REGISTERED NUMBER: 04730752

THE VERY GROUP LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 6 months ended 31 December 2020

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INTERIM RESULTS STATEMENT

The Directors present their interim results statement of The Very Group Limited and its subsidiaries ("the Group") for the six month period ended 31 December 2020.

Review of the business

Whilst continuing to operate through the Covid-19 pandemic, our business has continued to prove its adaptability and resilience, as demonstrated by our Q2 FY21 YTD[1] results. At The Very Group, the safety and well-being of our colleagues and customers remains our priority. In line with government guidance we are ensuring the protection of our colleagues whilst we have kept our online store open for customers at a time when they need us as much as ever.

Pre-exceptional EBITDA[2] increased 15.5% to £130.5m (Q2 FY20 YTD: £113.0m). The profit for the period increased to £19.5m (Q2 FY20 YTD: profit of £19.3m) after recognising exceptional items of £16.1m (Q2 FY20 YTD: £9.1m).

Group sales

Group sales[3] increased by 12.1% to £1,255.2m (Q2 FY20 YTD: £1,119.5m), reflecting a significant improvement from a 0.8% year-on-year decline in Q2 FY20 YTD. Very.co.uk revenue grew 18.2% to £1,013.3m (Q2 FY20 YTD: £857.3m), benefitting from its combination of famous brands, mobile-first customer experience and options to spread the cost of purchases using credit. Littlewoods revenue was down 7.7% to £241.9m (Q2 FY20 YTD: £262.2m) as we successfully controlled the decline of the Littlewoods brand.

Retail sales

Retail sales[4] increased by 16.0% with our flagship brand Very.co.uk growing retail sales by 22.6%. Our robust business model which offers a multi-category range has continued to provide resilience against adverse movements in individual product categories.

In line with trends seen in Q4 FY20 consumers continue to buy into product categories to support home living and working. Electrical revenue grew by 32.7% driven by double digit growth across most categories, with the strongest performances seen in gaming, vision, computing and audio. Home grew by 28.5%, driven by customers continuing the trend of purchasing from our home accessories, home furnishings and garden tools and DIY ranges. Other categories (which represents 12% of the retail sales mix, includes toys, gifts, beauty and leisure) grew by 3.7%, resulting from solid performances across sports equipment and fitness categories, as well as beauty and fragrances, and gifts. Fashion & Sports sales decreased by 2.5%, with the second quarter of the year returning to year-on-year growth of 1.4%, following a year-on-year decline of 8.6% in the first quarter of the year. This was driven by strong performances in nightwear and celebrity designer categories. Sportswear has continued to perform strongly in the period, reporting growth of 10.4%, reflecting a trend towards customers purchasing casualwear.

Notes:
1. Q2 FY21 YTD is the 6 months ended 31 December 2020. Q2 FY20 YTD is the 6 months ended 31 December 2019.
2. Pre-exceptional EBITDA is defined on page 4 of the Financial Statements.
3. Group sales defined as net despatches excluding VAT and inclusive of Financial Services revenues and IFRS adjustments for discounts and vouchers.
4. Retail sales is on a management accounts basis excluding statutory adjustments, therefore differs to revenue from the sale of goods presented in condensed consolidated income statement.

INTERIM RESULTS STATEMENT (continued)

Financial Services revenue

Financial Services revenue (rendering of services) has decreased by 10.9% driven by interest income which has been impacted by i) higher customer payment rate which has increased by 1.5%pts compared to Q2 FY20 YTD, as a proportion of customers have chosen to pay down outstanding debt following an increase to their disposable income during lockdown periods and ii) a number of changes made to the customer journey including ongoing enhancements to approval decisions using the most up-to-date credit bureau data and 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 and bad debt (as shown below), and we expect to annualise on this revenue impact during FY21. Interest income as a percentage of the average debtor book has consequently decreased by 0.9%pts to 10.6% (Q2 FY20 YTD: 11.5%).

Financial Services revenues has also been impacted by a reduction in the volume of administration fees charged in the period, driven by i) the continued availability and use of FCA mandated three-month payment freezes (0.4% of credit accounts at the end of December (30 June 2020: 1.7%)), ii) an underlying reduction in arrears, and iii) the lower year-on-year average debtor book.

Gross profit and costs

Gross margin rate decreased by 1.8%pts to 34.2% (Q2 FY20 YTD: 36.0%). Higher underlying retail margin rates, driven by a higher full price mix across all categories, and lower bad debt have been more than offset by lower financial services revenue and the impact on retail margin from a lower mix of fashion & sports sales, as well as the continued brand switch to Very from Littlewoods.

Bad debt expense as a percentage of the debtor book was lower than prior year at 3.7% (Q2 FY20 YTD: 4.5%). There has been a continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the lifetime of lending.

