committee has concluded that Deloitte have maintained robust challenge and scepticism throughout the audit process and that the audit was conducted effectively.

Having reviewed the auditor's independence and the effectiveness of its audit, the Committee is satisfied that Deloitte should be reappointed as external auditor for the 2021/22 financial year.

WHISTLEBLOWING

The Company's whistleblowing procedures ensure that all stakeholders can raise concerns about possible improprieties confidentially. Concerns can be raised by telephone or online to an independently provided service.

During the year, the Committee strengthened the whistleblowing policy and procedures. The Committee received regular updates and can confirm that no material concerns have been raised during the year.

GOVERNANCE

REMUNERATION COMMITTEE REPORT

ANNUAL STATEMENT

As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present our report on directors' remuneration for 2020/21, which is in line with the Company's approved Remuneration Policy. We have divided the Report into two distinct sections: the Annual Statement and the Remuneration Policy.

The Committee's primary responsibility is to review executive pay in the context of Company results, the broader competitive market and economic environment, as well as having regard to pay throughout the business. It remains committed to the Company's pay philosophies; market-based salaries and bonuses or incentives linked to Company performance and individuals' behaviours.

Our view is that our remuneration policy effectively rewards and aligns our Executive Directors across the short and longer term objectives of the business. The Committee has closely aligned the approved Remuneration Policy with the Group's strategic aims to achieve value creation for our stakeholders in the long term.

This Remuneration Committee report, along with the disclosures in note 10 to the financial statements, fulfil the requirements under the Companies Act 2006 in relation to Directors' Remuneration for a Privately-owned Group.

SUMMARY OF THE COMMITTEE

The members of the Remuneration Committee during the year are:

- Jacqui Humphries (Chair)
- Mark McMenemy
- Sarah Willett
- Henry Birch
- Stuart Winton

The Remuneration Committee held two meetings during the year, both of which met the quorum required as set out the Committees Terms of Reference.

The Committee has satisfied its responsibilities throughout the year by:

- Responding to the impacts of the Covid-19 pandemic through determining any necessary remuneration adjustments to enable the business to adjust to the unprecedented market conditions.
- Reviewing and approving Executive Directors' remuneration structures including bonus and related bonus measures.
- Approving Executive Directors' bonuses earned during the 2020/21 year and awarded this year.

KEY REMUNERATION DECISIONS TAKEN DURING 2020/21

The Committee addressed several matters during the year. The matters which relate to director remuneration are outlined further below. All remuneration decisions were made with thorough consideration of the Covid-19 pandemic:

Salary	All executive and Non-Executive Directors had originally waived 20% of their salaries and fees from April 2020 to May 2020 as an immediate response to the Covid-19 pandemic. The Remuneration Committee later determined that a return to full salaries and fees was justified, once the initial impact of the pandemic had become clearer. The Committee approved the repayment of the salaries foregone, and these were paid in November 2020. The Committee considered various factors, including the improvements in KPIs, when making this decision. The company's annual salary review date moving from October to April was reviewed by the Committee, as well as the construct of the distribution of annual pay awards to all colleagues and Executive Directors.
Annual bonus	The annual bonus for executive directors was reviewed and approved by the Committee for the 2020/21 financial year.
Executive incentives	The revised scheme rules were reviewed and approved for the 2020/21 financial year.

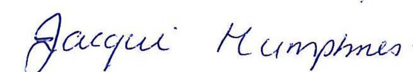
ANNUAL BASE SALARY REVIEW FOR 2021/22

The Committee reviewed and set the remuneration for the Executive Directors' group leadership team. The executives received base salary increases in April 2021, in line with the wider Company award.

OTHER ACTIVITY DURING 2020/21

The Committee were active across a number of other key areas:

- The annual Gender Pay Report and the company's action plan to close the pay gap through creating an ever more inclusive culture, across every element of the colleague experience.
- The key operations of the business and ensuring the ability to attract and retain the best talent in our world-class distribution centre, Skygate. The Committee approved key market rate changes which were welcomed by our union, USDAW and colleagues.
- Evaluating the Executive Directors' performance and succession plans, ensuring sufficient plans in place to continue the smooth running of the business.
- Assessing the annual bonus and incentive designs to ensure they continue to reward performance aligned to the Company's KPIs.



JACQUI HUMPHRIES
Chair of the Remuneration Committee
15 October 2021

REMUNERATION POLICY

Our Remuneration Policy is formulated to attract and retain outstanding leaders and colleagues and to incentivise all to deliver the Group's strategy in the short, medium, and long-term. The Committee continues to regularly review the principles of the Policy. The Policy of the Group is based on the following principles:

- The total remuneration is competitive and attracts, motivates, and retains high calibre colleagues and leaders.
- Executives and their teams can earn performance related bonuses by meeting demanding performance standards aligned with the Group's key financial objectives.
- All colleagues are provided for their futures through the Company's pension schemes.
- The Committee will structure incentive plans, performance measures and targets to operate soundly throughout the business cycle.
- In considering the market positioning of the remuneration, the Committee will consider the financial performance of the Group and the individual performance of the Executive Director.

When the Remuneration Committee determines the structure and level of remuneration, it considers and benchmarks against market rates. It also considers results from external professional salary surveys. No Director was involved in determining the structure and level of their own remuneration.

NON-EXECUTIVE DIRECTORS

The Chair and the other Non-Executive Directors' remuneration is composed of fees, travel allowance and discretionary bonus. The Non-Executive Directors are not involved in any decisions about their own remuneration.

GOVERNANCE

DIRECTORS' REPORT

for the 53 Week Period Ended 3 July 2021

The directors present their annual report and the consolidated financial statements of The Very Group Limited ("the Company") and its subsidiaries ("the Group") for the year ended 3 July 2021.

MATTERS DISCLOSED IN THE STRATEGIC REPORT

The following items which are required under s416 of the Companies Act 2006 have been disclosed in the Strategic report:

- Future developments (included within the financial review on pages 30 to 35)
- Engagement with suppliers, customers and others (included within Section 172 on pages 40 to 43, and in the Governance report on pages 55 to 57)
- Energy and Carbon reporting (included on pages 52 to 54)
- Risk management and principal risks (included on pages 44 to 49)

DIRECTORS OF THE GROUP

The directors, who held office during the period and to the date of this report, were as follows:

A S Barclay
H M Barclay
H B Birch
B P Fletcher (appointed 1 September 2020)
D W Kershaw
P L Peters
S A Winton
J T Humphries
M McMenemy

DIVIDENDS

The Directors do not recommend the payment of a final dividend (2020: £nil).

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, considering the application on its merit and the knowledge, experiences and skills of the applicant concerned. In the event that a colleague's ability to complete day-to-day activities is impaired by a disability every effort is made to ensure that their employment with the Company continues through reasonable adjustments and appropriate training. It is the policy of the Company that the training, career development and promotion of a person with a disability should, as far as is practically possible, be identical to that of other employees.

EMPLOYEE INVOLVEMENT

There is a commitment to employee engagement geared towards business improvement and which incorporates a full and open dialogue with employees and their representatives. This encourages an active contribution from employees to achieving stated business objectives, The Company has well-established negotiation and consultation mechanisms with employees and their representatives including consultative committees, joint working parties and briefing groups. The Company recognises and has collective bargaining agreements with USDAW and SATA trade unions. Employees and their representatives are regularly informed of corporate and individual business unit objectives, trading performance, economic conditions and other relevant matters. Employees are also represented on the various trustee Boards relating to pension arrangements.

BUSINESS REVIEW

The directors are required by company law to set out a fair review of the business, its position at the period end, future developments and a description of the principal risks and uncertainties facing the Group. The strategic report is on pages 1 to 54 and includes the Group Chief Executive's review on pages 8 to 11 The principal risks are considered on pages 44 to 49.

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 its financial position including cash flows, liquidity position and borrowing facilities. Further detail is set out in the financial review on page 30 .

ELECTIVE RESOLUTIONS

The Group has passed elective resolutions to dispense with the holding of annual general meetings and for the laying of the Annual Report and financial statements before the Company in general meetings, until such time as the elections are revoked.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

REAPPOINTMENT OF AUDITORS

Deloitte LLP have indicated their willingness to continue in office. Appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board on 15 October 2021 and signed on its behalf by:

D W KERSHAW
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as agoing concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE VERY GROUP LIMITED

(formerly Shop Direct Limited)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- the financial statements of The Very Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 3 July 2021 and of the group's profit for the 53 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 45.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the Group's new financing arrangements which are disclosed as a post balance sheet event in note 34 to the financial statements;
- an assessment of management's cash flow forecast for a period of fourteen months from the date of approval of the financial statements and the key assumptions which support these forecasts, including growth in occupancy rates over the assessment period;
- an assessment of management's historical forecasting accuracy; and
- a review of management's reverse stress testing and independent sensitivity analysis to determine whether any material uncertainty exists.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report , other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included regulations issued by the Financial Conduct Authority in the UK.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, pensions, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

GOVERNANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE VERY GROUP LIMITED (formerly Shop Direct Limited) continued

As a result of performing the above, we identified the greatest potential for fraud in the following areas:

- Valuation of goodwill in relation to the Douglas business;
- Post model adjustments made to the IFRS 9 provision relating to the impact of Covid-19;
- Revenue recognition of buy now pay later interest;
- Regulatory provisions over compensation due to misselling of PPI; and
- Ability to perpetrate fraud through journal postings.

Our specific procedures performed to address to address the valuation of goodwill in relation to the Douglas business are described below:

- Evaluated the design and implementation of the key controls over the approval of the assumptions made in the value in use calculation used to estimate recoverable value;
- We have challenged the key assumptions in the model which we had the greatest impact on the value in use calculation and therefore represented the greatest risk of fraud. Specifically the growth attributable to changes in business model, the increase in earned premiums due to changes in conversion rates and extension rates, and changes in future claims rates;
- We engaged our internal valuation specialists to develop independent estimates of the pre-tax discount rates by benchmarking against other entities in the same industry;
- Audited the inputs into the valuation model prepared by management; and
- Assessed the appropriateness of disclosures included in note 3 and 14 in the financial statements.

Our specific procedures performed to address to address post model adjustments made to the IFRS 9 provision are described below:

- Evaluated the design and implementation of the key controls over the approval of post model adjustments made to the IFRS 9 provision;
- Validated the accuracy of management's post model adjustments with reference to supporting calculations;
- Engaged our credit risk specialists to assist in the review and challenge of management's post model adjustments;
- Challenged the completeness of the overlay adjustments through a review of industry updates and analysis of Key Performance Indicators;
- Considered the Shop Direct Finance Company strategic review results to assess changes to risk appetite (if any) and product mix in light of Covid-19 and how these may impact the impairment assessment; and
- Assessed the appropriateness of the forward looking macro-economic scenarios and the model's calibration to these inputs.

Our specific procedures performed to address the recognition of Buy Now Pay Later interest revenue are described below:

- Assessed the design and implementation of the key control in place around the measurement of the early settlement accrual, including assessing the completeness and accuracy of the data used;
- Reviewed and challenged management's estimate of the early settlement accrual, including assessment of how any changes in customer behaviour have been incorporated into the estimate;
- Compared the assumed early settlement rate with settlement activity post balance sheet up to the date of submission of this report;
- Performed a recalculation of interest earned on embedded products using management data; and
- Tested the accuracy of key models via spreadsheet and system interrogation techniques.

Our specific procedures performed to address the regulatory provision over payment protection insurance ("PPI") are described below:

- Assessed the design and implementation of the key control in place around the accuracy of the PPI provision calculation;
- Reviewed and challenged management's judgement paper prepared around the accuracy of the PPI provision; and
- Performed substantive tests of detail over the completeness and accuracy of volumes of claims received into the business to check the accuracy of the response rates assumed in the provision calculation.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC and the Financial Conduct Authority of the United Kingdom.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RACHEL ARGYLE
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom

15 October 2021

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the 53 Week Period Ended 3 July 2021

		53 week period ended 3 July 2021			52 week period ended 27 June 2020		
	Note	**Pre-exceptional items £m**	**Exceptional items(Note 6) £m**	**Total £m**	Pre-exceptional items £m	Exceptional items(Note 6) £m	Total £m
Continuing operations							
Sale of Goods		**1,957.5**	**–**	**1,957.5**	1,657.4	–	1,657.4
Rendering of Services		**359.6**	**–**	**359.6**	393.3	–	393.3
Total Revenue	4,5	**2,317.1**	**–**	**2,317.1**	2,050.7	–	2,050.7
Cost of sales		**(1,470.9)**	**–**	**(1,470.9)**	(1,302.8)	–	(1,302.8)
Gross profit		**846.2**	**–**	**846.2**	747.9	–	747.9
Distribution costs		**(241.6)**	**(8.4)**	**(250.0)**	(227.3)	(20.9)	(248.2)
Administrative costs		**(376.5)**	**(32.9)**	**(409.4)**	(319.0)	(17.5)	(336.5)
Other operating income		**1.8**	**–**	**1.8**	2.2	–	2.2
Operating profit	7	**229.9**	**(41.3)**	**188.6**	203.8	(38.4)	165.4
Finance income	8	**0.2**	**–**	**0.2**	0.1	–	0.1
Finance costs	8	**(107.1)**	**–**	**(107.1)**	(112.9)	(4.2)	(117.1)
Profit before tax		**123.0**	**(41.3)**	**81.7**	91.0	(42.6)	48.4
Tax credit	12	**20.2**	**7.4**	**27.6**	13.0	8.1	21.1
Profit for the year		**143.2**	**(33.9)**	**109.3**	104.0	(34.5)	69.5
Profit attributable to equity holders of the Group		**143.2**	**(33.9)**	**109.3**	104.0	(34.5)	69.5

