THE VERY GROUP

HELPING FAMILIES GET MORE OUT OF LIFE

Annual Report and Group
Financial Statements 2021/2022

OUR PURPOSE

WE HELP FAMILIES GET MORE OUT OF LIFE

ABOUT US

With annual sales of £2.15bn, The Very Group is the UK's largest integrated pureplay digital retailer and flexible payments provider.

We're here for the millions of online shoppers in the UK and Ireland – and especially for families. Through Very and Littlewoods, we combine over 2,000 famous brands across electrical, home, fashion and more with a simple online experience and flexible ways to pay provided via our Very Pay platform. We receive 1.8m daily website visits from our 4.4m active customers across the UK and Ireland, delivering 50.2m items annually.

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Find out more:
www.theverygroup.com

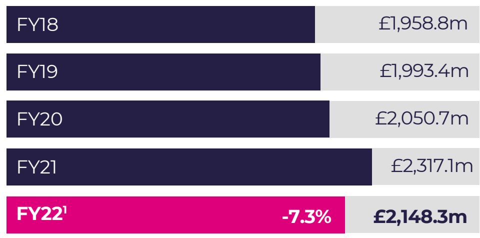
FY22 HIGHLIGHTS

OPERATING AND FINANCIAL HIGHLIGHTS

GROUP REVENUE

£2,148.3m

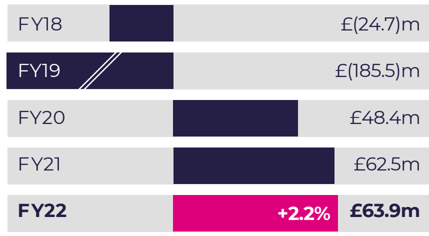
(-7.3%, -5.7% on adjusting for the 53rd week in FY21)[1]



PROFIT/(LOSS) BEFORE TAX[2]

£63.9m

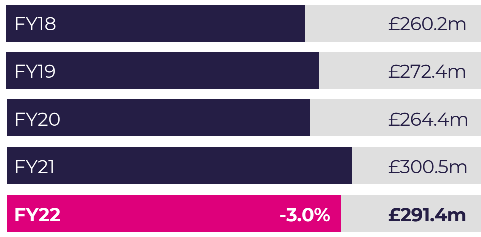
(+2.2%)



UNDERLYING EBITDA[3]

£291.4m

(-3.0%)



APP SALES MIX %

(AS % OF TOTAL ONLINE SALES)

40.3%

(+2.7%pts)

1 FY21 was a 53 week period whereas FY22 was a 52 week period. Unless otherwise stated, all comparators include the extra week in FY21. Where a 52 week comparison has been used, this is calculated using weeks 2-53 of FY21.
2 All figures unless otherwise stated reflect the impact of the Software as a Service accounting policy change, including prior year restatements where relevant. For figures relating to periods prior to FY21, there has been no restatement. Please see note 35 to the accounts for more detail.
3 Underlying EBITDA is defined on page 30 of the Financial review.

£2,148.3m
Group revenue (-7.3% YoY) – resilient top line performance against tough marketing conditions and a record-breaking prior year

£63.9m
Profit before tax (+2.2% YoY[2])

13.6%
Underlying EBITDA margin (+0.6%pts YoY)

100%
Renewable electricity usage of Skygate across our peak period, for the first time ever

36.2m
Units processed in Skygate in FY22 (up from 34.4m in FY21)

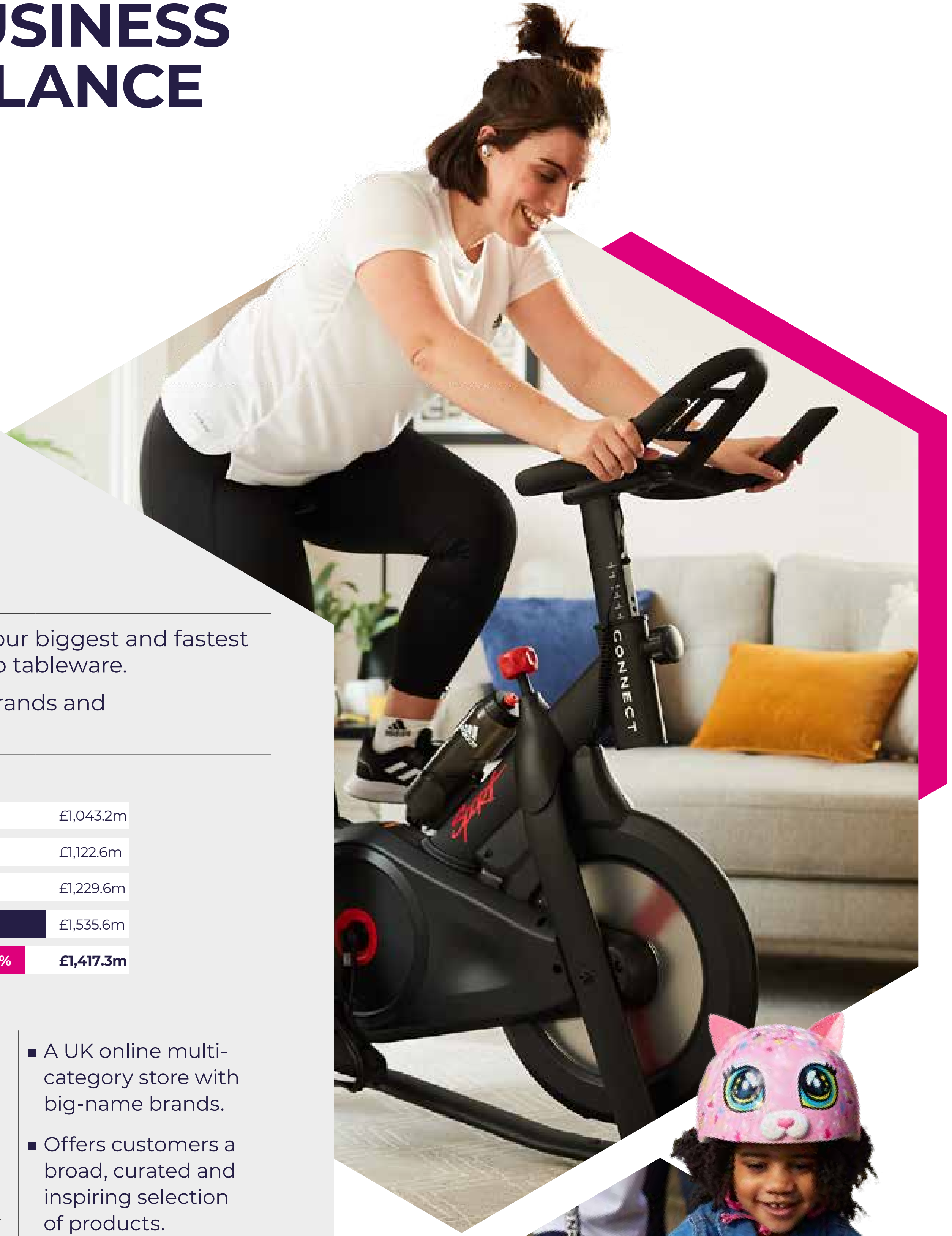
2,000+
brands across fashion, home, electrical and more