In line with FCA guidance, credit customers temporarily affected by Covid-19 are permitted two three-month payment freezes. This is accounted for within the bad debt provision as if these customers were not on a freeze and followed a normal bad debt profile. As at the end of December, 0.4% of all credit accounts remained on a Covid-19 related payment freeze (30 June 2020: 1.7%).

Pre-exceptional distribution expenses increased to £128.4m (Q2 FY20 YTD: £126.7m), reflecting retail sales growth. As a percentage of revenue, pre-exceptional distribution costs decreased to 10.2% (Q2 FY20 YTD: 11.3%). Within this result we are seeing benefits from the opening of the new fulfilment and returns centre at East Midlands Gateway. Administrative expenses before exceptional items, amortisation and depreciation were £170.6m (Q2 FY20 YTD: £164.2m) and as a % of revenue, administrative expenses before exceptional items, amortisation and depreciation decreased to 13.6% (Q2 FY20 YTD: 14.6%), driven by savings made as part of a continued focus on managing the cost base. Total costs, excluding exceptional items, depreciation and amortisation, as a percentage of revenue decreased to 23.8% (Q2 FY20 YTD: 25.9%).

Pre-exceptional EBITDA and underlying EBITDA

Pre-exceptional EBITDA increased 15.5% to £130.5m (Q2 FY20 YTD: £113.0m). As a percentage of Group revenue, the pre-exceptional EBITDA margin increased 0.3%pts to 10.4% compared to the prior year (Q2 FY20 YTD: 10.1%). The higher pre-exceptional EBITDA reflects continued revenue growth and strong cost control. Underlying EBITDA[5], which excludes fair value and pension adjustments, increased 13.3% to £135.8m (Q2 FY20 YTD: £119.9m).

Notes:
5. Underlying EBITDA is defined in on page 5 of the Financial Statements.

INTERIM RESULTS STATEMENT (continued)

Finance costs

Net finance costs of £52.5m are lower than prior year, driven by lower LIBOR rate in the period (Q2 FY20 YTD: £54.9m).

Exceptional items

Exceptional items charged to operating profit of £19.9m (Q2 FY20 YTD: £9.1m) consist of an increase in the regulatory provisions and costs associated with the move to East Midlands Gateway. Q2 FY20 YTD costs include those associated with the move to East Midlands Gateway, as well as restructuring costs and professional fees.

Taxation

The tax charge in the income statement of £4.5m is based on management's best estimate of the full year effective tax rate based on estimated full year profits (Q2 FY20 YTD: charge £3.0m). The tax charge includes a £3.8m credit in relation to exceptional items charged in the period (Q2 FY20 YTD: nil).

Statement of cash flows

Net cash and cash equivalents decreased by £150.7m to £55.7m during the period (Q2 FY20 YTD: net cash and cash equivalents increase of £17.8m to £25.0m). The year-on-year decrease is driven by a £150.0m repayment of the revolving credit facility in Q2 FY21 YTD (Q2 FY20 YTD: £60.0m repayment), a £75.0m share capital issue which was included in the cash flow in the prior year period, timing of payments to suppliers, including tax payments delayed in FY20 of £18.5m under the HMRC time to pay scheme, as well as timing of customer redress payments.

Cash flows in respect of capital additions for the period of £29.4m (Q2 FY20 YTD: £31.5m) were across business-as-usual and strategic investments. The year-on-year decrease is driven by the timing of investment in strategic projects.

Financial position

Increase in equity of £58.4m to £119.0m (30 June 2020: equity £60.6m, 31 December 2019: equity £4.8m) was driven by the profit for the period and a reduction in retirement benefit obligations of £39.1m following the formal agreement reached on 19 August 2020 between the Group and the Trustees of the Scheme with regards to future Company contribution obligations. The revised Schedule of Contributions allows for a single future contribution of £18.7m payable on or before 31 August 2021.

Inventory held at 31 December 2020 increased against the 30 June 2020 position to £101.2m (30 June 2020: £65.4m, 31 December 2019: £121.3m) driven by seasonality. Working capital efficiency through inventory management remains a key focus. Trade and other receivables at 31 December 2020 increased against the 30 June 2020 position to £2,267.3m (30 June 2020: £2,072.7m, 31 December 2019: £2,291.8m) driven by an increase in gross trade debtors in the period, reflecting sales growth during the peak trading period. Trade and other payables at 31 December 2020 increased to £717.1m (30 June 2020: £533.1m, 31 December 2019: £708.7m) driven by inventory purchases due to seasonality and sales growth during the peak trading period in November and December.