The above results were derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 53 Week Period Ended 3 July 2021

	Note	**53 week period ended 3 July 2021 £m**	52 week period ended 27 June 2020 £m
Profit for the period		**109.3**	69.5
Items that will not be reclassified subsequently to profit or loss			
Remeasurement on retirement benefit obligations before tax	24	**50.4**	(21.7)
Income tax effect	12	**(8.7)**	1.4
Other comprehensive income/(expense) for the period for items that will not be reclassified subsequently to profit or loss		**41.7**	(20.3)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation losses		**(1.6)**	(0.1)
Other comprehensive income/(expense) for the year		**40.1**	(20.4)
Total comprehensive income attributable to:			
Owners of the company		**149.4**	49.1

The notes on pages 75 to 116 form an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 3 July 2021

(Registration number: 04730752)

	Note	3 July 2021 £ m	27 June 2020 £ m
Assets			
Non-current assets			
Goodwill	14	**202.5**	202.5
Intangible assets	15	**246.8**	238.0
Property, plant and equipment	13	**25.7**	9.1
Right-of-use assets	16	**164.1**	146.2
Deferred tax assets	12	**194.2**	173.2
		833.3	769.0
Current assets			
Inventories	18	**102.2**	65.4
Trade and other receivables	19	**2,075.5**	2,072.7
Income tax asset		**1.5**	0.3
Cash at bank	20	**78.1**	206.4
Derivative financial instruments	17	**–**	2.5
		2,257.3	2,347.3
Total assets		**3,090.6**	3,116.3
Equity			
Share capital	22	**(200.0)**	(200.0)
Accumulated (profit)/deficit		**(10.0)**	139.4
Equity attributable to owners of the company		**(210.0)**	(60.6)
Non-current liabilities			
Loans and borrowings	23	**(550.0)**	(550.0)
Securitisation facility	23	**(1,389.2)**	(1,385.4)
Retirement benefit obligations	24	**(1.6)**	(59.5)
Deferred income	27	**(26.4)**	(30.7)
Lease liabilities	31	**(166.7)**	(151.3)
Provisions	25	**–**	(0.6)
		(2,133.9)	(2,177.5)
Current liabilities			
Trade and other payables	26	**(566.1)**	(533.1)
Loans and borrowings	23	**(90.0)**	(150.0)
Derivative financial instruments	17	**(0.6)**	–
Retirement benefit obligations	24	**(8.7)**	–
Lease liabilities	31	**(11.6)**	(14.3)
Deferred income	27	**(48.6)**	(55.6)
Provisions	25	**(21.1)**	(125.2)
		(746.7)	(878.2)
Total liabilities		**(2,880.6)**	(3,055.7)
Total equity and liabilities		**(3,090.6)**	(3,116.3)

The financial statements of The Very Group Limited, registered number 04730752, have been approved by the Board and authorised for issue on 15 October 2021 and signed on its behalf by:

D W KERSHAW
Director

The notes on pages 75 to 116 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 53 Week Period Ended 3 July 2021

	Share capital £ m	Accumulated (deficit)/profit £ m	Total £ m
At 30 June 2019	100.0	(188.5)	(88.5)
Issue of share capital	100.0	–	100.0
Profit for the period	–	69.5	69.5
Other comprehensive expense	–	(20.4)	(20.4)
Total comprehensive income	–	49.1	49.1
At 27 June 2020	200.0	(139.4)	60.6

	Share capital £ m	**Accumulated (deficit)/profit £ m**	**Total £ m**
At 28 June 2020	**200.0**	**(139.4)**	**60.6**
Profit for the period	**–**	**109.3**	**109.3**
Other comprehensive income	**–**	**40.1**	**40.1**
Total comprehensive income	**–**	**149.4**	**149.4**
At 3 July 2021	**200.0**	**10.0**	**210.0**

The notes on pages 75 to 116 form an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 53 Week Period Ended 3 July 2021

	2021 £m	2020 £m
Cash flows from operating activities		
Profit for the period	**109.3**	69.5
Adjustments for:		
Depreciation	**15.6**	13.4
Amortisation	**54.8**	46.2
Financial instrument net losses through profit and loss	**3.1**	2.3
Impairment of assets	**–**	5.7
Finance income	**(0.2)**	(0.1)
Finance costs	**106.3**	115.6
Income tax credit	**(27.6)**	(21.1)
Decrease in provisions	**(104.6)**	(71.8)
Adjustments for pensions	**1.1**	(16.0)
Operating cash flows before movements in working capital	**157.8**	143.7
(Increase)/decrease in inventories	**(36.8)**	28.8
(Increase)/decrease in trade and other receivables	**(1.0)**	26.5
Increase/(decrease) in trade and other payables	**19.0**	23.8
Cash generated by operations	**139.0**	222.8
Income taxes paid	**(3.0)**	(0.4)
Interest paid	**(103.2)**	(107.4)
Net cash inflows from operating activities	**32.8**	115.0
Cash flows from investing activities		
Interest received	**0.2**	0.1
Acquisitions of property plant and equipment	**(18.6)**	(1.0)
Acquisitions of intangible assets	**(67.9)**	(73.1)
Net cash outflows from investing activities	**(86.3)**	(74.0)
Cash flows from financing activities		
Issue of share capital	**–**	100.0
Payments of lease liabilities	**(18.6)**	(9.6)
Proceeds from securitisation facility drawdowns	**3.8**	12.8
(Repayments of)/Proceeds from secured revolving credit facility	**(60.0)**	55.0
Net cash (outflows)/inflows from financing activities	**(74.8)**	158.2
Net (decrease)/increase in cash and cash equivalents	**(128.3)**	199.2
Net cash and cash equivalents at 3 July 2021 (note 20)	**206.4**	7.2
Net cash and cash equivalents at 27 June 2020 (note 20)	**78.1**	206.4

The notes on pages 75 to 116 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the 53 Week Period Ended 3 July 2021

1 GENERAL INFORMATION

The Very Group Limited is a private company limited by share capital incorporated, registered 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 is the UK's largest integrated pureplay digital retailer and flexible payments business, providing a multi-category range of famous brands, market-leading ecommerce and technology capabilities, and unique financial services products offering flexible ways to pay.

2 ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Very Group Limited (the "Group") financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 101.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the current and prior periods.

BASIS OF PREPARATION

The statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The financial statements are drawn up to the Saturday nearest to 30 June, or to 30 June where this falls on a Saturday. The current financial year relates to the 53 week period ended Saturday 3 July 2021 (2020: 52 week period ended Saturday 27 June 2020).

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out herein.

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 14 months from the date of signing the financial statements. These have been considered in conjunction with the current economic climate, including the continuing impacts of the Covid-19 pandemic.

As a result of the Covid-19 pandemic, the Group experienced the following during the current financial year:

- A shift in sales out of fashion and into the likes of electrical and home categories;
- Strong trading throughout the lockdown periods;
- In line with other companies, and per FCA guidance the Group granted customers adversely impacted by Covid-19 the ability to take a three-month payment freeze. At its peak use 2% of customer accounts were utilising this facility. Despite this, customer payment rates since the onset of Covid-19 have been and remain at historically high levels.

The Group continued to trade effectively throughout each lockdown period with the online store remaining open throughout and adjustments implemented such as office-based colleagues working from home. Actions taken by the Group included cost reduction, tight management of capital spend and inventory management. The multi-category offering has provided resilience against movements in individual product categories and there has been an increase in customer account applications, including credit accounts. Due to the strong trading performance during the lockdown period the Group opted not to draw on the Government's Coronavirus Job Retention Scheme. Despite its significant negative economic and social impact, Covid-19 has accelerated online retail growth and increased consumers' appetite for flexible ways to pay, as well as led more brands to look for new online sales and distribution channels. The Group is well placed to capitalise on these trends and the unique opportunities we have as a business in the years to come.

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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

2 ACCOUNTING POLICIES (continued)

GOING CONCERN (continued)

Following the work undertaken by the Group, the Directors are confident that the Group has sufficient liquidity for the next 14 months, and they are confident the Group will continue to satisfy its covenant requirements. Forecasts have been stress tested with sensitivities around reductions in revenue, deterioration in customer payments and increased write offs of trade receivables. Significant positive headroom remains under each of the scenarios. Reverse stress testing has also been applied to the forecasts which represent a significant deterioration in the key assumptions from the base case forecasts. The reverse stress test scenarios are considered to be remote. Trading to date remains significantly better than the Group stress test scenario.

After the balance sheet date of 3 July 2021, the Group successfully refinanced its £550m 7.75% bonds with £575m of new listed bonds, which carry a lower coupon rate of 6.5% to aid cash flow. Further, the principal repayment is now due August 2026 rather than November 2022. Overall the refinancing has led to a net cash inflow (after deal fees) of £19m. Further, the revolving credit facility of £150m was renewed and now expires in November 2025.

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

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries). Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

NEW AND REVISED STANDARDS AND INTERPRETATIONS EFFECTIVE

The Group has applied the following standards, interpretations and amendments with effect from 28 June 2020:

- Amendments to IFRS 3, Business combinations
- Amendments to IAS 1, Presentation of financial statements, and IAS 8, Accounting policies, changes in accounting estimates and errors
- Amendments to IFRS 9, IAS 39 and IFRS 7
- Amendments to references to the Conceptual framework in IFRS standards

The changes listed above did not result in material changes to the Group's Consolidated Financial Statements.

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.

2 ACCOUNTING POLICIES (continued)

The Interest Rate Benchmark Reform – Phase 2

The Interest Rate Benchmark Reform – Phase 2 was issued in August 2020 and is mandatory for annual reporting periods beginning on or after 1 January 2021. For the Group, the amendments will be applied for the first time in the period to 2 July 2022.

During the period ended 3 July 2021, the Group has begun the process of reviewing the financial instruments which are subject to the new standard. Of the £1,479m IBOR-linked financial liabilities, the Group began to transition its £1,364m securitisation facility to SONIA in February 2021 and the £90m revolving credit facility transitioned to SONIA in July 2021 as part of the Group refinancing. The securitisation facility that transitioned to SONIA had an additional interest cost of 0.033%. No other terms were amended as part of the transition.

The Group has not yet agreed changes to the Irish securitisation facility, but this is expected in 2022.

Financial instrument	Maturing in	Value drawn down as 3 July 2021 £m	Total facility as 3 July 2021	Transition progress
Securitisation facility	December 2023	1,364	£1,585m	The securitisation switched to SONIA based rates for Class B, Class C and 4 out of the 6 Class A banks in February 2021. The remaining elements are expected in 2022.
Irish securitisation facility	December 2029	25	€35.0m	Expected to transition in 2022.
Revolving credit facility	August 2026	90	£150m	Transitioned to SONIA post year end as part of the Group refinancing.
Total		**1,479**		

REVENUE RECOGNITION

Revenue comprises sales of goods to customers outside of the Group, less discounts, and is stated net of value added tax and other sales taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when performance obligations are satisfied and goods are delivered to the customer and the control of goods is transferred to the customer.

A right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover products from the customer are recognised. It is the Group's policy to sell its products to the retail customer with a right to return within 28 days. The Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. Revenue is recognised net of estimated returns. The refund provision on the balance sheet is accounted for on a gross basis under IFRS 15, hence a refund liability and a corresponding asset representing the right to recover products from the customer are recognised. The refund liability due to customers on return of their goods is recognised either as a component of trade payables and other liabilities (for cash payments) or as a deduction from customer receivables (for credit sales). The right of return asset is disclosed in note 18 of the accounts.

Rendering of services revenue principally comprises interest on customers' outstanding balances, commission earned on sales of insurance products and administration fees earned following instances such as late or partial payment by customers.

Interest is recognised by reference to the principal outstanding and the applicable effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the assets' net carrying amount. Interest is presented net of amounts expected to be settled within the interest free period. Interest income is accrued on all receivables using the earned interest rate applied to the loan's carrying value. Revenue is calculated using the effective interest rate on the gross receivables balance for loans in stages 1 and 2.

For loans in stage 3, where interest is still being contractually charged, the calculation is applied to the receivable, net of the allowance for impairment losses, from the start of the next reporting date after the loan entered stage 3. Further detail of the stages of customer receivables is included in the financial instruments accounting policy on page 80.

Insurance premiums are accounted for on an accruals basis and earned evenly over the period of the policy. Administration fees are recognised as revenue as they are charged to the customers' accounts.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

The Group does not trade speculatively in foreign currency; foreign currency is held purely to satisfy payments to suppliers, primarily for goods for resale.

Foreign currency purchases are expressed in Sterling at the exchange rate fixed at the point of purchase (the contract rate). A standard exchange rate, fixed at the beginning of each season, is used in calculating the merchandise margin of goods sold with any resulting profits or losses between standard and contract (actual) rates taken through the income statement over the year to which the usage relates (the "season"). At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

2 ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSACTIONS AND BALANCES (continued)

Exchange gains and losses arising on the retranslation of overseas net assets and results are taken to other comprehensive income.

OPERATING PROFIT

Operating profit is stated after charging exceptional costs but before finance income and finance costs.