23.2%
costs as a percentage of revenue, down 1.6%pts YoY as a result of diligent cost management

Over 344,000
(+37.6%)
Average monthly chatbot interactions

DELIVERING BRANDS OUR CUSTOMERS LOVE

OUR BUSINESS AT A GLANCE



very

Making up 83% of group revenue (FY21: 81%), our biggest and fastest growing brand selling everything from tech to tableware.

It's famous for its combination of big-name brands and on-trend fashion.

VERY RETAIL SALES[3]

£1,417.3m

(-7.7%)

FY18		£1,043.2m
FY19		£1,122.6m
FY20		£1,229.6m
FY21		£1,535.6m
FY22	**-7.7%**	**£1,417.3m**

ONLINE VISITS

546.9m

(-11.1%)

REVENUE[5]

£1,790.5m

(-4.0%)

VERY PRE-EXCEPTIONAL EBITDA[2,4,5]

£382.3m

(-3.6%)

TOTAL ACTIVE CUSTOMERS

3.59m

(-5.9%)

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

Littlewoods.com

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

LITTLEWOODS RETAIL SALES[3]

£327.0m

(-19.1%)

FY18		£481.5m
FY19		£436.9m
FY20		£409.9m
FY21		£404.2m
FY22	**-19.1%**	**£327.0m**

REVENUE[1,5]

£357.8m

(-20.8%)

LITTLEWOODS PRE-EXCEPTIONAL EBITDA[2,4,5]

£103.9m

(-15.7%)

1 Littlewoods sales include Littlewoods.com and LittlewoodsIreland.ie.
2 Pre-exceptional EBITDA by brand is stated before central costs. See note 5 on page 100 for more details.
3 Retail sales is on a management accounts basis and therefore excludes certain other adjustments, meaning it differs to revenue from the sale of goods presented in note 4.
4 All figures unless otherwise stated reflect the impact of the Software as a Service accounting policy change, including prior year restatements where relevant. For figures relating to periods prior to FY21, there has been no restatement. Please see note 35 to the accounts for more detail.
5 The comparative split of revenue and operating profit between Very and Littlewoods has been restated for a reallocation of the returns provision between the two brands.

- 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.

LOOKING TO THE FUTURE WITH CONFIDENCE

CHAIR'S REVIEW

Strengthening our proposition, remaining vigilant and taking a long-term view

Our offer not only provides resilience and stability for the business, but significant opportunities for the future."

DIRK VAN DEN BERGHE
CHAIRMAN

A GREAT COMPANY TO JOIN

I was delighted to join The Very Group in January 2022. The Company has a strong market position, a well-defined customer base and a storied heritage. Throughout its 100-year history, the business has demonstrated its ability to reinvent itself to meet the changing needs of families – who it understands intimately. Indeed, the Group's core customer base is close to my heart, given my experience with Walmart. Mixed with my wider knowledge of online retail and payments, The Very Group feels an excellent fit for me.

Our strong, multi-category retail offer, digital shopping experience and innovative payment options provided through the Very Pay platform, combine to make a compelling option for consumers – allowing families to access the things they need and want. Our offer not only provides resilience and stability for the business, but significant opportunities for the future.

OUR NEW GROUP CEO

On 19 September 2022, we welcomed Lionel Desclée as our new Group CEO, and I am looking forward to working with him closely. Lionel, who joined us from McKinsey & Partners, is a highly respected leader with a wealth of global experience across digital and both food and non-food omnichannel retail. He previously spent three years as President and CEO of Walmart in Japan, where he led a 35,000-strong team at Seiyu, a Japanese supermarket business with a significant food and non-food presence. Before this he was CEO at Tom & Co, a European pet-care retailer, and between 2005 and 2016 held a series of senior roles in Europe and the US at global retail business Delhaize Group. Lionel has a proven record of achieving growth through transformation and operational excellence, developing and coaching world-class teams, and helping companies become even more customer-centric. I am confident his collaborative and strategic approach will prove invaluable as we further develop our proposition.