Securitisation borrowings increased to £1,470.5m (30 June 2020: £1,385.4m, 31 December 2019: £1,435.6m), driven by the increase in gross trade debtors. The UK securitisation facility expires in December 2023 and has a total facility size of £1,585.0m. The securitisation borrowings also include £29.2m (30 June 2020: £26.4m, 31 December 2019: £26.3m) relating to the balance sheet receivables of Shop Direct Ireland Limited.

INTERIM RESULTS STATEMENT (continued)

Principal risks and uncertainties

The principal risks and uncertainties are as disclosed in the Group's consolidated financial statements for the year ended 30 June 2020.

Going concern

In determining that the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities. Further detail is included in note 2 to the Financial Statements.

Alternative performance measures

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

Reconciliation of operating profit to pre-exceptional EBITDA

	6 months to 31 Dec 2020 £'m	6 months to 31 Dec 2019 £'m	Year to 30 June 2020 £'m
Operating profit	76.5	77.2	165.4
Adjusted for exceptional items	19.9	9.1	38.4
Operating profit before exceptional items	96.4	86.3	203.8
Adjusted for: depreciation and amortisation	34.1	26.7	55.3
Pre-exceptional EBITDA	130.5	113.0	259.1

INTERIM RESULTS STATEMENT (continued)

Alternative performance measures (continued)

Reconciliation of operating profit to underlying EBITDA

	6 months to 31 Dec 2020 £'m	6 months to 31 Dec 2019 £'m	Year to 30 June 2020 £'m
Operating profit	76.5	77.2	165.4
Adjusted for exceptional items	19.9	9.1	38.4
Operating profit before exceptional items	96.4	86.3	203.8
Adjusted for: depreciation and amortisation	34.1	26.7	55.3
Pre-exceptional EBITDA	130.5	113.0	259.1
Adjusted for:			
Fair value adjustments to financial instruments	5.9	6.8	2.3
Fair value adjustments to trade creditors	(1.8)	(1.4)	(0.2)
Pension adjustments	1.2	1.5	3.2
Underlying EBITDA	135.8	119.9	264.4

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		6 months to 31 Dec 2020 (unaudited)			6 months to 31 Dec 2019 (unaudited)			Year to 30 June 2020 (audited)		
	Notes	Pre-exceptional items £'m	Exceptional items(4) £'m	Total £'m	Pre-exceptional items £'m	Exceptional items(4) £'m	Total £'m	Pre-exceptional items £'m	Exceptional items(4) £'m	Total £'m
Sale of goods		1,075.1	-	1,075.1	917.4	-	917.4	1,657.4	-	1,657.4
Rendering of services		180.1	-	180.1	202.1	-	202.1	393.3	-	393.3
Total revenue	3	1,255.2	-	1,255.2	1,119.5	-	1,119.5	2,050.7	-	2,050.7
Cost of sales		(826.4)	-	(826.4)	(717.0)	-	(717.0)	(1,302.8)	-	(1,302.8)
Gross profit		428.8	-	428.8	402.5	-	402.5	747.9	-	747.9
Distribution costs		(128.4)	(7.0)	(135.4)	(126.7)	(3.9)	(130.6)	(227.3)	(20.9)	(248.2)
Administrative costs		(204.7)	(12.9)	(217.6)	(190.9)	(5.2)	(196.1)	(319.0)	(17.5)	(336.5)
Other operating income		0.7	-	0.7	1.4	-	1.4	2.2	-	2.2
Operating profit	3	96.4	(19.9)	76.5	86.3	(9.1)	77.2	203.8	(38.4)	165.4
Finance income		0.1	-	0.1	-	-	-	0.1	-	0.1
Finance costs		(52.6)	-	(52.6)	(54.9)	-	(54.9)	(112.9)	(4.2)	(117.1)
Profit before tax		43.9	(19.9)	24.0	31.4	(9.1)	22.3	91.0	(42.6)	48.4
Tax (charge)/credit	7	(8.3)	3.8	(4.5)	(3.0)	-	(3.0)	13.0	8.1	21.1
Profit for the period/year		35.6	(16.1)	19.5	28.4	(9.1)	19.3	104.0	(34.5)	69.5
Profit attributable to equity holders of the Group		35.6	(16.1)	19.5	28.4	(9.1)	19.3	104.0	(34.5)	69.5

(4) – See note 4 - Exceptional items

The above results were derived from continuing operations.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 Dec 2020 (unaudited) £'m	6 months to 31 Dec 2019 (unaudited) £'m	Year to 30 June 2020 (audited) £'m
Profit for the period/year	19.5	19.3	69.5
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement on retirement benefit obligations before tax	39.1	(0.3)	(21.7)
Income tax effect	(0.1)	-	1.4
Other comprehensive income/(expense)	39.0	(0.3)	(20.3)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation loss	(0.1)	(0.7)	(0.1)
Other comprehensive income/(expense)	38.9	(1.0)	(20.4)
Total comprehensive income attributable to:			
Owners of the company	58.4	18.3	49.1