TAX

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at historical cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

DEPRECIATION

Depreciation on assets is charged to income and freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2 ACCOUNTING POLICIES (continued)

DEPRECIATION (continued)

Asset class	Depreciation method and rate
Leasehold improvement	2%-10% per annum
Plant and equipment	12.5%-20% per annum
Fixtures and fittings	10%-33% per annum

GOODWILL

Goodwill arises on acquisition where the fair value of the consideration given exceeds the fair value of the Group's interest in the identifiable assets and liabilities acquired. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS ACQUIRED SEPARATELY

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Within intangibles, there are items which have not yet been brought into use. Such assets are accounted for at cost. They are not amortised until the accounting period in which they are brought into use.

AMORTISATION

Amortisation is recognised on a straight-line basis over the estimated useful life of the asset and is recognised within administrative expenses in the Consolidated Income Statement. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Useful economic lives are as follows:

Asset class	Amortisation method and rate
Internally generated software costs	3-7 years
Other internally generated assets	10 years
Acquired brands	5-20 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

2 ACCOUNTING POLICIES (continued)

SECURITISATION

Where the Group securitises its own financial assets, this is achieved through the sale of these assets to a securitisation trust (the 'Trust'), which is financed through the issuance of loan notes to a number of funders. The Trust used to hold the securitised receivables and funds raised by the issued loan notes is not controlled by The Very Group; as such it is not consolidated under IFRS 10 Consolidated Financial Statements. As the Group retains substantially all the risks and rewards of ownership of the trade receivables, the Group continues to recognise the trade receivables and also recognises non-recourse borrowings for the proceeds received.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value and consist of finished goods purchased for resale and consumable stocks for use. Cost is determined using a standard costs method. Where necessary provision is made for obsolete, slow-moving and defective stocks.

SUPPLIER REBATES

The Group enters into marketing and advertising and volume-based rebate arrangements with suppliers. Rebate income is recognised based on the expected entitlement that has been earned up to the balance sheet date. The Group only recognises rebates where there is documented evidence of an agreement with a supplier. Rebates related to inventory held on the balance sheet are deferred within inventory as a cost price reduction. Rebates earned but not collected at the balance sheet date are recognised within trade and other receivables.

BANK BORROWINGS

Financial liabilities, including borrowings, are initially measured at fair value.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Regulatory obligations are recognised based upon the best estimate of amounts required to settle obligations at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

CASH AND CASH EQUIVALENTS

Cash on hand in the balance sheet comprise cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

FINANCIAL INSTRUMENTS

Classification

IFRS 9 Financial Instruments contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

Financial assets are classified at amortised cost if held within a business model where the objective is to hold the asset to collect its contractual cash flows and the contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding principal amount, provided it has not been designated as FVTPL.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2 ACCOUNTING POLICIES (continued)

Classification (continued)

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Recognition and measurement

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade/other receivables'. Trade/other receivables are measured at amortised cost using the effective interest method, less any impairment.

Financial liabilities, including borrowings, are initially measured at fair value. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Impairment

Financial assets are assessed throughout the year for significant increase in credit risk and impairment. The Group recognises loss allowances for expected credit losses (ECLs) on trade receivables. ECLs are a probability weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate (EIR).

The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The Group considers whether financial assets are credit impaired at each reporting date.

The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. See note 19 for further details.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

The Group has one type of financial asset which is subject to the IFRS 9 expected credit loss model, which is trade receivables and contract assets under IFRS 15:

Customer balances are assessed within 3 stages for calculation of expected credit loss:

- Stage 1 – customer balances not demonstrating a significant increase in credit risk since origination;
- Stage 2 – customer balances demonstrating a significant increase in credit risk since origination; and
- Stage 3 – customer balances identified as impaired.

The Group uses underwriting processes which enable it to assess each transaction for approval at the time of sale based on the customer's perceived spending capacity. These processes use statistical models and inputs including spending patterns and payment behaviour. The Group has the right to refuse each transaction at its discretion. Therefore, undrawn components will not be classified as loan commitments and future spending is not in scope for IFRS 9 expected credit losses.

A significant increase in credit risk is defined as follows:

A customer balance is recognised as demonstrating a significant increase in credit risk where there has been a significant increase in the probability of default of that balance since origination.

A significant increase in credit risk is defined as the probability of default of a customer balance having increased by at least 100% against the probability of default calculated at origination; other determining factors are also considered.

A final rule is applied to ensure that a significant increase in credit risk is assessed as having occurred no later than when a customer balance is two scheduled payments past due or greater.

Definition of impairment

Evidence of impairment includes where a customer balance meets forbearance criteria or reaches three scheduled payments past due or greater. Probation periods are retained for accounts moving from Stage 2 to Stage 1, and from Stage 3 to Stage 2.

These periods temporarily prevent an account moving to a lower provision stage to allow further observation and to ensure a short-term improvement in customer arrears status does not lead to an inaccurate view of underlying credit risk.

Customer balances are selected to be written off, and/or potentially sold under third party debt sale agreements, based on consideration of both customer outcomes and commercial criteria. Recoveries are recognised as impairment gains in the income statement.

The provision is calculated on one of the following bases:

- 12-month expected credit losses are defined as the portion of lifetime expected credit losses anticipated from potential default events that occur within the 12 months following the reporting date (discounted exposure at default multiplied by probability of default multiplied by loss given default); and
- Lifetime expected credit losses are defined as all expected credit losses anticipated from all potential default events over the expected life of a financial instrument.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
continued

2 ACCOUNTING POLICIES (continued)

Definition of impairment (continued)

The Group has a loss given default ("LGD") model, which estimates future losses in the event of a customer balance reaching default. The Group's approach to modelling loss given default is based on analysis of historical data and estimates that future cash flows will reflect collections and payments performance over the past three years. The LGD model considers customer payments, debt sale revenue and the reclaim of VAT.

A macroeconomic element is included in the overall calculation of expected credit loss. Multiple economic scenarios are purchased.

The Group calculates its ECL using a statistical model based on probability of default (PD), loss given default (LGD) and exposure at default (EAD):

- PD is an estimate of the likelihood of default over a given time horizon, estimated at a point in time. The calculation is based on statistical models that utilise both market and internal data, based on current conditions adjusted to take into account estimates of future conditions that will impact PD.
- LGD is an estimate of the likely loss in the event of a default. The estimates are based on the Group's history of recovery rates.
- EAD is an estimate of the expected gross carrying amount at a future default date. EAD is based on the current loan amount adjusted for expected repayments of principal, and the impact of missed payments which would be expected for an account in default. At 3 July 2021, the maximum exposure at default is considered by the Group to be the current outstanding balance.

ECL is calculated at an individual loan level as the product of PD, LGD and EAD, discounted at the original effective rate to the reporting date.

A macroeconomic element is included in the overall calculation of expected credit losses.

LEASES

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date which is the date at which the asset is made available for use by the Group.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Where the lease contains a purchase option, the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. Right-of-use assets are subject to impairment testing.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or rate known at the commencement date, payments for a purchase option, payments for an optional renewal period and termination option payments if the Group is reasonably certain to exercise those options. The lease term is the non-cancellable period of the lease adjusted for any renewal or termination options which are reasonably certain to be exercised. Management applied judgement in determining whether it is reasonably certain that a renewal or termination option will be exercised. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest implicit in the lease or where this cannot be readily determined, the lessee's incremental borrowing rate which is assumed to be 7.75%.

After the commencement date, the lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a modification, a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it is reasonably certain to exercise an option within the contract.

The Group has elected to apply the recognition exemptions for short-term and low-value leases and recognises the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets with a cost less than £3,000 comprise certain items of IT equipment, small items of office furniture and vehicle leases.

EXCEPTIONAL ITEMS

Exceptional items relate to certain costs or incomes that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded from the Group's APMs by virtue of their size and/or nature in order to better reflect management's view of the underlying trends, performance and position of the Group.

2 ACCOUNTING POLICIES (continued)

SHARE CAPITAL

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

DIVIDENDS

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

INVESTMENTS

Investments in subsidiary undertakings are included in the Company's balance sheet at cost on acquisition. Where appropriate, provision is made for any impairments.

DEFINED CONTRIBUTION PENSION OBLIGATION

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to contributions.

DEFINED BENEFIT PENSION OBLIGATION

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled.

Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Defined benefit costs are split into three categories:

- current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Group presents the first component of defined benefit costs within administrative expenses (see note 24) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net interest expense or income is recognised within finance costs (see note 8).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

SUPPLIER FINANCING ARRANGEMENTS

The Group has supplier financing schemes as part of its normal course of business. These schemes are based around the principle of reverse factoring whereby the banks purchase from the suppliers approved trade debts owed by the Group. Access to the supplier finance schemes is by mutual agreement between the bank and supplier; the Group is not party to this contract. The schemes have no cost to the Group as the fees are paid by the supplier directly to the banks. The banks have no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the schemes do not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities as a trade payables. Cash flows relating to supplier financing arrangements are presented within operating cash flows.

DERIVATIVES

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 17.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The key judgements concerning the future and the reporting period that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

UNDRAWN CREDIT LIMITS

The Group's underwriting processes enables it to assess each transaction for approval at the time of sale based on the customer's perceived spending capacity. The Group judges undrawn components not to be classified as loan commitments and future spending is therefore not in scope of expected credit loss calculations (see note 19).

LOAN LOSS PROVISIONING

The Group considers the determination criteria for significant increase in credit risk to be a key judgement within the expected credit loss model that may have a significant risk of causing material adjustment. As explained in note 2, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

DEFERRED TAX ASSET RECOVERABILITY

The Group recognises deferred tax assets to the extent that it is probable (defined as more likely than not) that there will be future taxable income against which the deferred tax asset can be utilised. Estimation of the future taxable income is inherent in this process. The Group has considered the carrying value of its deferred tax asset at each balance sheet date and concluded that based on management's estimates, sufficient taxable profits will be generated in future years to recover such recognised deferred tax assets. The carrying amount of the deferred tax asset at the balance sheet date was £194.2m (2020: £173.2m) which consists of capital allowances, carried forward tax losses and provisions and accruals. A reasonably possible change in assumptions, such as a 5% reduction in the sales growth compared to the board approved plan could have led to the value of the deferred tax asset relating to carried forward tax losses reducing by up to £22 million.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. There has been no impairment of goodwill in the current financial year. The carrying amount of goodwill at the balance sheet date was £202.5m, with £105.5m (2020: £105.5m) relating to the acquisition of the Littlewoods business in 2005 and £97.0m (2020: £97.0m) resulting from the acquisition of Douglas Insurance Limited in 2008. Details of the impairment review carried out on the Douglas goodwill balance are included in note 14. The Directors do not believe that there is a reasonably possible change in a key assumption that could cause the Littlewoods goodwill balance to be impaired.

LOAN LOSS PROVISIONING

An allowance for estimated irrecoverable customer receivables is made based on the Group's expected credit loss model in line with IFRS 9. This is an area that requires the use of complex models and significant assumptions about credit behaviour and macroeconomic conditions.

The model is derived from estimates and underlying assumptions, of which the number and relative weighting of forward-looking scenarios and the associated expected credit losses is considered a key estimate by the Group.

A macroeconomic element is included in the overall calculation of expected credit loss. Multiple economic scenarios are purchased. The scenarios provide macroeconomic forecast data for key indicator variables, Unemployment and CPI. Key indicator variables have been established as having the closest correlation to Group default performance. The scenarios consider, with different probable outcomes, a range of as follows:

I. Base Case (Peak unemployment: 5.0% (2020:6.5%), Peak CPI: 2.2% (2020:1.8%)),
II. Upside (Peak unemployment: 4.7% (2020:6.2%), Peak CPI: 4.1% (2020:3.3%)),
III. Mild Upside (Peak unemployment: 4.7% (2020:6.4%), Peak CPI: 3.3% (2020:2.3%)),
IV. Stagnation (Peak unemployment: 6.4% (2020:8.8%), Peak CPI: 1.9% (2020:2.7%)),
V. Downside (Peak unemployment: 6.6% (2020:9.8%), Peak CPI: 2.0% (2020:2.5%)), and
VI. Severe Downside economic performance (Peak unemployment: 6.9% (2020:11.7%), Peak CPI: 2.2% (2020:2.8%)).

The Group's macroeconomic calculation applies a weighting of base case 40%, mild upside 30% and downside 30% (2020: same).

If 100% severe downside scenario were applied, the provision would increase by £2.5m (2020: £5.0m). If 100% downside scenario were applied, the provision would increase by £2.4m (2020: £3.6m). If 100% base case scenario were applied, the provision would decrease by 1.0m (2020: £1.7m). The application of 100% upside scenario would indicate a provision decrease of £3.0m (2020: £2.6m). The macroeconomic element of the Group IFRS 9 provision has decreased period on period. The economic scenarios and sensitivities considered in provision models reflect outlooks as at 3 July 2021.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

LOAN LOSS PROVISIONING (continued)

The macroeconomic calculations within Group expected credit loss models are based on historic correlation analysis, should credit losses prove to be more sensitive to key indicator variables in the outlook period actual credit losses may increase.

PAYMENT FREEZES

Post-model adjustment

In addition to existing customer support levers, and in accordance with FCA guidance, the Group rapidly launched a payment freeze scheme during a period of National lockdown in April 2020. The availability of a payment freeze provided customers adversely impacted by Covid-19 with the option to defer payments for up to three months, where needed.