Henry Birch left the Group on 24 September 2022 and I would like to thank him for his excellent leadership over the past four and a half years. He guided our business successfully through the pandemic, launched our highly automated fulfilment centre, all this while our Company achieved record revenue and EBITDA (namely in 2021). He has been a dedicated and people-oriented leader. He leaves a fantastic legacy.

OPPORTUNITIES AND CHALLENGES

Looking ahead, I believe we should focus on three priorities to help us capitalise on opportunities and combat emerging challenges. Namely, we must strengthen our customer proposition through the new strategy the Group has developed, whilst remaining vigilant and agile, and always thinking about the long term.

The first of these priorities is to strengthen our customer offer via our new strategy, which focuses squarely on convenience, flexibility, and value, as well as exploring new products and services that help our customers get more out of life. This is something the Group has done very well over the last few years. For example, the planned addition of personal loans or the customer benefits derived from our stockless fulfilment both demonstrate how innovation can strengthen our offer. In convenience, we'll improve the digital journey as well as our range; in flexibility, we'll enhance and broaden our Very Pay options; and in value, we'll focus on price competitiveness, especially in the product areas most important to families.

Priority number two is to remain agile throughout this current period of macroeconomic and competitive challenges, and to react as required – much as the Group did in the face of the pandemic. With an inflationary environment such as not seen for 40 years, we must continue to monitor closely how this might affect our customers. In response, we have already made a number of adjustments to support customers, including launching our value range, and we have more changes planned throughout FY23. I am confident the Company is able and ready because our awareness and monitoring are strong, and we start from a position of strength.

The third priority, in a period of disruption, is that it's even more important to think about the long term, and stay especially close to our customers to anticipate their needs. In this sense, I've always believed the biggest threats are not external but internal, by which I mean we must guard against complacency. The answer is to remain humble and follow what our benchmarking, customer research and data analysis are telling us.

GOVERNANCE

Good governance is critical to running a sustainable business, and adds value for customers and shareholders. I believe my appointment as independent Chair is another clear indicator of the importance our business places on governance. Because ethics and standards are vital, we continue to strengthen our governance framework, alongside reviewing the roles and responsibilities of our Board committees. Furthermore, Charlotte Heiss joined us in May 2022 as Group General Counsel and Company Secretary. I invite you to read more in our Governance report.

OUTLOOK

When I have visited our head office in Liverpool, what has struck me is the high level of commitment and engagement throughout the team. The pride stands out. We are a company with very solid heritage, and it is clear we have a strong identity and culture.

I know our teams will work hard every day to keep our customers' needs, expectations and shopping experiences at the very heart of our business, so we are able to continue expanding our categories and payment options in response. In that way, we will keep The Very Group at the top of our customers' minds when they are looking to buy the good things they want in an easy and affordable way. I believe we can look to the future with confidence.

A RESILIENT PERFORMANCE

REVIEW OF THE YEAR

Supporting families, investing in our business and creating a great place to work.

A RESILIENT PERFORMANCE

We are pleased with our performance this year, in what have been challenging market conditions. While Covid-19 restrictions were largely lifted and much of the UK began to look beyond the pandemic, January 2022 brought fresh concerns about the cost of living, exacerbated further by the war in Ukraine. Against this backdrop, we prudently focused on earnings and liquidity.

Despite the reopening and resurgence of the high street and the impact of inflation on consumer spending, we grew underlying EBITDA margin by 0.6%pts to 13.6% and increased PBT 2.2% to £63.9m. While Very revenue fell 4.0% to £1,790.5m compared with last year's outstanding results, we estimate that the Group's share of the online non-food retail market[1] increased by 0.7%pts year-on-year.

Throughout the period, our 4.4m customers relied on our trusted choice of leading brands and flexible payment options to help get more out of life. We provided the gifts and partywear they wanted for a return to a more 'normal' Christmas, furnishings for more time spent at home, and the latest consoles and TVs, as entertaining the kids continued to be a high priority for parents. In fact, we saw a marked shift back towards fashion and sports as consumers started returning to pre-pandemic habits. In financial terms, the shifting customer behaviour has driven an increase in average order value, offsetting a decline in average order frequency.

OPERATIONAL ACHIEVEMENT

To achieve this performance, we continued to realise our operational goals and, crucially, mitigated fresh challenges posed as the costs of doing business increased for UK retailers. We continued to modernise our technology, strengthened our Very Pay platform, and increased our assortment through stockless technology, which allows customers to order from Very and have items shipped direct from the supplier. We also became more agile in our global sourcing operation and shipped to ports in the North of the UK, where containers headed directly by rail to our highly automated fulfilment centre in the East Midlands.

Today, our customers face a new challenge – the growing cost of living. Against this backdrop, we believe now is the perfect time to refocus our strategy, using our unique understanding of families to help them get more out of life. This will mean investing in our core offering of providing online access to the products our customers want and need, supported by flexible ways to pay. However, we will extend this focus to offer additional financial products, services and support to play an even more important role in their lives, giving even greater convenience and flexibility.

1 Based on British Retail Consortium data for the 52 weeks to 30 June 2022. Per BRC online non-food market has declined by 16.7%.

INVESTING IN OUR OPERATIONS

GROWING OUR BRAND OFFERING

This year, we added a number of new brands to Very with 60 in fashion and sport, including Sosandar, Gant, and Crew, and expanded our ranges with premium labels like Hugo Boss, Tommy Hilfiger, and Calvin Klein. We grew our popular beauty and self-care ranges with new brands, including Estée Lauder fragrance. Within electrical, we benefitted from the enduring appetite for, and strong allocations of, PS5 and Xbox Series X consoles, while we saw the virtual-reality trend accelerate with sales of Oculus. And while Covid restrictions began to lift, our home ranges continued to perform admirably, with Simba mattresses among 70 new brands we added to the category.