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec 2020 (unaudited) £'m	31 Dec 2019 (unaudited) £'m	30 June 2020 (audited) £'m
Assets				
Non-current assets				
Goodwill		202.5	202.5	202.5
Intangible assets		239.0	229.6	238.0
Property, plant and equipment		10.7	8.5	9.1
Right-of-use assets		139.5	73.4	146.2
Deferred tax assets		166.9	146.9	173.2
		758.6	660.9	769.0
Current assets				
Inventories		101.2	121.3	65.4
Trade and other receivables	6	2,267.3	2,291.8	2,072.7
Income tax asset		2.8	-	0.3
Cash at bank	10	55.7	25.0	206.4
Derivative financial instruments	5	-	-	2.5
		2,427.0	2,438.1	2,347.3
Total assets		3,185.6	3,099.0	3,116.3
Equity				
Share capital	11	(200.0)	(175.0)	(200.0)
Accumulated deficit		81.0	170.2	139.4
Equity attributable to owners of the company		(119.0)	(4.8)	(60.6)
Non-current liabilities				
Loans and borrowings	9	(550.0)	(550.0)	(550.0)
Securitisation facility	9	(1,470.5)	(1,435.6)	(1,385.4)
Retirement benefit obligations	12	(1.1)	(58.6)	(59.5)
Deferred income		(32.0)	(38.6)	(30.7)
Lease liabilities		(141.7)	(73.4)	(151.3)
Provisions	8	-	(5.3)	(0.6)
		(2,195.3)	(2,161.5)	(2,177.5)
Current liabilities				
Trade and other payables		(717.1)	(708.7)	(533.1)
Loans and borrowings	9	-	(35.0)	(150.0)
Retirement benefit obligations	12	(18.7)	-	-
Lease liabilities		(15.0)	(5.5)	(14.3)
Deferred income		(51.0)	(58.1)	(55.6)
Provisions	8	(66.1)	(123.4)	(125.2)
Derivative financial instruments	5	(3.4)	(2.0)	-
		(871.3)	(932.7)	(878.2)
Total liabilities		(3,066.6)	(3,094.2)	(3,055.7)
Total equity and liabilities		(3,185.6)	(3,099.0)	(3,116.3)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Accumulated deficit £'m	Total £'m
Changes in equity for the 6 months to 31 December 2020 (unaudited)			
Balance as at 1 July 2020	200.0	(139.4)	60.6
Profit for the period	-	19.5	19.5
Other comprehensive income	-	38.9	38.9
Total comprehensive income	-	58.4	58.4
Balance at 31 December 2020	200.0	(81.0)	119.0
Changes in equity for the 6 months to 31 December 2019 (unaudited)			
Balance as at 1 July 2019	100.0	(188.5)	(88.5)
Issue of share capital	75.0	-	-
Profit for the period	-	19.3	19.3
Other comprehensive expense	-	(1.0)	(1.0)
Total comprehensive income	75.0	18.3	18.3
Balance at 31 December 2019	175.0	(170.2)	4.8
Changes in equity for the year to 30 June 2020 (audited)			
Balance as at 1 July 2019	100.0	(188.5)	(88.5)
Issue of share capital	100.0	-	100.0
Profit for the year	-	69.5	69.5
Other comprehensive expense	-	(20.4)	(20.4)
Total comprehensive income	100.0	49.1	149.1
Balance at 30 June 2020	200.0	(139.4)	60.6

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 31 Dec 2020 (unaudited) £'m	6 months to 31 Dec 2019 (unaudited) £'m (restated)*	Year to 30 June 2020 (audited) £'m
Cash flows from operating activities			
Profit for the period/year	19.5	19.3	69.5
Adjustments for:			
Depreciation	7.9	4.7	13.4
Amortisation	26.5	22.0	46.2
Financial instrument net losses through profit and loss	5.9	6.8	2.3
Impairment of assets	-	1.0	5.7
Finance income	(0.1)	-	(0.1)
Finance costs	52.6	54.2	115.6
Income tax charge/(credit)	4.5	3.0	(21.1)
Decrease in provisions	(59.7)	(68.9)	(71.8)
Adjustments for pensions	(0.1)	2.2	(16.0)
Operating cash flows before movements in working capital	57.0	44.3	143.7
(Increase)/decrease in inventories	(35.8)	(27.1)	28.8
(Increase)/decrease in trade and other receivables	(196.5)	(188.5)	26.5
Increase in trade and other payables	179.9	198.7	23.8
Cash generated by operations	4.6	27.4	222.8
Income taxes paid	(0.8)	(0.2)	(0.4)
Interest paid	(51.5)	(50.0)	(107.4)
Net cash (outflows)/inflows from operating activities	**(47.7)**	**(22.8)**	**115.0**