The availability of a payment freeze ensured a greater number of customers remained up to date than would usually have been expected. Management, therefore, considered it appropriate at 27 June 2020 to retain a post-model adjustment to IFRS 9 provisions to specifically increase coverage for potential credit losses on those accounts utilising a payment freeze at period-end. This approach has been retained throughout FY21.

As at 3 July 2021, 2,247 customers (0.1% of all credit accounts) were utilising the payment freeze scheme, compared to 42,617 customers (1.7% of all credit accounts) as at 27 June 2020.

As at 3 July 2021 99,110 customers (4.1% of all credit accounts) had concluded use of the payment freeze scheme within the past three months, compared to 23,023 customers (0.9% of all credit accounts) as at 27 June 2020.

A post-model adjustment was therefore retained for £6.7m (FY20: £8.3m) of additional potential losses on these accounts. This is in addition to £22.6m (FY20: £10.6m) of provisions already held for those accounts in accordance with modelling for expected credit losses. In total, therefore a provision of £29.3m has been retained against balances of £100.3m. The post-model adjustment in results reflects all accounts that had used a payment freeze during or before June 2021.

In line with ongoing FCA guidance, all payment freezes concluded on or before 31 July 2021.

As noted at the close of FY20, overall customer payment rates did not see a reduction following the onset of Covid-19; this trend remained consistent throughout FY21.

Temporary reduction in arrears and defaults

Following the onset of Covid-19, the UK Government and FCA have provided unique and temporary financial support to both employers and individuals including the furlough and payment freeze schemes. The availability of these schemes has, in the past year, reduced the impact the pandemic may otherwise have had on the ability of SDFC customers to repay borrowings.

With those schemes now approaching conclusion or no longer active, the long-term economic consequences of the pandemic remain uncertain. As a result of uncertainty associated with the potentially temporary nature of current payment and arrears trends, management considers that current Probability of Default (PD) values understate underlying risk. A post model adjustment has therefore been made to IFRS 9 provisions to reflect this understatement.

The total provision retained against balances in Stage 1 and Stage 2 of IFRS 9 Provision models has been uplifted to align the provisions to historic ECL performance. The post model adjustment retained is £19.3m. This is before forward looking macroeconomic factors are included and is separate from specific adjustments made for accounts that have utilised a payment freeze with SDFC as explained above.

REGULATORY

The Group operates within a changing regulatory environment, regularly reviewing the requirements, guidance notes and scanning the horizon for future developments. The balance sheet position, including the provision for future customer redress payments in respect of historic shopping insurance sales, represents the best estimate of the regulatory obligations based on this review, taking into account factors including risk and uncertainty.

Whilst a significant amount of the redress payments have been made in the period ended 3 July 2021, there continues to be a provision held on the balance sheet for the remaining payments to be settled. As such, and when taking into consideration the nature of the balance, the regulatory balances remain a key source of estimation uncertainty. Certain PPI complaints received from 3rd parties have not been provided for on the basis of legal advice received. In the event that these complaints were accepted, the provision held would increase.

During the period ended 3 July 2021 redress payments made plus associated costs were higher than expected due to the increased PPI costs.

PENSION

The Group has defined benefit pension plans; all plans have been accounted for in accordance with IAS 19.

For all plans, pension valuations have been performed using specialist advice obtained from independent qualified actuaries. In performing these valuations, significant actuarial assumptions and judgements have been made to determine the defined benefit obligation, in particular, in respect of inflation, mortality and discount rates. Relevant sensitivity analysis is included in note 24.

VAT

The Group has been in a long running dispute with HMRC in respect of the methodology used for the Group's partial exemption calculation. The Group has received three assessments of £2.4m, £8.5m and £2.7m from HMRC covering the period April 2015 to March 2020, which have all been paid in line with standard practice to proceed to tribunal. As discussions are still on-going with HMRC and a satisfactory outcome has not yet been achieved, the Directors have continued to accrue in line with professional advice, accruing at £7.0m as at the balance sheet date (2020: £6.3m). The net asset balance of £6.6m has been recognised as a tax deposit within other receivables in the Group accounts (2020: net liability of (£3.9m) recognised as an accrual). Based on the amounts reflected in the balance sheet as at 3 July 2021, the directors estimate that an unfavourable settlement of this case could result in a charge to the income statement of up to £6.6m.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

4 REVENUE

The analysis of the Group's revenue for the period from continuing operations is as follows:

	2021 £m	2020 £m
Sale of goods	**1,957.5**	1,657.4
Rendering of services	**359.6**	393.3
	2,317.1	2,050.7
Other operating income	**1.8**	2.2
Finance income	**0.2**	0.1
Total income	**2,319.1**	2,053.0

5 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. Segment EBITDA represents the EBITDA earned by each segment without allocation of central administration costs including Directors' salaries, finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive, who is the Group's chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

BY BUSINESS SEGMENT

	2021 £m	2020 £m
Analysis of revenue:		
Very	**1,878.4**	1,589.8
Littlewoods	**438.7**	460.9
	2,317.1	2,050.7
Gross profit	**846.2**	747.9
Distribution costs (excluding depreciation, amortisation and exceptional items)	**(241.6)**	(227.3)
Administrative costs (excluding depreciation, amortisation and exceptional items)	**(306.1)**	(263.7)
Other operating income	**1.8**	2.2
Pre-exceptional EBITDA*:		
Very	**399.0**	329.4
Littlewoods	**120.6**	116.6
Central costs	**(219.3)**	(186.9)
	300.3	259.1
Exceptional items	**(41.3)**	(38.4)
Depreciation	**(15.6)**	(9.1)
Amortisation	**(54.8)**	(46.2)
Operating profit	**188.6**	165.4
Finance income	**0.2**	0.1
Finance costs	**(107.1)**	(112.9)
Exceptional finance costs	**–**	(4.2)
Profit before taxation	**81.7**	48.4

The analysis above is in respect of continuing operations.

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

Very sales include Very.co.uk.

Littlewoods sales include Littlewoods.com and LittlewoodsIreland.ie.

5 SEGMENTAL ANALYSIS (continued)

BY GEOGRAPHICAL LOCATION OF DESTINATION

	2021 £m	2020 £m
Revenue:		
United Kingdom	**2,204.6**	1,957.2
Republic of Ireland	**112.5**	93.5
	2,317.1	2,050.7

	2021 £m	2020 £m
Operating profit:		
United Kingdom	**175.4**	156.6
Republic of Ireland	**13.2**	8.6
Rest of World	**–**	0.2
	188.6	165.4

The analysis above is in respect of continuing operations.

Revenue by origin is not materially different from revenue by destination.

6 EXCEPTIONAL ITEMS

	2021 £m	2020 £m
Regulatory costs and associated administrative expenses	**29.4**	15.0
Restructuring costs	**–**	10.4
New fulfilment centre – charged to distribution costs	**8.4**	20.9
Covid-19 costs	**–**	2.9
Impairment of tangible fixed assets	**–**	3.4
Site closure costs	**3.5**	–
Professional fees	**–**	6.9
Pension scheme past service credit	**–**	(21.1)
Charged to operating profit	**41.3**	38.4
New fulfilment centre interest costs charged to finance costs	**–**	4.2
	41.3	42.6

During the period ended 27 June 2020 there was an increase in the customer redress claims provision of £15.0m to recognise the remaining cost of settling all outstanding claims. During the period ended 3 July 2021 there has been a further increase of £29.4m to reflect an increase in the volume of claims and the expected average redress. The remaining provision of £11.1m at 3 July 2021 (27 June 2020: £101.1m) is expected to be fully utilised within 12 months.

The restructuring costs 53 week period ended 3 July 2021 reflect expenditure on the rationalisation of processes and functions within The Very Group.

On 11 April 2018 the Group announced a proposal to upgrade its fulfilment capabilities by creating an automated 850,000 square foot distribution and returns centre in the East Midlands. The Group has begun to exit its existing fulfilment sites in Greater Manchester, a process which began in mid-2020. As the Group is dual running multiple sites, all running costs for the East Midlands site including depreciation and finance costs related to the site's leases were included in exceptional costs up until the point at which the site became fully operational.

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

The Covid-19 pandemic and resulting 'lockdown' had a significant impact on the Group. As such, during the period ended 27 June 2020 the Group incurred additional costs which were directly related to the pandemic. Given that these costs were one-off in nature and material they were separately categorised as exceptional.

An impairment charge of £3.4m was recognised during the year ended 30 June 2020 relating to the impairment of the Group's customer care centre in Aintree which was closed during 2021 as a result of the shift to home-working which the Group decided to adopt on a permanent basis in June 2020.

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6 EXCEPTIONAL ITEMS (continued)

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

The professional fees in the prior period relate to corporate projects. These costs have been included within exceptional items as they occur infrequently and are not part of underlying business performance.

During the period ended 27 June 2020 there was a £21.1m credit with respect to Gross Minimum Pensions (GMP) equalisation of The Littlewoods Pensions Scheme ("Scheme") which was recognised as an exceptional past service credit.

During the period ended 27 June 2020 there were £4.2m of exceptional finance costs associated with the lease of the new fulfilment centre.

7 OPERATING PROFIT

Arrived at after charging/(crediting):

	2021 £m	2020 £m
Depreciation of property, plant and equipment	**2.0**	2.3
Depreciation of right of use assets	**13.6**	11.1
Amortisation	**54.8**	46.2
Foreign exchange (gains)/losses	**(3.9)**	1.1
Impairment of tangible fixed assets	**–**	5.7
Cost of inventories recognised as an expense	**1,432.3**	1,143.2
Write downs of inventories recognised as an expense	**6.0**	12.1
Staff costs	**174.2**	134.1
Impairment loss recognised on trade receivables	**154.6**	183.2
Short-term lease expense	**0.1**	0.1
Low value lease expense	**0.2**	0.1

8 FINANCE INCOME AND COSTS

	Note	2021 £m	2020 £m
Finance income			
Interest income on bank deposits		**0.2**	0.1
Finance costs			
Interest on bank overdrafts and borrowings		**(48.8)**	(48.5)
Interest on obligations under leases and hire purchase contracts		**(6.9)**	(7.3)
Interest on securitisation facility		**(49.0)**	(51.3)
Net interest on defined benefit obligation	24	**(0.7)**	(1.5)
Other finance costs		**(1.8)**	(4.4)
		(107.1)	(112.9)
Exceptional finance interest costs	6	**–**	(4.2)
Total finance costs		**(107.1)**	(117.1)
Net finance costs		**(106.9)**	(117.1)

9 STAFF COSTS

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2021 £m	2020 £m
Wages and salaries	**137.1**	108.7
Social security costs	**12.0**	11.3
Redundancy costs	**18.1**	7.9
Pension costs, defined contribution scheme	**7.0**	6.2
	174.2	134.1

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Distribution and customer service centres	**714**	779
Administration	**2,361**	2,336
	3,075	3,115

10 DIRECTORS' REMUNERATION

The Directors' remuneration for the year was as follows:

	2021 £m	2020 £m
Emoluments	**6.3**	1.5
Contributions paid to money purchase schemes	**0.2**	0.1
	6.5	1.6

Four Directors did not receive any emoluments from the Group or Company in the current or prior period in respect of their services to the Group or Company. The Directors are employed by other companies under common control and their emoluments are charged to and borne by the other companies without further resource. In both the current period and prior period, the services provided by these Directors to the Group and Company are incidental to their employment by and services to Ellerman Investments Limited. During the period the number of Directors receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	**3**	1

In respect of the highest paid Director:

	2021 £m	2020 £m
Emoluments	**3.8**	0.8
Contributions paid to money purchase schemes	**0.1**	–
	3.9	0.8

The Directors are considered to be the key management personnel.

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11 AUDITORS' REMUNERATION

	2021 £m	2020 £m
Audit of these financial statements	**–**	–
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	**0.7**	0.5
Total audit fees	**0.7**	0.5
Other fees to auditors		
Interim reviews	**0.3**	–
Tax compliance services	**–**	0.1
Reporting accountant services	**0.1***	–
Total non-audit fees	**0.4**	0.1

* The interim reviews and reporting accountant services were provided to the Group by Deloitte as part of the bond refinancing which completed post year end. An additional £125,000 was charged in relation to these reporting accountant services, which completed in July 2021 and therefore these costs will be recorded in the subsequent period financial statements.

12 INCOME TAX

Tax (credited)/charged in the income statement

	2021 £m	2020 £m
Current taxation		
UK corporation tax	**0.3**	0.4
Foreign tax	**1.8**	1.2
Total current income tax	**2.1**	1.6
Deferred taxation		
Arising from origination and reversal of temporary differences	**10.5**	(5.7)
Impact of rate change	**(40.2)**	(17.0)
	(29.7)	(22.7)
Tax credit in the income statement	**(27.6)**	(21.1)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19.0% (2020: 19.0%).

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. This has increased the deferred tax asset recognised by £38.6m.

The differences are reconciled below:

	2021 £m	2020 £m
Profit before tax	**81.7**	48.4
Corporation tax at standard rate of 19% (2020: 19%)	**(15.5)**	(9.2)
Decrease from tax losses for which no deferred tax asset was recognised	**4.3**	0.6
Decrease arising due to rate change	**40.2**	17.0
Deferred tax credit from unrecognised tax loss or credit	**(7.5)**	–
Decrease arising from group relief tax reconciliation	**3.6**	3.5
Prior year adjustment	**5.7**	8.6
Transfer pricing adjustment	**(3.2)**	(3.4)
Pension gain not taxable	**–**	4.0
Total tax credit	**27.6**	21.1

The prior year adjustment of £5.7m has arisen due to utilising group loss relief from LW Corporation Limited rather than Shop Direct Finance Company Limited as anticipated at the time the accounts were prepared last year.