ENHANCING THE CUSTOMER EXPERIENCE THROUGH TECHNOLOGY

In one of the biggest tech developments in our history, we began transforming our e-commerce platform through a new partnership with commercetools, moving to a more-modern cloud-based architecture and infrastructure. This will allow us to significantly improve our platform, and make changes to the customer experience more frequently and faster than ever before. The partnership is one in a series of technology and talent investments we will make over the coming years to create an even better digital customer experience.

In addition, we introduced a new fashion sizing tool to give customers greater confidence when choosing size and fit, which removes their need to order several sizes of the same product, helping reduce returns. To improve the management information our customer service advisors use, we began our CRM transformation programme. And we are using advanced data analysis to support demand forecasting so our category teams can make more-informed buying decisions, improving availability for our customers.

FLEXIBLE WAYS TO PAY

We are fully regulated by the Financial Conduct Authority (FCA) and are always determined to look after our customers in a responsible way whilst providing families with important flexibility through payment options.

Our options for paying are a vital part of what makes us special. To highlight this, we enhanced our Very Pay brand and messaging across our website, apps and external marketing. Striving to play an even-more helpful role in the financial lives of families, we launched pet insurance through Very. We also further improved the accuracy of our credit-decisioning technology, which provides fast, responsible credit decisions, while helping us to detect fraud.

MAKING IT HAPPEN

A COLLABORATIVE CULTURE

Our achievements would not have been possible without the commitment of our amazing team, many of whom work in our new hybrid model. Designed for collaboration in the office and focused tasks at home, and supported by significant investments in technology, the model lets many of our trusted teams work in a way that best meets the needs of our customers, our business, and their own lives.

In addition, we want to ensure every colleague, customer, and member of our community feels welcomed, represented, and valued. Therefore, during the year, we established our new diversity and inclusion policy, with concrete 2025 targets for making sure ours is an inclusive workplace. These include diversity and inclusion training for all colleagues, and a 50/50 female-male split within our top three tiers of leadership. These initiatives all contributed to The Very Group being named Best Place to Work at the Retail Week Awards 2022.

STRENGTHENING OUR LEADERSHIP TEAM

To lead our Board through the next phase of the business's development, we were delighted to appoint Dirk Van den Berghe as Non-Executive Chair in January 2022. In his most recent executive roles, Dirk was responsible for Walmart's business in Canada, China, India, and Japan, as well as Walmart Global Sourcing. He has successfully transformed and grown some of the very best companies in e-commerce, marketplaces, and payments, and we believe he will make a material difference in helping us achieve our growth aspirations over the coming years. Furthermore, we appointed Charlotte Heiss as Group General Counsel and Company Secretary. Most recently, Charlotte spent 11 years at RSA Group, latterly as a member of the group executive committee.

We also hired Robbie Feather, the former CEO of Fenwick, as Retail Managing Director and a member of the executive team. Robbie developed Fenwick's digital strategy and launched the business online. Prior to this, he held a number of roles at Sainsbury's Argos, including Digital Director and General Merchandise Director. Meanwhile, we have promoted Sean Hallows to the role of Chief Operating Officer, joining the executive team. Sean has been with us for six years and most recently has led all outbound logistics and returns, as well as the planning, development, and launch of our highly automated fulfilment centre, Skygate.

VERY REVENUE
£1,790.5m

GROUP UNDERLYING EBITDA
£291.4m

REVIEW OF THE YEAR
continued

DOING BUSINESS RESPONSIBLY

We have developed an Environmental, Social and Governance (ESG) Committee, with strong reporting lines to the Board, to manage our sustainability strategy. This focuses on four areas – planet, circularity, product, and communities, each with clear 2025 targets – and allows us to work on a wide range of social and environmental issues in a structured way. As part of our many initiatives, we are tackling the impact of our operations on the environment and accelerating our shift towards green energy. Over the last year, we have maintained momentum in our environmental ambitions, and the switch to using renewable energy at all sites has further reduced our own operations' carbon footprint during the year by 40%. We are targeting being entirely carbon-neutral in our own operations by 2025, and across our value chain by 2035. Furthermore, we are increasing the use of sustainable materials in our own-brand clothes and home products, while, in addition to the charitable activities we support in the UK, we take a keen interest in the working conditions, livelihoods, and wellbeing of the communities around the world who produce the goods we sell. More information can be found in the sustainability section of this report, on page 34.

STRATEGIC PRIORITIES: HELPING FAMILIES GET MORE OUT OF LIFE

As mentioned above, thanks to the commitment of our people and the relevance of our online-only, multi-category model, we enjoyed a good performance in FY22. The year has demonstrated the relevance and resilience of our proposition, which provides choice, convenience and flexibility. These qualities, around which we've refined our strategic priorities, were naturally important during the pandemic and are likely to become even more relevant to families, who now face rising prices and bills. Over the coming year, we'll aim to become a household brand that stands with our customers.

We'll provide convenience by becoming a one-stop-shop for all the family, with curated choices for everyone and a great digital customer experience. We'll do it by growing our stockless fulfilment model to include even more brands and continuing to invest in technology to advance the customer journey. We have already incorporated Littlewoods Ireland into the Very brand following the rebrand of our Irish business in July 2022.