*The restatement of the prior year figures in the cash flow statement is explained in note 2.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	6 months to 31 Dec 2020 (unaudited) £'m	**6 months to 31 Dec 2019 (unaudited) £'m (restated)***	**Year to 30 June 2020 (audited) £'m**
Net cash (outflows)/inflows from operating activities	(47.7)	(22.8)	115.0
Cash flows from investing activities			
Interest received	0.1	-	0.1
Acquisitions of property plant and equipment	(2.8)	(0.5)	(1.0)
Acquisitions of intangible assets	(26.6)	(31.0)	(73.1)
Net cash outflows from investing activities	(29.3)	(31.5)	(74.0)
Cash flows from financing activities			
Issue of share capital	-	75.0	100.0
Payments of lease liabilities	(8.9)	(5.9)	(9.6)
Proceeds from securitisation facility	85.2	63.0	12.8
(Repayments of)/proceeds from secured revolving credit facility	(150.0)	(60.0)	55.0
Net cash (outflows)/inflows from financing activities	(73.7)	72.1	158.2
Net (decrease)/increase in cash and cash equivalents	(150.7)	17.8	199.2
Opening cash and cash equivalents	206.4	7.2	7.2
Closing cash and cash equivalents	55.7	25.0	206.4

*The restatement of the prior year figures in the cash flow statement is explained in note 2.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Very Group Limited is a private company limited by share capital, incorporated and domiciled in England and Wales under the Companies Act. The address of its registered office is First Floor, Skyways House, Speke Road, Speke, Liverpool L70 1AB.

These condensed consolidated interim financial statements were approved for issue on 22 February 2021.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the six months ended 31 December 2020 should be read in conjunction with the annual financial statements for the year ended 30 June 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The interim financial information has been prepared on the going concern basis using accounting policies consistent with International Financial Reporting Standards and in accordance with IAS 34 'Interim Financial Reporting'. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's annual financial statements for the year ended 30 June 2020.

The financial information included in this set of condensed accounts for the year ended 30 June 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts, prepared under International Financial Reporting Standards (IFRSs) as adopted by the EU, has been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the year ended 30 June 2021 will be prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. This condensed set of financial statements has been prepared applying the accounting policies and presentation that will be applied in the preparation of the Group's consolidated financial statements for the year ended 30 June 2021.

The financial statements are drawn up to Saturday 26 December 2020 for the current 26 week period. The financial information for the comparative periods relates to the 26 week period ended Saturday 28 December 2019 and the 52 week period ended Saturday 27 June 2020.

Critical accounting judgements and key sources of estimation uncertainty

Full details of the Group's critical accounting judgements and key sources of estimation uncertainty are included in the Group's consolidated financial statements for the year ended 30 June 2020. There have been no changes to the Group's critical accounting judgements and key sources of estimation uncertainty in the six months ended 30 December 2020.

New standards, interpretations and amendments not yet effective

A number of new standards and interpretations have been issued but are not yet effective for the Group. These standards are either not expected to have a material effect on the Consolidated Financial Statement or they are not currently relevant for the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

Going concern

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities together with factors likely to affect its future development, performance and financial position including cash flows, liquidity and borrowing facilities and the principal risks and uncertainties relating to its business activities. Given the current uncertain economic climate, realistic assumptions for working capital performance have been used to determine the level of financial resources available to the Group and to assess liquidity risk. The key risk identified for these assumptions is the impact that a deterioration in the economic climate would have on revenues and the debtor book.

The Group has carefully considered its cash flows and banking covenants for the 12 months from the date of issue of these interim financial statements. These have been considered in conjunction with the current economic climate, including the Covid-19 pandemic.

As a result of the Covid-19 pandemic, the Group has experienced the following:

- A shift in sales out of fashion and into the likes of electrical and home categories;
- In line with other companies, and per FCA guidance the Group has granted customers adversely impacted by Covid-19 the ability to take a 3 month payment freeze. At its peak 2% of customer accounts were utilising this facility and currently 0.5% of accounts remain on a payment freeze. Despite this, customer payment rates since the onset of Covid-19 have been and remain at historically high levels.

The Group has continued to trade effectively throughout the pandemic with the online store remaining open and office-based colleagues working from home. Actions taken by the Group have included cost reduction, tight management of capital spend and inventory management. The multi-category offering has provided resilience against movements in individual product categories and there has been an increase in customer account applications, including credit accounts. 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.