12 INCOME TAX (continued)

The prior year adjustment recorded in 2020 in respect of 2019 relates to Group relief claimed in the prior year for which the Group has been subsequently charged by a fellow subsidiary of the Group's ultimate parent. Subsequent to the accounts for 2019 being prepared, management decided that Group relief would no longer be paid for. As such, a prior year adjustment has arisen in relation to deferred tax resulting in a credit to the tax charge of £8.6m as instead of using the tax attributes of the Group, the Group instead received losses from outside the consolidated Group for £nil payment.

DEFERRED TAX

Deferred tax movement during the period:

	At 28 June 2020 £m	Recognised in income statement £m	Tax rate change recognised in income statement £m	Recognised in other comprehensive income £m	Tax rate change recognised in other comprehensive income £m	**At 3 July 2021 £m**
Accelerated tax depreciation	55.3	(1.1)	15.4	–	–	**69.6**
Tax losses carry-forwards	61.5	12.4	19.5	–	–	**93.4**
Pension benefit obligations	11.3	–	–	(12.3)	3.6	**2.6**
Provisions and accruals	45.1	(21.8)	5.3	–	–	**28.6**
Net tax assets	173.2	(10.5)	40.2	(12.3)	3.6	**194.2**

Deferred tax movement during the prior period:

	At 30 June 2019 £m	Recognised in income statement £m	Tax rate change recognised in income statement £m	Recognised in other comprehensive income £m	Tax rate change recognised in other comprehensive income £m	At 27 June 2020 £m
Accelerated tax depreciation	40.6	8.9	5.8	–	–	55.3
Tax losses carry-forwards	44.7	10.3	6.5	–	–	61.5
Pension benefit obligations	9.9	–	–	0.2	1.2	11.3
Provisions and accruals	53.9	(13.5)	4.7	–	–	45.1
Net tax assets	149.1	5.7	17.0	0.2	1.2	173.2

Deferred tax asset recognition is based on entity only future taxable profits with deferred tax assets expected to reverse in future periods.

At the balance sheet date, the Group has unused tax losses of £56.5m (2020: £56.5m) and capital losses of £66.3m (2020: £nil) available for offset against future profits. The unrecognised tax losses do not expire. No deferred tax asset has been recognised with respect to these losses.

The Group has recognised deferred tax assets in respect of losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which the losses and other temporary differences can be utilised. The Group has considered their carrying value at each balance sheet date and concluded that, based on management's estimates, sufficient taxable profits will be generated in future years to recover such recognised deferred tax assets. These estimates are based on forecast future taxable profits. The Group regards the deferred tax asset in relation to tax losses and other temporary differences as recoverable based on its best estimate of future sources of taxable income.

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13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Furniture, fittings and equipment £m	Total £m
Cost	Cost		
At 30 June 2019	11.8	28.4	40.2
Additions	0.1	3.1	3.2
Impairment	–	(2.3)	(2.3)
Disposals	(0.2)	(4.1)	(4.3)
At 27 June 2020	11.7	25.1	36.8
At 28 June 2020	11.7	25.1	36.8
Additions	0.8	17.8	18.6
Disposals	(0.7)	(5.7)	(6.4)
At 3 July 2021	11.8	37.2	49.0
Depreciation			
At 30 June 2019	7.7	22.3	30.0
Charge for period	0.4	1.9	2.3
Disposals	(0.5)	(4.1)	(4.6)
At 27 June 2020	7.6	20.1	27.7
At 28 June 2020	7.6	20.1	27.7
Charge for the period	0.2	1.8	2.0
Disposals	(0.7)	(5.7)	(6.4)
At 3 July 2021	7.1	16.2	23.3
Carrying amount			
At 3 July 2021	**4.7**	**21.0**	**25.7**
At 27 June 2020	4.1	5.0	9.1
At 30 June 2019	4.1	6.1	10.2

14 GOODWILL

	Goodwill £m
Cost	
At 30 June 2019, 28 June 2020 and 3 July 2021	252.5
Impairment	
At 30 June 2019 and 28 June 2020	50.0
Impairment charge for the period	–
At 3 July 2021	50.0
Carrying amount	
At 27 June 2020	202.5
At 3 July 2021	**202.5**

Goodwill is allocated to two cash generating units (CGUs) being £105.5m (2020: £105.5m) relating to the acquisition of the Littlewoods business in 2005 and £97.0m (2020: £97.0m) resulting from the acquisition of Douglas Insurance Limited in 2008. The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those regarding discount rates, growth rates and forecast cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the specific risks to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

14 GOODWILL (continued)

The Group has prepared a 5 year cash flow forecast derived from the most recent financial budgets approved by management and extrapolated cash flows in perpetuity based on an estimated growth rate of 2.4% (2020: 2.4%) to reflect that there is no foreseeable limit to the period over which cash flows are expected to be generated. This growth rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows is 7.4% (2020: 7.4%). This exercise sufficed to give us comfort over the cost of the Littlewoods goodwill balance and indicates no impairment is required.

For the element of goodwill relating to Douglas Insurance Limited we have used a value in use model. The key assumptions include the average growth in earned premiums of 23% (2020: 27%), conversion rate of 11%, year 1 product cancellation rate of 40%, average claims rate of 59% and extensions cancellation rate of 21% over the 5 year projection period, which is based on the director's assessment of the impact of changes in the product mix, including the launch of a new monthly insurance product being offered by the Douglas business. The headroom on the Douglas goodwill balance as at 03 July 2021 is £8.5m (2020: £56.8m).

The following sensitivity analysis has been prepared for the Douglas Insurance Limited CGU. An increase in extensions cancellation rate to 27% decreases the value in use of the CGU by £5.5m. An increase in the conversion rate to 15%, reduction in year 1 product cancellation rate to 27%, reduction in the average claims rate to 57% and an increase in extensions cancellation rate to 30% increases the value in use of the CGU by £17.5m.

In comparison to the value in use model, the following changes in key assumptions would reduce the headroom to £nil: a reduction in the conversion rate to 9.9%, an increase in the average claims rate to 62.1%, an increase in the year 1 product cancellation rate to 50.3% or an increase to extensions cancellation rate to 31.8%.

The Directors do not believe that there is a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount of the goodwill created on acquisition of the Littlewoods business that would cause the unit's carrying amount to exceed its recoverable amount.

15 INTANGIBLE ASSETS

	Internally generated software costs £m	Other internally generated costs £m	Total £m
Cost			
At 30 June 2019	345.3	43.1	388.4
Additions	62.7	6.4	69.1
Disposals	(124.3)	–	(124.3)
At 27 June 2020	283.7	49.5	333.2
Additions	61.9	1.7	63.6
Disposals	(24.1)	–	(24.1)
At 3 July 2021	321.5	51.2	372.7
Amortisation			
At 30 June 2019	173.3	–	173.3
Amortisation charge	46.0	0.2	46.2
Disposals	(124.3)	–	(124.3)
At 27 June 2020	95.0	0.2	95.2
Amortisation charge	52.1	2.7	54.8
Disposals	(24.1)	–	(24.1)
At 3 July 2021	123.0	2.9	125.9
Carrying amount			
At 3 July 2021	198.5	48.3	246.8
At 27 June 2020	188.7	49.3	238.0
At 30 June 2019	172.0	43.1	215.1

Included within software costs are £28.5m (2020: £69.9m) of investment incurred related to ongoing software development projects on which amortisation has not commenced as the assets have not yet been brought into use.

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16 RIGHT-OF-USE ASSETS

	Land & buildings £m	Plant & equipment £m	Total £m
Cost			
On transition to IFRS 16 at 30 June 2019	79.7	–	79.7
Adjustments	2.6	–	2.6
Additions	6.9	71.6	78.5
Disposals	(0.1)	–	(0.1)
At 27 June 2020	89.1	71.6	160.7
Additions	31.5	–	31.5
Disposals	(1.6)	–	(1.6)
At 3 July 2021	**119.0**	**71.6**	**190.6**
Depreciation			
On transition to IFRS 16 at 30 June 2019	–	–	–
Charge for the period	8.9	2.2	11.1
Impairment	3.4	–	3.4
At 27 June 2020	12.3	2.2	14.5
Charge for the period	6.6	7.0	13.6
Disposals	(1.6)	–	(1.6)
At 3 July 2021	17.3	9.2	26.5
Carrying amount			
At 3 July 2021	101.7	62.4	164.1
At 27 June 2020	76.8	69.4	146.2
At 1 July 2019	79.7	–	79.7

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2021 £m	2020 £m
Notional amount – sterling contract value	**150.4**	62.4
Fair value of asset/(liability) recognised	**(0.6)**	2.5

Changes in the fair value of derivative financial instruments amounted to a loss of £3.1m in the period (2020: loss of £2.3m).

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.

Contracts committed to are denoted in US Dollars, South African Rand and Euros to manage foreign currency risk.

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

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2. There were no transfers between Level 1 and Level 2 during the period.

18 INVENTORIES

	2021 £m	2020 £m
Finished goods and goods for resale	**102.2**	65.4

An impairment loss of £6.0m (2020: £12.1m) was recognised in cost of sales against stock during the period due to obsolete, slow-moving or damaged stock.

The right of return asset in inventory amounted to £12.8m (2020: £7.7m). The right to returned goods asset represents the Group's right to recover products from customers where customers exercise their right of return under the Group's 28-day returns policy. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method.

19 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Trade receivables	**1,347.3**	1,330.6
Amounts owed by group undertakings (note 32)	**511.3**	522.3
Prepayments	**162.2**	159.6
Other receivables	**54.7**	60.2
Total trade and other receivables	**2,075.5**	2,072.7

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

Other receivables include £14.7m (2020: £15.3m) due from the Group's external trade receivables securitisation provider.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. A bad debt provision of £239.0m under IFRS 9 (2020: £221.3m) has been recorded.

The Group offers a range of options which enable its customers to spread the cost of their purchases, some options are interest free and others are interest bearing. The representative APR on Very is 39.9% and 0% on Littlewoods.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The credit quality of trade receivables that are neither past due nor impaired, with regard to the historical default rate, has improved. Management considers that this performance may be temporary in nature and as such post model adjustments ensure provisions continue to reflect historic ECL performance.

The contractual amount outstanding on trade and other receivables written off during the reporting period and subject to enforcement activity was £nil (2020: £nil).

The total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period cannot be calculated due to the revolving nature of a significant proportion of trade and other receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts. All customer receivables are unsecured.

ALLOWANCE FOR DOUBTFUL DEBTS:

	2021 £m	2020 £m
Balance at beginning of the period	**221.3**	235.5
Amounts charged to the income statement	**154.6**	183.2
Amounts written off	**(136.9)**	(197.4)
Balance at end of the period	**239.0**	221.3

The ageing of trade receivables is as follows:

	2021 £m	2020 £m
Current – not past due	**1,386.3**	1,315.9
1 scheduled payment past due	**58.7**	50.2
2 scheduled payment past due	**20.4**	22.4
3 scheduled payment past due or greater	**120.9**	163.4
Gross trade receivables	**1,586.3**	1,551.9
Allowance for doubtful debts	**(239.0)**	(221.3)
Net trade receivables	**1,347.3**	1,330.6

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19 TRADE AND OTHER RECEIVABLES (continued)

The bad debt provision is derived based on the ECL model discussed in the Group's accounting policies. The following tables analyse the movement of the loss allowance by stage.

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Allowance for bad debts as at 28 June 2020	52.7	60.3	108.3	221.3
Transfer Stage 1	–	(12.8)	(1.1)	(13.9)
Transfer Stage 2	12.8	–	2.9	15.7
Transfer Stage 3	1.1	(2.9)	–	(1.8)
Post Model Adjustment	(0.9)	18.6	–	17.7
Remeasurement of balances	4.0	22.0	20.6	46.6
New financial assets recognised	3.9	12.6	7.8	24.3
Financial assets derecognised	(1.7)	(2.8)	(4.2)	(8.7)
Assets written off	(1.9)	(9.7)	(50.6)	(62.2)
Allowance for bad debts as at 3 July 2021	70.0	85.3	83.7	239.0

The following table sets out the percentage of provision applied in each stage:

	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Financial period ended 27 June 2020	3.4	18.8	55.2	13.3
Financial period ended 3 July 2021	3.2	27.4	54.5	13.1

The following table sets out changes in the carrying amount of trade receivables that contributed to the changes in the loss allowance:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Balance at 28 June 2020	1,037.4	318.8	195.7	1,551.9
Transfer Stage 1	–	(41.4)	27.9	(13.5)
Transfer Stage 2	41.4	–	22.0	63.4
Transfer Stage 3	(27.9)	(22.0)	–	(49.9)
Growth in trade receivables	57.3	49.5	(15.4)	91.4
New financial assets recognised	121.5	55.6	12.3	189.4
Financial assets derecognised	(80.7)	(18.9)	(9.9)	(109.5)
Amounts written off	(25.9)	(31.2)	(79.8)	(136.9)
Balance at 3 July 2021	1,123.1	310.4	152.8	1,586.3

The following table analyses the movement of the loss allowance by stage for accounts that had utilised a payment freeze before the end of the financial period.