To offer greater flexibility, we'll provide an even wider range of payment options, tailored to our customers. This means enhancing our Very Pay platform with personalised offers and tailoring payment options for specific products. Meanwhile, we were excited to announce the introduction of personal loans. A pilot will be launched in the first half of FY23 which will be available to existing Very customers.

Meanwhile, to ensure more value for the family's money, we will continue to remain highly competitive, especially in product areas where families need us most. And we'll expand our own-brand range with our new Everyday Collection, which launched in August 2022 and offers great quality and value in fashion. To support our renewed strategy, we will continue to explore new products and financial services that will help families get more out of life.

OUR FOCUS

Today, our customers face an inflationary dynamic more widespread and acute than for over a generation. This phenomenon is not only affecting consumers, but will continue to be felt in the supply chain and in other operational costs for UK retailers.

However, our business has proven itself to become even more relevant to consumers, and effective in managing its costs, during challenging economic periods. Our Very Pay platform offers customers the chance to manage their household budgets in an easy and affordable way. Meanwhile, our wide product offering and improving digital experience means we provide the convenience busy families crave.

By continuing to invest in and develop our core customer proposition, we believe our model will be ever-more relevant to consumers in the face of challenging economic conditions. Meanwhile, we will also develop new propositions to play an even more important role in customers' lives. By steadfastly focusing on offering outstanding choice, ease and financial flexibility, we will continue to be a destination of choice for online shoppers in the UK and, in particular, the families on a budget we seek to serve.

RETAIL WEEK AWARDS 2022
Best Place to Work

GLASSDOOR
4.2/5
Diversity and inclusion rating

GROUP CHIEF EXECUTIVE'S STATEMENT

Being an even better partner to our customers in the years ahead.

> I believe in respecting the past, managing the present, and radically innovating for the future. This is how I intend to lead The Very Group."
>
> LIONEL DESCLÉE
> GROUP CHIEF EXECUTIVE

I joined The Very Group on 19 September 2022, and I have already been struck by the passion and commitment of our people for helping families get more out of life – and also by the amazing welcome I received.

I grew up on a farm with my mother, father and three brothers. I know what being part of a family on a budget means. Money needs to go further and time is at a premium. So I always strive to make a positive difference for the people around me, and for the world. That's why joining The Very Group, which has a clear purpose and a strong relationship with its customers, was a simple decision for me.

I believe in respecting the past, managing the present, and radically innovating for the future. This is how I intend to lead The Very Group.

The team has built a business with significant strengths and continued this progress through the pandemic. We have a compelling and resilient model that combines multi-category digital retail and flexible payments. We have an intimate relationship with our customers, formed through a deep understanding, which we must protect and enhance. And we have an amazing team, a strong culture and compelling values.

With the cost of living increasing, today it is more important than ever for us to stand alongside our customers and help them navigate these challenging times. We can do that by always keeping families at the centre of what we do – and by being great at what we do, whether enhancing our digital customer experience, adding new ways to pay, or building even stronger relationships with brands to become the partner of choice for families.

Over the coming years, I believe that through new ideas based on our unique understanding of our customers, we can build on the strengths of our business. Not only will we continue to offer the convenience, flexibility and value families want, but we will add new and complementary products and services to make their lives simpler.

I believe companies should aim to have a positive impact on the communities they serve and work within. We will continue to focus on our distinctive culture and on building an inclusive, sustainable organisation. This means delivering on our carbon-neutral targets and having an even bigger social impact, as well as building a business that truly represents our communities.

I believe in the power our combination of leading brands and flexible payments gives to families in the UK and Ireland. Our team has made significant progress in recent years and I am excited and energised to be an even better partner for our customers in the years ahead, while growing our business and continuing to create an amazing company to work for.

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.

OUR PURPOSE

We help families get more out of life

OUR STRENGTHS

- A large scale and differentiated e-commerce platform
- Well-positioned for future growth supported by structural tailwinds
- Unique integrated proposition driving customer engagement and value
- Well invested business with rich data and proprietary technology at its core
- Outstanding track record of sustainable, profitable growth and cash generation

THE VALUE WE CREATE

FOR CUSTOMERS

2,000+

brands across fashion, home, electrical and more

FOR OUR PEOPLE

4.1/5

overall rating on Glassdoor[1]

FOR OUR COMMUNITIES

31,000

people trained within our Indian supply chain

FOR THE ENVIRONMENT

40%

reduction in Scope 1 and 2 emissions in FY22

1 Overall workplace score per the website www.glassdoor.co.uk

DRIVEN BY OUR PURPOSE

OUR STRATEGY

In a year full of challenges, we lived our purpose of helping families get more out of life.

The Very Group has a long history of serving our customers, and over the last few years we have proven the continued relevance of our offering, which combines products our customers love with flexible ways to pay. The pandemic challenged us and many other retailers to adapt to a new way of operating, and we now look forward to FY23 with confidence that our business is strong and profitable.

ACHIEVING OUR KEY PRIORITIES

Last year we succeeded in four key priorities. Firstly, we said we would **invest in the customer experience** across our websites and apps. Secondly, we aimed to grow our range of **flexible ways to pay** and offer greater personalisation. Thirdly, we aimed to increase consumers' consideration of the Very brand, making it **top of mind** when they buy online. And finally, we wanted to **accelerate the growth of our 'lifestyle' offering**, which includes our fashion, sports and beauty ranges.

A RESILIENT AND ADAPTABLE BUSINESS MODEL

FY22 was undoubtedly challenging for the retail industry and for consumers, as everyone navigated the end of the pandemic and faced new economic pressures. Our resilient business model meant we continued to serve the needs of our customers and achieved our strategic priorities, making meaningful progress in the development of our business.