Following the work undertaken by the Group the Directors are confident that the Group has sufficient liquidity for the next 12 months, and they are confident the Group will satisfy covenant requirements. Forecasts have been stress tested with sensitivities around reductions in revenue, deterioration in customer payments and increased write offs of trade receivables. Significant positive headroom remains under each of the scenarios. Reverse stress testing has also been applied to the forecasts which represent a significant deterioration in the key assumptions from the base case forecasts. The reverse stress test scenarios are considered to be remote. Trading to date remains significantly better than the Group stress test scenario.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of accounting policies (continued)

Prior period restatement
In the prior period interim financial statements, the Group presented cash movements in relation to the secured revolving credit facility within the cash and cash equivalents balance. As per IAS 7, these amounts do not meet the definition of cash and cash equivalents and the cash flows associated with this facility should be treated as a financing cash flow.

The prior year figures for the 6 months to 30 December 2019 have been adjusted to increase the closing cash and cash equivalents line within the Unaudited Condensed Consolidated Cash Flow Statement by £35.0m. The financing activities have been decreased by £60.0m which reflects the decrease in the secured revolving credit facility during the prior period.

Extracts from Consolidated Statement of Cash Flows:

	£ m
Net cash flows from financing activities as previously reported	132.1
Repayments of secured revolving credit facility	(60.0)
Net cash flows from financing activities (restated)	72.1

	£ m
Net cash and cash equivalents at 1 July 2019 as previously reported	(87.8)
Add back amounts payable for secured revolving credit facility	95.0
Net cash and cash equivalents at 1 July 2019 (restated)	7.2

	£ m
Net cash and cash equivalents at 31 December 2019 as previously reported	(10.0)
Add back amounts payable for secured revolving credit facility	35.0
Net cash and cash equivalents at 31 December 2019 (restated)	25.0

3. Segmental analysis

Information reported to the Group’s Chief Executive for the purposes of resource allocation and assessment of segment performance is focussed on the business segmental analysis set out below, showing the principal brands which represent the Group’s reportable segments under IFRS 8. Pre-exceptional EBITDA represents the pre-exceptional EBITDA earned by each segment without allocation of central administration costs including Directors’ salaries, finance costs, and income tax expense. This is the measure reported to the Group’s Chief Executive, who is the Group’s chief operating decision maker, for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

By business segment

	6 months to 31 Dec 2020 £'m	6 months to 31 Dec 2019 £'m	Year to 30 June 2020 £'m
Analysis of revenue:			
Very†	1,013.3	857.3	1,589.8
Littlewoods◊	241.9	262.2	460.9
	1,255.2	1,119.5	2,050.7
Gross profit	428.8	402.5	747.9
Distribution costs excluding depreciation	(128.4)	(126.7)	(227.3)
Administrative costs excluding depreciation and amortisation	(170.6)	(164.2)	(263.7)
Other operating income	0.7	1.4	2.2
Pre-exceptional EBITDA*:			
Very†	179.0	158.5	329.4
Littlewoods◊	66.4	60.7	116.6
Central costs	(114.9)	(106.2)	(186.9)
	130.5	113.0	259.1
Exceptional items	(19.9)	(9.1)	(38.4)
Depreciation	(7.6)	(4.7)	(9.1)
Amortisation	(26.5)	(22.0)	(46.2)
Operating profit	76.5	77.2	165.4
Finance income	0.1	-	0.1
Finance costs	(52.6)	(54.9)	(112.9)
Exceptional finance costs	-	-	(4.2)
Profit before taxation	24.0	22.3	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 revenue includes Very.co.uk.
◊ Littlewoods revenue includes Littlewoods.com and LittlewoodsIreland.ie.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

By geographical location of destination

	6 months to 31 Dec 2020 £'m	6 months to 31 Dec 2019 £'m	Year to 30 June 2020 £'m
Revenue:			
United Kingdom	1,191.1	1,071.3	1,957.2
Republic of Ireland	64.1	48.2	93.5
	1,255.2	1,119.5	2,050.7
Operating profit:			
United Kingdom	69.0	73.6	156.6
Republic of Ireland	7.1	3.0	8.6
Rest of World	0.4	0.6	0.2
	76.5	77.2	165.4

The analysis above is in respect of continuing operations.