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Balance at 28 June 2020	7.5	10.6	0.8	18.9
Transfer Stage 1	–	(1.2)	0.5	(0.7)
Transfer Stage 2	1.2	–	1.7	2.9
Transfer Stage 3	(0.5)	(1.8)	–	(2.3)
Post model adjustment	(0.9)	(0.7)	–	(1.6)
Growth in trade receivables	(0.8)	4.2	10.6	14.0
New financial assets recognised	–	0.3	0.2	0.5
Financial assets derecognised	(0.1)	(0.4)	–	(0.5)
Amounts written off	(0.3)	(1.4)	(0.3)	(2.0)
Balance at 3 July 2021	6.1	9.6	13.5	29.2

19 TRADE AND OTHER RECEIVABLES (continued)

The following table sets out changes in the carrying amount of trade receivables where the applicable account had utilised a payment freeze before the end of the financial period:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Balance at 28 June	48.7	36.8	1.5	87.0
Transfer Stage 1	–	(4.0)	7.4	3.4
Transfer Stage 2	4.0	–	8.1	12.1
Transfer Stage 3	(7.4)	(8.1)	–	(15.5)
Growth in trade receivables	7.6	11.1	8.3	27.0
New financial assets recognised	0.2	0.8	0.4	1.4
Financial assets derecognised	(2.9)	(2.1)	(0.1)	(5.1)
Amounts written off	(4.0)	(5.5)	(0.5)	(10.0)
Balance at 3 July 2021	46.2	29.0	25.1	100.3

20 RECONCILIATION OF NET CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at bank	**78.1**	206.4
Bank overdrafts	**–**	–
Net cash and cash equivalents in statement of cash flows	**78.1**	206.4

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

21 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 28 June 2020 £m	Financing cash flows £m	Non-cash changes £m	**At 3 July 2021 £m**
Securitisation facility	1,385.4	3.8	–	**1,389.2**
Senior secured notes	550.0	–	–	**550.0**
Lease liabilities	165.6	(18.6)	31.3	**178.3**
Secured revolving credit facility	150.0	(60.0)	–	**90.0**
Total liabilities from financing activities	2,251.0	(74.8)	31.3	**2,207.5**

	At 30 June 2019 £m	Financing cash flows £m	Non-cash changes £m	At 27 June 2020 £m
Securitisation facility	1,372.6	12.8	–	1,385.4
Senior secured notes	550.0	–	–	550.0
Finance lease liabilities	3.1	(9.6)	172.1	165.6
Secured revolving credit facility	95.0	55.0	–	150.0
Total liabilities from financing activities	2,020.7	58.2	172.1	2,251.0

22 SHARE CAPITAL

Allotted, called up and fully paid shares

	2021		2020	
	No. m	**£m**	No. m	£m
Ordinary shares of £1 each	**200**	**200**	200	200

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23 LOANS AND BORROWINGS

	2021 £m	2020 £m
Secured non-current loans and borrowings at amortised cost		
Securitisation facility	**1,389.2**	1,385.4
Senior secured notes	**550.0**	550.0
	1,939.2	1,935.4

	2021 £m	2020 £m
Current loans and borrowings at amortised cost		
Secured revolving credit facility	**90.0**	150.0
Unsecured bank overdrafts	**–**	–
	90.0	150.0

Within the securitisation facility £25.2m (2020: £26.4m) is denominated in Euros. The underlying currency of all the other borrowings and overdrafts is Sterling.

As at period end, the secured revolving credit facility in place had an expiry of May 2022. The facility rolls over on a monthly basis and is repayable within one year. Subsequent to period end, the revolving credit facility of £150m was renewed and now expires in November 2025.

The borrowings are repayable as follows:

	2021 £m	2020 £m
Within one year	**90.0**	150.0
In the second year	**550.0**	–
In the third to fifth year	**1389.2**	1,935.4
Over five years	**–**	–
Amount due for settlement after 12 months	**1,939.2**	1,935.4

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

(a) The Group has drawn £1,364.0m (2020: £1,359.0m) on its UK securitisation facility. This is secured by a charge over certain eligible trade debtors of the Group and is without recourse to any of the other Group assets. The securitisation facility expires in December 2023 for 'AS' Notes (£993.6 m), 'AJ' Notes (£110.4m), 'B' Notes (£105.0m), 'C1' Notes (£105.0m) and 'C2' Notes (£50.0m). The total facility size is £1,585.0m.

(b) At the period end, the Group has senior secured notes of £550.0m, at 7.75%, due November 2022 with a secured revolving credit facility of £150.0m of which £90.0m was drawn down at 3 July 2021 (2020: £150.0m). Transaction costs associated with the senior secured notes of £8.9m were prepaid on the balance sheet and amortised over the debt term. As at the balance sheet date these total £2.5m (2020: £4.3m). After the balance sheet date of 3 July 2021, the Group successfully refinanced the £550m 7.75% bonds with £575m of new listed bonds, which carry a lower coupon rate of 6.5%. The senior secured notes are now due August 2026.

(c) The Group has an Irish securitisation facility against which it has drawn down £25.2m (27 June 2020: £26.4m), secured by a charge over certain eligible trade debtors of the Group. The facility has a total maximum commitment of €35.0m which expires in December 2029.

23 LOANS AND BORROWINGS (continued)

The weighted average interest rates paid were as follows:

	2021 %	2020 %
Secured revolving credit facility	**2.81**	3.26
Securitisation facility – UK	**2.58**	3.06
Securitisation facility – Ireland	**2.50**	2.50
Senior secured notes	**7.75**	7.75

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note (see note 29).

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

24 PENSION AND OTHER SCHEMES

DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a defined contribution pension scheme for all employees; the Shop Direct Group Personal Pension Plan. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £7.0m (2020: £6.2m). The defined contribution scheme is in compliance with employer pension duties in accordance with part 1 of the Pensions Act 2008, including auto enrolment requirements. Contributions to the defined contribution schemes are charged to the income statement.

Contributions totalling £0.5m (2020: £0.8m) were payable to the scheme at the end of the year and are included in creditors.

DEFINED BENEFIT PENSION SCHEMES

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

	2021 £m	2020 £m
Scheme – defined benefit pension scheme deficit	**(8.7)**	(57.9)
UURBS and Ex-gratia – present value of scheme liabilities	**(1.6)**	(1.6)
Retirement benefit obligations	**(10.3)**	(59.5)
Scheme – amounts taken to the Statement of Comprehensive Income	**50.4**	(21.6)
UURBS and Ex-gratia – amounts taken to the Statement of Comprehensive Income	**–**	(0.1)
Gain/(loss) recognised in the Statement of Comprehensive Income	**50.4**	(21.7)

THE LITTLEWOODS PENSIONS SCHEME ("SCHEME")

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

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

During the period ended 27 June 2020 the Group opted to carry out a Guaranteed Minimum Pensions (GMP) conversion within the Scheme. GMP is the minimum level of pension set by the Government that must be paid to Scheme members who built up pre-1997. In October 2019 the High Court ruled that pension schemes must adjust scheme benefits to remove gender inequalities caused by GMP earned between 1990 and 1997. As well as applying this GMP equalisation the Group opted to concurrently carry out a GMP conversion which was permitted under the 2019 ruling. This resulted in a credit in the income statement during the period ended 27 June 2020 of £21.1m as disclosed below.

On 8 July 2020, the Trustee made a second investment in a bulk annuity policy with Rothesay Life, which has been reflected in these financial statements.

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24 PENSION AND OTHER SCHEMES (continued)

The first investment was in May 2018, in a bulk annuity policy with Scottish Widows, which means close to 100% of the Scheme's assets are now invested in these two buy-ins covering all outstanding pension benefits payable.

On 19 August 2020 formal agreement was reached between the Group and the Trustees of The Littlewoods Pensions Scheme ("Scheme") with regards to future Company Scheme contribution obligations. This has been documented in a revised Schedule of Contributions, which allows for a single future contribution of £18.7m payable on or before 31 August 2021.

On 15 June 2021 further formal agreement was reached with regards to the August 2021 contribution obligation. This has been documented in a revised Schedule of Contributions, which allows for a reduction to a single future contribution of £9.4m payable on or before 31 January 2022.

These agreements have reduced the Scheme liability as at 3 July 2021.

RECONCILIATION OF SCHEME ASSETS AND LIABILITIES TO ASSETS AND LIABILITIES RECOGNISED

The amounts recognised in the statement of financial position are as follows:

	2021 £m	2020 £m
Fair value of scheme assets	**1,398.9**	1,667.2
Present value of scheme liabilities	**(1,368.3)**	(1,440.2)
	30.6	227.0
Restrictions on asset recognised	**(30.6)**	(227.0)
IFRIC 14 liability	**(8.7)**	(57.9)
Defined benefit pension scheme deficit	**(8.7)**	(57.9)

The reduction in the Scheme liability is due to the revised Schedule of Contributions as noted above.

SCHEME ASSETS

Changes in the fair value of scheme assets are as follows:

	2021 £m	2020 £m
Fair value at start of period	**1,667.2**	1,560.0
Interest income	**26.2**	35.0
Return on plan assets, excluding amounts included in interest income/(expense)	**(236.9)**	146.2
Employer contributions	**0.2**	0.5
Benefits paid	**(57.8)**	(74.5)
Fair value at end of year	**1,398.9**	1,667.2

The second buy-in of the Scheme on 8 July 2020 has resulted in a one-off negative return on the Scheme's assets as the price paid for the policy exceeded the value of the liabilities covered under the policy on the IAS19 basis.

ANALYSIS OF ASSETS

The major categories of scheme assets are as follows:

	2021 £m	2020 £m
Cash and cash equivalents	**31.5**	59.1
Quoted debt instruments	**–**	810.1
Assets held by insurance company	**1,367.4**	794.3
Other	**–**	3.7
	1,398.9	1,667.2

The bulk annuity policy assets are equal to the value of the insured pensioner liabilities on an IAS19 basis as at 3 July 2021.

24 PENSION AND OTHER SCHEMES (continued)

SCHEME LIABILITIES

Changes in the present value of scheme liabilities are as follows:

	2021 £m	2020 £m
Present value at start of year	**1,440.2**	1,373.1
Current service cost	**0.1**	0.4
Past service credit	**–**	(21.1)
Interest cost	**22.5**	30.7
Benefits paid	**(57.8)**	(74.5)
Actuarial gains	**(36.7)**	131.6
Present value at end of year	**1,368.3**	1,440.2

The past service credit for the year ended 27 June 2020 related to the GMP conversion which was completed during that period.

PRINCIPAL ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2021	2020
Rate of increase in pensionable salaries	**2.8%**	2.4%
Rate of increase in pensions in payment if RPI 5%	**3.3%**	3.0%
Rate of increase in pensions in payment if RPI 2.5%	**2.2%**	2.1%
Discount rate	**1.9%**	1.6%
Rate of increases in pensions in deferment	**2.5%**	2.4%
RPI inflation assumption	**3.5%**	3.1%
CPI inflation assumption	**2.8%**	2.4%
Mortality	**107% SPA07M CMI 2017 1.75%**	107% SPA07M CMI 2017 1.75%

The discount rate for the Scheme is determined by reference to market yields of high-quality corporate bonds of suitable currency and term to the Scheme cash flows and extrapolated based on the trend observable in corporate bond yields to produce a single equivalent discount rate.

POST RETIREMENT MORTALITY ASSUMPTIONS

	2021 Years	2020 Years
Current UK pensioners at retirement age – male	**22.5**	22.4
Current UK pensioners at retirement age – female	**24.0**	23.9
Future UK pensioners at retirement age – male	**24.2**	24.1
Future UK pensioners at retirement age – female	**25.6**	25.5

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

	2021 £m	2020 £m
Amounts recognised in income statement		
Current service cost	**(0.1)**	0.1
Past service credit	**–**	21.1
Amounts recognised in finance income or costs		
Net interest	**(0.7)**	(1.4)
Total recognised in the income statement	**(0.8)**	19.8

AMOUNTS TAKEN TO THE STATEMENT OF COMPREHENSIVE INCOME

	2021 £m	2020 £m
Return on plan assets, excluding amounts included in interest income	**236.9**	146.1
Actuarial losses from changes in demographic assumptions	**0.3**	–
Actuarial losses from changes in financial assumptions	**(37.4)**	(131.6)
Adjustments for restrictions on the defined benefit asset	**(250.2)**	(36.2)
Amounts recognised in the Statement of Comprehensive Income	**(50.4)**	(21.7)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

24 PENSION AND OTHER SCHEMES (continued)

If the discount rate is 25 basis points higher, the defined benefit obligation would decrease by £1.4m (2020: £1.5m).

If the discount rate is 25 basis points lower, the defined benefit obligation would increase by £1.5m (2020: £1.6m).

If the price inflation rate is 25 basis points higher, the defined benefit obligation would increase by £1.5m (2020: £1.6m).

If the post retirement mortality assumption reduces by one year for both men and women, the defined benefit obligation would reduce by £1.5m (2020: £1.6m).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior periods.

There has been no change in the processes used by the Group to manage its risks from prior periods.

UURBS AND EX-GRATIA

There is an unfunded unapproved retirement benefit arrangement ("UURBS") which provides a benefit on retirement equal to the additional pension the member would have accrued had they not been subject to the Earnings Cap in the Littlewoods Pensions Scheme and the Shop Direct Group Limited Pension Plan. The Group makes benefit payments directly as they fall due.