“We are a customer-centric organisation. Our strategy and culture align our development and delivery of products, services, and experiences with the current and future needs of families to maximise value.”

Read more in our customer focus case study p20

STRATEGY TOPIC	PROGRESS IN 2021/22
1 **IMPROVE DIGITAL CUSTOMER EXPERIENCE** Investing in our customer experience, with a particular emphasis on our websites and apps.	▪ In one of the biggest tech developments in our history, we began transforming our e-commerce platform through a new partnership with commercetools, moving to a more modern, cloud-based architecture and infrastructure. ▪ We introduced a new sizing tool in partnership with True Fit to give customers greater confidence when choosing size and fit, which also removes their need to order several sizes of the same product, helping reduce returns. ▪ To improve the management information our customer service advisors use, we began our CRM transformation programme.
2 **EXPAND FLEXIBLE WAYS TO PAY** Responsibly growing our range of flexible ways to pay and offering greater personalisation.	▪ We further improved our credit-decisioning technology, which provides fast, responsible credit decisions, while helping us detect fraud. ▪ Over the year we grew the Very and Group debtor book, as our customers continued to value our flexible ways to pay, with the Group average credit order value increasing by 2.6% year on year. ▪ We enhanced our Very Pay brand and messaging across our website, apps, and external marketing to make sure our customers understand their payment options.
3 **TOP OF MIND** Increasing consumers' consideration of the Very brand, making it top of mind when they consider online shopping.	▪ We strengthened our brand identity with a refreshed logo and additional brand assets to build even stronger brand equity in the market. ▪ We continued to make more families aware of our unique position of providing customers with the brands they love combined with flexible ways to pay through new advertising campaigns. ▪ We optimised our media strategy, focusing on channels that reach our customers most effectively, such as TV, cinema and celebrity partnerships.
4 **ACCELERATE LIFESTYLE** Alongside developing our wider curated retail offer, accelerating the growth of our lifestyle offering, which includes our fashion, sports and beauty ranges.	▪ We added brands to Very with 60 in fashion, including Sosandar, Gant, and Crew, and expanded our ranges with premium labels like Hugo Boss, Tommy Hilfiger, and Calvin Klein. ▪ We expanded our beauty and self-care ranges, including adding Estée Lauder fragrance. Within electrical, we benefitted from the enduring appetite for, and strong allocations of, PS5 and Xbox Series X consoles while we saw the virtual-reality trend accelerate with sales of Oculus. ▪ As Covid restrictions began to lift, our customers once again prioritised fashion and sport. However, our home ranges continued to perform admirably too, with Simba mattresses among 70 new brands we added to the category.

OUR STRATEGY
continued

FUTURE VERY

The retail industry is now facing fresh challenges. Once again, our business and our people must adapt to ensure we remain an important partner for customers. As such, we have refreshed our strategic priorities to make us truly invaluable to families – placing them at the heart of our decision-making and innovation. We are confident our new approach, which focuses squarely on what our customers care about most – convenience, flexibility, and value – will continue to differentiate us in an increasingly competitive market. This means even better brand choices and an outstanding digital customer experience; a wider range of flexible ways to pay; and a focus on value for families.

Our new strategic priorities don't represent a fundamental change in how we do things: they build upon our long-standing legacy as a multi-category retailer with integrated flexible ways to pay, dedicated to serving our core customers.

We are excited about this strategic approach and the long-term value it can create, both for our customers and for our wider stakeholders. While market conditions remain challenging, we are confident this new strategy will allow us to continue to thrive as a business.

> "We view data and technology as levers to create value, both for customers and for our shareholder. We use a mix of market-leading partners and in-house-built capability to create a stable, secure, and flexible platform for growth."
>
> **MATT GREST**
> **CIO**

OUR EVOLVED STRATEGY

CONVENIENCE	FLEXIBILITY	VALUE
A one-stop shop for all the family, with curated choices for everyone and a great digital customer experience.	The most flexible ways to pay, with a wide range of options tailored to our customers.	More value for the family's money, with great quality at affordable prices.

MAKING IT HAPPEN

CONVENIENCE	FLEXIBILITY	VALUE
Following the successful launch of our stockless fulfilment model, we plan to roll this out across many more brands to make sure our customers have the products they love when they need them. Building on the foundations laid in FY22, continued investment in our tech transformation and innovation of our customer journey will introduce a more contemporary, consistent and accessible design. Curated propositions will focus on those important family milestones to make shopping with us a relaxing and more personalised experience.	Changes to our Very Pay platform will enhance our ability to provide personalised offers as well as tailor flexible payments for specific products or occasions. We will make it easier than ever for our customers to monitor their accounts and make payments as it suits them through Very Pay. Customers will be able to use their Very Pay accounts to provide convenient and flexible access other Very services, such as the new personal loans scheme, which will be piloted with existing customers during the first half of FY23.	We will continue to ensure our offering remains competitive with the market, especially where our families need us the most. We will support this ambition with dynamic pricing capabilities, which will help us to monitor the market and flex our pricing strategies accordingly. We will supplement our strong offering with an expanded own-brand range, including our Everyday Collection, offering great quality and value.

COMPLEMENTED BY

THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES FOR MORE AREAS OF FAMILY LIFE

OUR CUSTOMERS

THE HEART OF OUR BUSINESS

We provide flexibility, convenience, and value, serving millions of online customers in the UK and Ireland.

We have a particular focus on working families who have to juggle to fit everything into the day and make their finances go further. We believe they are under-served in general in the UK.