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

In common with many retailers, retail sales and therefore, to an extent, pre-exceptional EBITDA are subject to seasonal fluctuations and retail sales are weighted towards the first half of the financial year which includes the key Christmas period. This also results in seasonal variations in key balance sheet accounts including inventories, receivables and payables.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Exceptional items before tax

	6 months to 31 Dec 2020 £'m	6 months to 31 Dec 2019 £'m	Year to 30 June 2020 £'m
Regulatory costs and associated administrative expenses	12.9	-	15.0
Restructuring costs	-	4.2	10.4
New fulfilment centre costs charged to distribution costs	7.0	3.9	20.9
Covid-19 costs	-	-	2.9
Impairment of tangible fixed assets	-	-	3.4
Professional fees	-	1.0	6.9
Pension scheme past service credit	-	-	(21.1)
Charged to operating profit	19.9	9.1	38.4
Exceptional finance costs	-	-	4.2
	19.9	9.1	42.6

During the year ended 30 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 six months ended 31 December 2020 there has been a further increase of £12.9m to reflect an increase in the volume of claims and the expected average redress. The remaining provision of £55.2m at 31 December 2020 (31 December 2019: £106.9m; 30 June 2020: £101.1m) is expected to be fully utilised within 12 months.

The restructuring costs for the year ended 30 June 2020 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 year ended 30 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 will be 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Exceptional items before tax (continued)

The professional fees in the year ended 30 June 2020 related to corporate projects. These costs were included within exceptional items as they occur infrequently and are not part of underlying business performance.

During the year ended 30 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.

5. Derivative financial instruments

The Group uses fair values to measure its financial instruments using the following classifications:

- Level 1 – quoted prices for similar instruments
- Level 2 – directly observable market inputs other than Level 1 inputs
- Level 3 – inputs not based on observable market data

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

	31 Dec 2020 £'m	**31 Dec 2019 £'m**	**30 June 2020 £'m**
Notional amount – Sterling contract value	119.7	123.7	62.5
Fair value of (liability)/asset recognised	(3.4)	(2.0)	2.5

Changes in the fair value of derivative financial instruments amounted to a loss of £5.9m in the period (6 months to 31 December 2019: loss of £6.8m), which is included in administrative expenses.

The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 – directly observable market inputs other than Level 1 inputs. There were no transfers between Level 1 – quoted prices for similar instruments and Level 2 during the year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Trade and other receivables

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Trade receivables	1,494.9	1,514.8	1,330.6
Amounts owed by group undertakings (note 13)	525.6	515.1	522.3
Prepayments	184.1	156.9	159.6
Other receivables	62.7	105.0	60.2
	2,267.3	2,291.8	2,072.7

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Gross trade receivables	1,755.9	1,758.1	1,551.9
Allowance for doubtful debts	(261.0)	(243.3)	(221.3)
Net trade receivables	1,494.9	1,514.8	1,330.6

7. Taxation

Income tax expense is recognised based on management's best estimate of the full year effective tax rate based on estimated full year profits. For the six months ended 31 December 2020 the effective tax rate that has been applied is 19% (31 December 2019: 13%).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Provisions

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2020	0.8	23.9	101.1	125.8
Increase in provisions	-	-	12.9	12.9
Provisions utilised	-	(13.8)	(58.8)	(72.6)
At 31 December 2020	0.8	10.1	55.2	66.1
Non-current	-	-	-	-
Current	0.8	10.1	55.2	66.1
	0.8	10.1	55.2	66.1

The restructuring provision is expected to be fully utilised by the year ending 30 June 2022.

The regulatory provision reflects the estimated cost of all historical shopping insurance claims and associated processing costs and is expected to unwind as claims are cash settled throughout the year ending 30 June 2021. The remaining provision of £55.2m at 31 December 2020 is expected to be fully utilised within 12 months.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Provisions (continued)

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

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2019	0.8	22.2	174.6	197.6
Increase in provisions	-	5.6	15.0	20.6
Provisions utilised	-	(3.9)	(88.5)	(92.4)
At 30 June 2020	0.8	23.9	101.1	125.8
Non-current	-	0.6	-	0.6
Current	0.8	23.3	101.1	125.2
	0.8	23.9	101.1	125.8

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Borrowings

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,470.5	1,435.6	1,385.4
Senior secured notes	550.0	550.0	550.0
	2,020.5	1,985.6	1,935.4
Current loans and borrowings at amortised cost			
Secured revolving credit facility	-	35.0	150.0
Unsecured bank overdrafts	-	-	-
	-	35.0	150.0

Within the securitisation facility £29.2m (31 December 2019: £26.3m) is denominated in Euros. The underlying currency of all the other borrowings and overdrafts is Sterling.

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
The borrowings are repayable as follows:			
Within one year	-	35.0	150.0
In the second year	550.0	26.3	-
In the third to fifth year	1,441.3	1,959.3	1,935.4
Over five years	29.2	-	-
Amount due for settlement after one year	2,020.5	1,985.6	1,935.4

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

(a) The Group has drawn £1,441.3m (31 December 2019: £1,409.3m) 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 (£1,143.3m), '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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Borrowings (continued)

(b) The Group has senior secured notes of £550.0m, at 7.75%, due November 2022 with a secured revolving credit facility of £150.0m which was undrawn 31 December 2020 (31 December 2019: £35.0m drawn down). The senior secured notes are secured against certain assets held by the subsidiaries of the Group.