An ex-gratia arrangement was originally set up to provide a benefit at retirement to employees who were not members of the GUS Pension Scheme. During 1998, GUS introduced a new money purchase scheme. All employees not already members of the final salary scheme were invited to join and those who did ceased accrual within the ex-gratia arrangement; the remainder continue to accrue benefits. No new employees have been granted membership of the ex-gratia arrangement since the introduction of the GUS Money Purchase Scheme in 1998. The arrangement is unfunded and provides a lump sum on retirement for employees in service at that time. The Group makes benefit payments directly as they fall due.

RECONCILIATION OF SCHEME ASSETS AND LIABILITIES TO ASSETS AND LIABILITIES RECOGNISED

The amounts recognised in the statement of financial position are as follows:

	2021 £m	2020 £m
Present value of scheme liabilities	**(1.6)**	(1.6)

SCHEME LIABILITIES

Changes in the present value of scheme liabilities are as follows:

	2021 £m	2020 £m
Present value at start of period	**1.6**	1.8
Past service cost	**0.1**	–
Interest cost	**–**	0.1
Liabilities extinguished on settlements	**(0.1)**	(0.4)
Actuarial gains	**–**	0.1
Present value at end of period	**1.6**	1.6

24 PENSION AND OTHER SCHEMES (continued)

PRINCIPAL ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are materially the same as disclosed above for the Scheme.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

	2021 £m	2020 £m
Amounts recognised in operating profit		
Recognised in arriving at operating profit	**–**	0.4
Amounts recognised in finance income or costs		
Net interest	**–**	(0.1)
Total recognised in the income statement	**–**	0.3

AMOUNTS TAKEN TO THE STATEMENT OF COMPREHENSIVE INCOME

	2021 £m	2020 £m
Actuarial losses	**–**	(0.1)

25 PROVISIONS

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

The restructuring provision relates to costs associated with the closure of the Group's customer care centre in Aintree. The remaining provision of £9.2m is expected to be fully utilised by the 52 week period ended 2 July 2022.

The regulatory provision reflects the estimated cost of all historical shopping insurance claims and associated processing costs. The remaining provision of £11.1m at 3 July 2021 is expected to be fully utilised within 12 months.

26 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	**414.9**	391.1
Accrued expenses	**30.0**	67.1
Amounts due to group undertakings (note 32)	**–**	0.3
Social security and other taxes	**30.4**	49.2
Other payables	**90.8**	25.4
	566.1	533.1

The Directors consider that the carrying amount of trade payables approximates to their fair value.

No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that payables are paid within agreed credit terms.

Amounts owed under supplier financing arrangements included within trade payables above amounted to £18.9m (2020: £148.9m). The cash flows associated with these supplier financing arrangements are included within 'movements in trade and other payables' in the Consolidated Cash Flow Statement.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

27 DEFERRED INCOME

	2021 £ m	2020 £ m
At start of the period	**86.3**	98.1
Released to the income statement	**(22.8)**	(32.4)
Accrued in the period	**11.5**	20.6
At end of the period	**75.0**	86.3
Non-current	**26.4**	30.7
Current	**48.6**	55.6
	75.0	86.3

Deferred income relates to deferred interest income on sales where interest is recognised over the sales term.

28 COMMITMENTS

CAPITAL COMMITMENTS

Capital commitments include expenditure on tangible and intangible assets.

The total amount contracted for but not provided in the financial statements was £14.1m (2020: £11.5m).

OTHER FINANCIAL COMMITMENTS

At 3 July 2021 commitments to purchase stock totalled £178.9m (2020: £90.5m) which is considered to be the fair value. The commitments cover a period of 12 months (2020: same).

The Group has in place contracts for the provision of outsourced service functions. At 3 July 2021 the annual committed cost under these contracts is £40.9m (2020: £48.5m). These contracts expire in 2025 and 2030.

29 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative held for trade

	Carrying value		Fair value	
	2021 £ m	2020 £ m	2021 £ m	2020 £ m
Forward contracts	**150.4**	62.4	**(0.6)**	2.5

See note 17 for details of the valuation methods and assumptions of these derivatives. The maturity dates for these derivatives range from July 2021 to June 2022. Derivative financial instruments have been classified as Level 2 financial assets.

FINANCIAL ASSETS AT AMORTISED COST

	Carrying value		Fair value	
	2021 £ m	2020 £ m	2021 £ m	2020 £ m
Cash and cash equivalents	**78.1**	206.4	**78.1**	206.4
Trade receivables	**1,347.3**	1,330.6	**1,347.3**	1,330.6
	1,425.4	1,537.0	**1,425.4**	1,537.0

29 FINANCIAL INSTRUMENTS (continued)

VALUATION METHODS AND ASSUMPTIONS

The carrying amounts of financial assets are recorded at amortised cost in the financial statements approximate to their fair values.

The average credit period given to customers for the sale of goods is 212 days (2020: 236 days).

FINANCIAL LIABILITIES

Financial liabilities at amortised cost

	Carrying value		Fair value	
	2021 £ m	2020 £ m	2021 £ m	2020 £ m
Trade payables	**414.9**	391.1	**414.9**	391.1
Borrowings	**2,029.2**	2,085.4	**2,029.2**	2,085.4
Lease liabilities	**178.3**	165.6	**178.3**	165.6
	2,622.4	2,642.1	**2,622.4**	2,642.1

VALUATION METHODS AND ASSUMPTIONS

The carrying amounts of financial liabilities are recorded at amortised cost in the financial statements approximate to their fair values. The average credit period taken for trade payables is 88 days (2020: 91 days).

30 FINANCIAL RISK MANAGEMENT AND IMPAIRMENT OF FINANCIAL ASSETS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The financial risks facing the Group include credit risk, liquidity risk, currency risk and cash flow interest rate risk. The Group seeks to minimise the effects of certain of these risks by using derivative financial instruments to hedge these risk exposures as governed by the Group's policies. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's treasury policies and procedures are periodically reviewed and approved by the Executive Board.

CREDIT RISK AND IMPAIRMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Investments of cash surpluses, borrowings and derivative financial instruments are made through banks which are approved by the Board.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Customer debit balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The concentration of credit risk is limited due to the customer base being large and unrelated. No individual customer balance exceeded one per cent of gross trade receivables at any one time during the period.

LIQUIDITY RISK

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 24 is a description of the facilities that the Group has at its disposal and details of the Group's remaining contractual maturity for its non-derivative financial liabilities.

The following are the contractual maturities of the Group's financial liabilities:

	Carrying Amount 2021 £ m	Contractual Cash Flows 2021 £ m	1 year or Less 2021 £ m	1 to 2 years 2021 £ m	2 to 5 years 2021 £ m	Over 5 years 2021 £ m
Trade payables	**414.9**	**414.9**	**414.9**	**–**	**–**	**–**
Borrowings	**2,029.2**	**2,378.1**	**189.5**	**644.6**	**1,544.0**	**–**
Lease liabilities	**178.3**	**213.6**	**16.9**	**17.3**	**33.0**	**146.4**

	Carrying Amount 2020 £ m	Contractual Cash Flows 2020 £ m	1 year or Less 2020 £ m	1 to 2 years 2020 £ m	2 to 5 years 2020 £ m	Over 5 years 2020 £ m
Trade payables	391.1	391.1	391.1	–	–	–
Borrowings	2,085.4	2,325.9	243.7	88.7	1,993.5	–
Lease liabilities	165.6	240.9	20.7	20.5	48.5	151.2

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
continued

30 FINANCIAL RISK MANAGEMENT AND IMPAIRMENT OF FINANCIAL ASSETS (continued)

FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments for the purchase of overseas sourced products on a rolling 18-month basis. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group's principal foreign currency exposures are to US dollar which it uses to purchase inventory and euros due to the Group entering into a euro denominated lease during the current year. The table below illustrates the hypothetical sensitivity of the Group's reported profit (2020: profit) and closing equity if a 10% increase and decrease in the US dollar/sterling exchange rates and euro/sterling exchange rates at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the Directors' assessment of a reasonable possible change, based on historic volatility.

	Income Statement		Equity	
	2021 £ m	2020 £ m	**2021 £ m**	2020 £ m
Sterling strengthens by 10% against USD	**0.2**	0.1	**0.2**	0.1
Sterling weakens by 10% against USD	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Sterling strengthens by 10% against euro	**0.3**	0.4	**0.3**	0.4
Sterling weakens by 10% against euro	**(0.3)**	(0.4)	**(0.3)**	(0.4)

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk, as entities in the Group borrow funds at floating interest rates. The Group treasury team is responsible for monitoring exposure to this risk and securing sufficient liquidity to meet foreseeable needs.

INTEREST RATE SENSITIVITY ANALYSIS

The Group uses securitisation to fund a significant portion of our receivables book and have a rolling three-year funding programme with a fixed margin over SONIA. The table below illustrates the hypothetical sensitivity of the Group's reported profit and closing equity to a 0.5% increase or decrease in the SONIA rate, assuming all other variables were unchanged. The sensitivity rate of 0.5% represents the Directors' assessment of a reasonably possible change based on historical movements.

In preparing the analysis the following assumptions have been made:

- For floating rate assets and liabilities, the amount of the asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole period.
- Fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis.

	Income Statement		Equity	
	2021 £ m	2020 £ m	**2021 £ m**	2020 £ m
SONIA rate increase 0.5%	**(6.9)**	(6.9)	**(6.9)**	(6.9)
SONIA rate decrease 0.5%	**6.9**	6.9	**6.9**	6.9

CAPITAL RISK MANAGEMENT

Capital components

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents disclosed in note 20 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

31 LEASES

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 £ m	2020 £ m
Right-of-use assets:		
Land and buildings	**101.7**	76.8
Plant and equipment	**62.4**	69.4
	164.1	146.2

The Group presents lease liabilities as obligations under finance leases in the Consolidated Statement of Financial Position. The amounts included within lease liabilities are as follows:

	2021 £ m	2020 £ m
Lease liabilities:		
Current	**11.6**	14.3
Non-current	**166.7**	151.3
	178.3	165.6

The maturity of lease liabilities is included in note 30.

Additions to the right-of-use assets during the financial period ending 3 July 2021 were £31.5m (27 June 2020: £78.5m).

Short term lease expense and low value lease expense is disclosed in note 7.

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The Consolidated Income Statement includes the following amounts relating to leases:

	2021 £ m	2020 £ m
Depreciation charge of right-of-use assets:		
Land and buildings	**6.6**	8.9
Plant and equipment	**7.0**	2.1
	13.6	11.0
Impairment charge on leased assets	**–**	3.4
Interest expense on lease liabilities	**6.9**	7.0

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 £ m	2020 £ m
Total cash outflow for leases	**18.6**	9.6

LEASING ACTIVITIES

The Group enters into leases for a range of assets, principally relating to property. These property leases, which consist of office buildings and warehouses, have varying terms, renewal rights and escalation clauses, including periodic rent reviews. Plant and equipment includes assets leased for use at Skygate.

32 RELATED PARTY TRANSACTIONS

SUMMARY OF TRANSACTIONS WITH ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INTEREST

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

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

	2021 £ m	2020 £ m
Recharged costs		
Yodel Delivery Network Limited	**2.7**	4.2
Arrow XL Limited	**0.5**	0.4
	3.2	4.6

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

32 RELATED PARTY TRANSACTIONS (continued)

SUMMARY OF TRANSACTIONS WITH ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INTEREST (continued)

	2021 £m	2020 £m
Purchase of services		
Yodel Delivery Network Limited	**(76.2)**	(70.2)
Drop & Collect Limited	**(16.9)**	(22.2)
Arrow XL Limited	**(44.1)**	(41.4)
Trenport Property Holdings Limited	**(1.5)**	(1.3)
Shop Direct Holdings Limited	**(7.5)**	(5.0)
	(146.2)	(140.1)

At the balance sheet date, the Group had the following balances outstanding with its fellow Group companies:

	2021 £m	2020 £m
Amounts due from fellow Group undertakings		
Shop Direct Holdings Limited	**488.0**	485.5
Yodel Delivery Network Limited	**2.3**	0.9
Arrow XL Limited	**0.3**	–
Drop & Collect Limited	**0.4**	0.7
Primevere Limited	**6.1**	22.9
Primevere Equipment Limited	**14.2**	12.3
	511.3	522.3

	2021 £m	2020 £m
Amounts due to fellow Group undertakings		
Arrow XL Limited	**–**	(0.3)
	–	(0.3)

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

The lease liabilities disclosed in note 31 includes £65.6m (2020: £75.3m) that is due to Primevere Equipment Limited and £46.6m (2020: £48.0m) due to Primevere Limited.

33 PARENT AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is Shop Direct Holdings Limited. The smallest consolidated set of accounts which contain The Very Group Limited results are in this set.

The most senior parent entity producing publicly available financial statements is Shop Direct Holdings Limited. These financial statements are available upon request from 2nd Floor, 14 St George Street, London, W1S 1FE.

The ultimate controlling party is the Sir David Barclay and Sir Frederick Barclay Family Settlements.