We're a family brand, offering fantastic products conveniently and in one place, with flexible ways to pay. Our families want to make sure their kids have what they need and make the most of the special times of the year. Whether Christmas, birthdays, or holidays, we help with personalised offers at the most important moments. Through our comprehensive research, we maintain a deep understanding of our core customers and what they care about.

WHAT DO OUR FAMILIES WANT FROM A RETAILER?

Good things – and plenty to choose from. Our customers shop around online for great value for money. We offer easy online browsing, a competitive price and time-saving ways to shop. Across electrical, home, fashion and more, we offer over 2,000 brands, serving the needs of our 4.4m customers, all in one place.

Our strong strategic partnerships with leading brands mean we get a great allocation of key products, such as with big tech names like PlayStation and Microsoft, on popular products like the PS5 and Xbox. This year, we expanded our offering to include household brands like Dorothy Perkins, Long Tall Sally, Gant, and Crew in fashion, X Rocker in gaming, and Simba mattresses, Dulux, and Cuprinol in home. The launch of stockless fulfilment with Adidas and Reebok earlier this year saw our biggest ever increase of new product lines. We value the role these labels play in our customers' lives and we provide these big brands with unique access to our families. We complement this broad offering with our own-brand fashion range, which has been bolstered further in FY22 with our Everyday value offering.

RELIABLE DELIVERY OPTIONS

We know our customers also want reliable, fast delivery options, suited to them. Our highly automated fulfilment centre means we can offer next-day delivery for anything ordered by 10pm – one of the best cut-off times in UK retail – with our record dispatch time just 16 minutes from a customer placing their order. We have also made returns even simpler, with customers credited more quickly and items back on sale faster than ever.

VERY PAY HELPS SPREAD THE COST

Our families value the chance to spread the cost, which they can do through the flexible ways to pay offered by Very Pay. Our buy-now-pay-later offer includes six, nine and 12-month payment options. These accompany our popular Take 3 option, allowing customers to spread the cost of purchases over three equal monthly repayments.

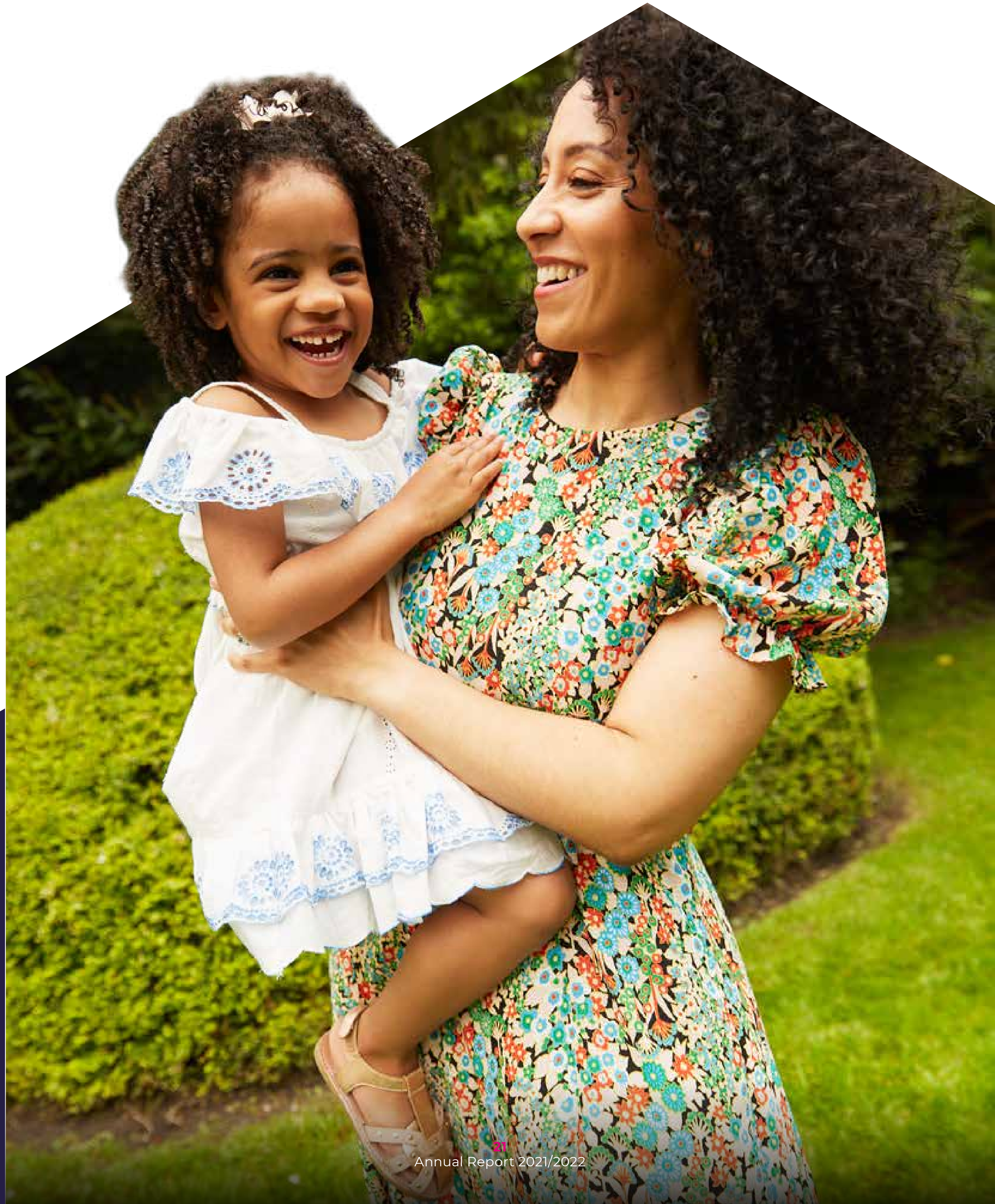
We are fully regulated by the Financial Conduct Authority (FCA) and always determined to look after our customers in a responsible way. By optimising our customer data, we continually improve the accuracy and care behind our credit decisions. We've also refined the technology that lets customers check their eligibility for an account before they undergo a full credit check. Plus, we know our customers appreciate important reminders about their balance, and our research has helped us improve our understanding of how and when they prefer text messages or app notifications for payment dates and amounts.