(c) The Group has an Irish securitisation facility against which it has drawn down £29.2m (31 December 2019: £26.3), 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 2028.

10. Reconciliation of net cash and cash equivalents

	31 Dec 2020 £'m	**31 Dec 2019 £'m**	**30 June 2020 £'m**
Cash at bank	55.7	25.0	206.4
Bank overdrafts	-	-	-
Net cash and cash equivalents in statement of cash flows	55.7	25.0	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.

11. Share capital

Allotted, called up and fully paid shares

	31 Dec 2020		**31 Dec 2019**		**30 June 2020**	
	No. m	**£'m**	**No. m**	**£'m**	**No. m**	**£'m**
Ordinary shares of £1 each	200	200	175	175	200	200

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Pension schemes

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") 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. This has reduced the Scheme liability as at 31 December 2020. A split of the liability on the balance sheet is as follows:

	31 Dec 2020 £'m	**31 Dec 2019 £'m**	**30 June 2020 £'m**
Scheme - defined benefit pension scheme deficit	(18.0)	(56.8)	(57.9)
UURBS and Ex-gratia - present value of scheme liabilities	(1.8)	(1.8)	(1.6)
Retirement benefit obligations	(19.8)	(58.6)	(59.5)

Reconciliation of Scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position in relation to the Scheme are as follows:

	31 Dec 2020 £'m	**31 Dec 2019 £'m**	**30 June 2020 £'m**
Fair value of scheme assets	1,513.3	1,575.3	1,667.2
Present value of scheme liabilities	(1,481.7)	(1,362.3)	(1,440.2)
	31.6	213.0	227.0
Restrictions on asset recognised	(31.6)	(213.0)	(227.0)
IFRIC 14 liability	(18.0)	(56.8)	(57.9)
Defined benefit pension scheme deficit	(18.0)	(56.8)	(57.9)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Pension schemes

Scheme assets
Changes in the fair value of Scheme assets are as follows:

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Fair value at start of year	1,667.2	1,560.0	1,560.0
Interest income	13.1	17.6	35.0
Return on plan assets, excluding amounts included in interest income/(expense)	(137.4)	30.0	146.2
Employer contributions	0.1	0.4	0.5
Benefits paid	(29.7)	(32.7)	(74.5)
	1,513.3	1,575.3	1,667.2

The 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.

Scheme liabilities
Changes in the present value of Scheme liabilities are as follows:

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Present value at start of year	1,440.2	1,373.1	1,373.1
Current service cost	-	-	0.4
Past service credit	-	-	(21.1)
Interest cost	11.3	15.4	30.7
Benefits paid	(29.7)	(32.7)	(74.5)
Actuarial gains	59.9	6.3	131.6
	1,481.7	1,362.3	1,440.2

The past service credit for the year ended 30 June 2020 relates to the GMP conversion which was completed during that year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed. Transactions between the Group and its fellow group companies are disclosed below.

During the year, Group companies entered into the following transactions with fellow group companies and related parties who are not members of The Very Group Limited Group:

Recharged costs

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Yodel Delivery Network Limited	1.2	2.2	4.2
Arrow XL Limited	0.3	0.2	0.4
	1.5	2.4	4.6

Purchase of services

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Yodel Delivery Network Limited	(27.9)	(30.9)	(70.2)
Drop & Collect Limited	(6.9)	(14.0)	(22.2)
Arrow XL Limited	(22.2)	(21.5)	(41.4)
Trenport Property Holdings Limited	(0.7)	(0.3)	(1.3)
Telegraph Media Group Limited	-	(0.3)	-
Shop Direct Holdings Limited	(2.5)	(2.5)	(5.0)
	(60.2)	(69.5)	(140.1)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Related party transactions (continued)

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

Amounts due from fellow Group undertakings

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Shop Direct Holdings Limited	488.0	480.5	485.5
Yodel Delivery Network Limited	0.7	1.6	0.9
Drop & Collect Limited	1.2	0.1	0.7
Arrow XL Limited	0.5	0.7	-
Primevere Limited	22.9	21.0	22.9
Primevere Equipment Limited	12.3	11.2	12.3
	525.6	515.1	522.3

Amounts due to fellow Group undertakings

	31 Dec 2020 £'m	31 Dec 2019 £'m	30 June 2020 £'m
Arrow XL Limited	-	-	(0.3)

The amounts outstanding are unsecured and repayable on demand. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.