34 EVENTS AFTER THE BALANCE SHEET DATE

On 9 August 2021, the Group successfully refinanced the 7.75% bonds with a nominal value of £550m for new listed bonds with a nominal value of £575m, which carry a lower coupon rate of 6.5%. As part of the refinancing, £2.8m related to unamortised costs on the pre-existing bond which have been expensed post period end, with an additional £10.7m expensed due to redemption premium costs in relation to the early settlement of the pre-existing bond. The senior secured notes are now due August 2026. The revolving credit facility of £150m was renewed and now expires in November 2025. The covenants on both the bonds and the revolving credit facility remain unchanged.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY as at 3 July 2021

(Registration number: 04730752)

	Note	3 July 2021 £m	27 June 2020 £m
Assets			
Non-current assets			
Right-of-use assets	37	**61.7**	68.3
Investments in subsidiaries	38	**813.3**	991.4
Deferred tax assets	39	**2.0**	0.4
Trade and other receivables	40	**1,067.4**	1,066.2
		1,944.4	2,126.3
Current assets			
Trade and other receivables	40	**508.1**	527.3
Total assets		**2,452.5**	2,653.6
Equity			
Share capital	45	**(200.0)**	(200.0)
Retained earnings		**(388.1)**	(373.8)
Total equity		**(588.1)**	(573.8)
Non-current liabilities			
Lease liabilities	43	**(105.0)**	(115.3)
Current liabilities			
Trade and other payables	42	**(1,660.1)**	(1,804.7)
Loans and borrowings	41	**(90.0)**	(150.0)
Lease liabilities	43	**(7.5)**	(8.0)
Income tax liability		**(1.8)**	(1.8)
		(1,759.4)	(1,964.5)
Total liabilities		**(1,864.4)**	(2,079.8)
Total equity and liabilities		**(2,452.5)**	(2,653.6)

The profit on ordinary activities after taxation 53 week period ended 3 July 2021 attributable to the Company amounted to £14.3m (2020: loss of £6.8m). The Company has taken advantage of Section 408 of the Companies Act 2006 and has not published its own income statement.

The financial statements of The Very Group Limited, registered number 04730752, have been approved by the Board and authorised for issue on 15 October 2021 and signed on its behalf by:

D W KERSHAW
Director

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY FOR THE COMPANY

53 Week Period Ended 3 July 2021

	Share capital £ m	Retained earnings £ m	Total £ m
At 30 June 2019	100.0	380.6	480.6
Issue of share capital	100.0	–	100.0
Loss for the period	–	(6.8)	(6.8)
Total comprehensive expense	–	(6.8)	(6.8)
At 27 June 2020	200.0	373.8	573.8

	Share capital £ m	Retained earnings £ m	Total £ m
At 28 June 2020	200.0	373.8	573.8
Profit for the period	–	14.3	14.3
Total comprehensive income	–	14.3	14.3
At 3 July 2021	**200.0**	**388.1**	**588.1**

NOTES TO THE FINANCIAL STATEMENTS

continued

35 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Very Group Limited ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The Company is the parent undertaking of the Group and also prepares consolidated financial statements. The separate financial statements of the Company are presented as required by the Companies Act 2006. The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash-flow statement and certain disclosure requirements in respect of related party transactions with wholly owned subsidiaries, capital management disclosures, financial instruments and leases. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements. The accounts are drawn up to the Saturday nearest to 30 June, or to 30 June where this falls on a Saturday. In the current financial period this was the 53 week period to Saturday 3 July 2021 (2020: 52 week period to Saturday 27 June 2020).

There are no critical judgements or estimates.

IMPAIRMENT

The Company's accounting policies in respect of impairment of property, plant and equipment, intangible assets and financial assets are consistent with those of the Group.

The carrying values of investments in subsidiary undertakings are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an investment in a subsidiary undertaking is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to amounts owed by Group undertakings. Except for certain loans due in greater than one year, all outstanding receivable balances are repayable on demand and arise from funding provided by the Company to its subsidiaries. The Company deems it unlikely that net receivers of funding would be able to repay loan balances in full at the end of the reporting period if the debt was called upon and in such circumstances the counterparty would either negotiate extended credit terms with the Company or obtain external financing to repay the balance. As such, the expected credit loss is either considered immaterial based on discounting the loan over the extended payment term, or has been calculated by applying a default loss rate based on the actual or proxy credit rating of the counterparty. No change in credit risk is deemed to have occurred since initial recognition for amounts not repayable and therefore a 12-month expected credit loss has been calculated based on the assessed probability of default.

36 PROFIT OF THE COMPANY

The profit on ordinary activities after taxation for the 53 week period ended 3 July 2021 attributable to the Company amounted to £14.3m (2020: £6.8m loss). The Company has taken advantage of Section 408 of the Companies Act 2006 and has not published its own income statement.

The Company has no employees (2020: none).

The auditor's remuneration for audit and other services is disclosed in note 11 to the consolidated financial statements. For the Company, the auditor's remuneration for the period was £30,000.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

37 RIGHT-OF-USE ASSETS

	Plant and equipment £m
Cost	
At 28 June 2020	70.4
Additions	–
At 3 July 2021	70.4
Depreciation	
At 28 June 2020	2.1
Charge for the period	6.6
At 3 July 2021	8.7
Carrying amount	
At 28 June 2020	68.3
At 3 July 2021	61.7

38 INVESTMENTS

GROUP SUBSIDIARIES

Details of the Group subsidiaries as at 30 June 2021 are as below.

The full address of Skyways House is Speke Road, Liverpool, L70 1AB. Unless otherwise stated, all companies are registered in England and Wales.

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Shop Direct Home Shopping Limited	Retail	Skyways House, L70 1AB	100%	100%
Shop Direct Licensing Limited	Retail	Skyways House, L70 1AB	100%	100%
Littlewoods Clearance Limited*	Retail	Skyways House, L70 1AB	100%	100%
Shop Direct Ireland Limited	Retail	Cape House, Westend Office Park, Dublin	100%	100%
Source Direct International Limited	Merchandise sourcing	One Pacific Place, Hong Kong	100%	100%
LW Finance Limited*	Intermediate holding company	Skyways House, L70 1AB	100%	100%
LW Investments Limited	Intermediate holding company	Skyways House, L70 1AB	100%	100%
Littlewoods Limited	Intermediate holding company	Skyways House, L70 1AB	100%	100%
Shop Direct Group Financial Services Limited*	Intermediate holding company	Skyways House, L70 1AB	100%	100%
Littlewoods Retail Limited	Intermediate holding company	Skyways House, L70 1AB	100%	100%
Shop Direct Finance Company Limited	Financial services	Skyways House, L70 1AB	100%	100%
Douglas Insurance Limited*	Insurance company	Finch House, Isle of Man, IM1 2PS	100%	100%
The Very Group Funding PLC*	Funding	Skyways House, L70 1AB	100%	100%
Shop Direct Limited	Dormant	Skyways House, L70 1AB	100%	100%
Shop Direct Financial Services Limited	Dormant	Skyways House, L70 1AB	100%	100%
Shop Direct Contact Centres Limited*◊	Dormant	Skyways House, L70 1AB	100%	100%
Business Express Network Limited	Dormant	Skyways House, L70 1AB	100%	100%
Catalogue Bargain Shop Limited◊	Dormant	Skyways House, L70 1AB	100%	100%

38 INVESTMENTS (continued)

GROUP SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Innovations Group Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Lewis U.K. Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Littlewoods Direct Recoveries Limited	Dormant	Skyways House, L70 1AB	100%	100%
Littlewoods Finance Company Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Littlewoods Home Shopping Finance Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Littlewoods Home Shopping Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Littlewoods7 Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Love Label Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Nationwide Debt Recovery Limited◊	Dormant	Skyways House, L70 1AB	100%	100%
Shop Direct Trustees Limited*◊	Dormant	Skyways House, L70 1AB	100%	100%
White Arrow Express Limited*◊	Dormant	Skyways House, L70 1AB	100%	100%
White Arrow Leasing Limited*◊	Dormant	Skyways House, L70 1AB	100%	100%
Woolworths Limited	Dormant	Skyways House, L70 1AB	100%	100%
Woolworths Holdings Limited	Dormant	Skyways House, L70 1AB	100%	100%
Very Group Holdings Limited	Dormant	Skyways House, L70 1AB	100%	100%
Very Group International Limited	Dormant	Skyways House, L70 1AB	100%	100%
Very Group Finance Limited	Dormant	Skyways House, L70 1AB	100%	100%
Very Group Retail Limited	Dormant	Skyways House, L70 1AB	100%	100%
Very Group Financial Services Limited	Dormant	Skyways House, L70 1AB	100%	100%
VG Consumer Finance Limited	Financial services	Skyways House, L70 1AB	100%	0%

* indicates direct investment of The Very Group Limited
◊ indicates the investment is in the process of being liquidated

SUMMARY OF THE COMPANY INVESTMENTS

	2021 £m	2020 £m
Investments in subsidiaries	**813.3**	991.4

Subsidiaries	
Cost or valuation	
At 30 June 2019, 28 June 2020 and 3 July 2021	1,432.5
Liquidation of investments	(178.1)
At 3 July 2021	1,254.4
Provision	
At 30 June 2019, 28 June 2020 and 3 July 2021	441.1
Carrying amount	
At 3 July 2021	813.3
At 28 June 2020	991.4
At 29 June 2019	991.4

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS continued

39 DEFERRED TAX

Deferred tax movement during the period:

	At 28 June 2020 £m	Recognised in income statement £m	**At 3 July 2021 £m**
Accelerated tax depreciation	0.4	1.6	**2.0**
Net tax assets	0.4	1.6	**2.0**

Deferred tax asset recognition is based on entity only future taxable profits with deferred tax assets expected to reverse in future periods.

40 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 (Restated) £m
Non-current:		
Amounts owed by subsidiaries	**1,067.4**	1,072.2
	1,067.4	1,072.2

	2021 £m	2020 (Restated) £m
Amounts owed by subsidiaries	**5.6**	6.0
Amounts owed by parent	**488.0**	485.5
Amounts owed by other group companies	**14.2**	35.2
Other receivables	**0.3**	0.6
	508.1	527.3

RESTATEMENT

In the prior period, amounts owed by subsidiaries were classified as current receivables due to the amounts being repayable on demand. However, these amounts are not expected to be settled within 12 months of the balance sheet date and therefore as of 27 June 2020 these amounts have been classified as amounts due after 12 months as a non-current receivable. The table below sets out the impact on each balance sheet line item.

	Non-current trade and other receivables £m	Total non-current assets £m
27 June 2020 as previously reported	–	1,060.1
Reclassification	1,066.2	1,066.2
Restated balance at 27 June 2020	**1,066.2**	**2,126.3**

	Current trade and other receivables £m	Total current assets £m
27 June 2020 as previously reported	1,593.5	1,593.5
Reclassification	(1,066.2)	(1,066.2)
Restated balance at 27 June 2020	**527.3**	**527.3**

The restatement had no impact on total assets or on the income statement for the company.

41 LOANS AND BORROWINGS

	2021 £m	2020 £m
Current loans and borrowings at amortised cost		
Secured revolving credit facility	**90.0**	150.0

The underlying currency of the secured revolving credit facility is Sterling.

	2021 £m	2020 £m
The borrowings are repayable as follows:		
Within one year	**90.0**	150.0

	2021 %	2020 %
The weighted average interest rates paid were as follows:		
Secured revolving credit facility	**2.81**	3.26

42 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Amounts due to subsidiaries	**1,660.1**	1,804.7

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

43 LEASES

AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	2021 £m	2020 £m
Right-of-use assets:		
Plant and equipment	**61.7**	68.3
	61.7	68.3

The Company presents lease liabilities as obligations under finance leases in the Statement of Financial Position. The amounts included within obligations under finance leases are as follows:

	2021 £m	2020 £m
Lease liabilities:		
Current	**7.5**	8.0
Non-current	**105.0**	115.3
	112.5	123.3

Additions to the right-of-use assets during the financial period ending 3 July 2021 were £nil (27 June 2020: £70.4m). The total cash outflow for leases during the financial period ending 3 July 2021 was £18.6m (2020: £9.6m).

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The Income Statement includes the following amounts relating to leases:

	2021 £m	2020 £m
Depreciation charge of right-of-use assets:		
Plant and equipment	**6.7**	2.1
Impairment charge on leased assets	**–**	–
Interest expense on lease liabilities	**2.6**	4.2

LEASING ACTIVITIES

The Group enters into leases for a range of assets, principally relating to property. These property leases, which consist of office buildings and warehouses, have varying terms, renewal rights and escalation clauses, including periodic rent reviews. Plant and equipment includes assets leased for use at Skygate.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
continued

44 RELATED PARTY TRANSACTIONS

SUMMARY OF TRANSACTIONS WITH ENTITIES WITH JOINT CONTROL OR SIGNIFICANT INTEREST

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the note. There are no transactions between the Company related parties who are not members of The Very Group Limited.

At the balance sheet date, the Company had the following intercompany loans outstanding with its fellow group companies outside of The Very Group Limited:

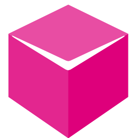
	2021 £ m	2020 £ m
Amounts due from fellow Group undertakings		
Shop Direct Holdings Limited	**488.0**	485.5
Primevere Limited	**–**	22.9
Primevere Equipment Limited	**14.2**	12.3
	502.2	520.7

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

The lease liabilities disclosed in note 43 includes £65.6m (2020: £75.3m) that is due to Primevere Equipment Limited and £46.6m (2020: £48.0m) due to Primevere Limited.

45 SHARE CAPITAL

	2021 £ m	2020 £ m
Allotted, called-up and fully paid:		
Ordinary shares of £1 each	**200.0**	200.0



THE VERY GROUP

COMPANY INFORMATION

DIRECTORS
A S Barclay
H M Barclay
H B Birch
B P Fletcher (appointed 1 September 2020)
D W Kershaw
P L Peters
S A Winton
J T Humphries
M McMenemy

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