THE FUTURE

The cost of living has increased and we know our business becomes even more relevant to consumers in challenging times. That's why we're confident in the part we play and want to help our customers alleviate some of the pressure. During the first half of FY23 we will be launching a pilot to provide unsecured personal loans to help more families with their finances. Existing Very Pay customers can apply online and receive a quick decision. From then on, they can self-serve through their Very Pay account, including accessing flexible options to repay a regular instalment, make a full settlement, or repay any amount in between.

In addition, dynamic pricing ensures we can monitor the market effectively and respond quickly, offering our products at a price that suits our customers and our business. Plus we are developing the ability to personalise our Very Pay options, while adding new ones, to ensure our customers can access the right finance at the right time to reach their goals for their families. We'll be exploring new ways to provide even greater choice, flexibility, and convenience for our customers, while also doing what we can to mitigate rising operational costs. More than ever, we know who our customers are, we understand what they want from us, and we'll continue to tailor our entire offering to make sure we continue to help them get more out of life.

> "We're a family brand, offering fantastic products conveniently and in one place, with flexible ways to pay."
>
> **ROBBIE FEATHER,**
> **RETAIL MANAGING DIRECTOR**



THE DIGITAL CUSTOMER EXPERIENCE

HOW TECHNOLOGY AND DATA POWERS OUR BUSINESS

In an ever-evolving market, offering a brilliant digital customer experience (DCX) is more important than ever.

Strong DCX helps us to attract and retain our customers, who value easy online browsing from a wide and inspiring range of products, and time-saving ways to shop. DCX is also key to encouraging the best brands to work with us. To ensure the journey is the very best it can be and to prepare for our next phase of growth, in summer 2021, we embarked on a major three-year programme to transform the technology and data that powers our business.

MULTI-YEAR TECH TRANSFORMATION

As part of the transformation, we signed a new partnership with commercetools, a leading e-commerce platform. It's a major step forward in moving our technology towards a microservices-based and cloud-native architecture. In early 2022, we began migrating each stage of the customer journey from our existing platform over to commercetools, with every phase introducing a more contemporary, consistent, and accessible design.

The partnership gives us the ability to further improve both our customer experiences and our colleagues' capabilities. With the modular approach, our teams can make self-contained changes fast, knowing they're not going to have unforeseen consequences on another part of the platform. This enhances our well-established test-and-learn ability and we can understand within days, sometimes hours, if a change has been successful or otherwise, and can then either build on it or back-track.

This move was one of the first in a series of investments in technology during FY22, which also included new partnerships to expand and enrich our product information and transform our content management system. As we continue on our multi-year tech transformation roadmap, we'll make even more investments to improve our DCX, which we know is a priority for the families who shop with us.

PUTTING OUR CUSTOMERS AT THE HEART OF OUR DECISIONS

In FY22, we also focused on increasing our data capabilities, building new analysis tools to create a single trusted source of information containing over 120 customer variables across 4.4m active customer accounts. This gives us one of the richest datasets of any online retailer in the UK, with a clear profile and far deeper understanding of each customer's shopping behaviour, experiences, circumstances, and value.

The more we understand, the more relevant our product assortment and the more we can bring our customers' shopping experiences to life. That means bespoke browsing and marketing experiences, including timely offers, recommendations, and promotions.

STOCKLESS FULFILMENT

Another major technology introduction this year is our flexible fulfilment model. This allows brands to ship products directly to our customers, meaning we can significantly expand the range of products, as well as sizes and colours, we can offer. Our initial launch with Adidas and Reebok doubled overnight the product ranges available from these brands, and we continue to bring new brands on board to make our offer even more compelling in the market.

BRINGING DCX TO LIFE

Meanwhile, we're using technology to provide personalised size and fit guidance across 300 fashion brands, working with True Fit, who use machine learning alongside one of the industry's largest connected datasets. It means our customers can confidently choose the right size and fit. As well as providing convenience and reassurance for the customer, it greatly reduces the time and cost requirements on our warehouse returns process.

Other changes we're making include upgraded search functionality, making it easier for customers to find a wider range of choice in the categories they're looking for, and importing brands' own product descriptions and other content, such as images and video, directly onto our own product pages.

ENSURING WE HAVE THE NECESSARY SKILLS

With many other organisations engaged in digital transformations, there's extremely high demand for talented technologists. It's a challenge we're tackling head on by investing in a range of our own talent creation programmes, such as for graduates, apprentices and career-returners. Ensuring we have our own constant pipeline of talented people who understand and embrace tech's opportunities is a business imperative. Offering a good working environment also helps, and our technology transformation has made it possible for our colleagues to benefit from our hybrid-working model, with access to all the tools they need, whether at home, in the office, or somewhere else entirely.

FUTURE-PROOFING

In FY22, we made significant steps towards our ambition of operating in a fully cloud-based world and moving to a microservice architecture. In the year ahead, we'll make even bigger strides, migrating more services to our new platform to underpin our DCX and further investing in our underlying technology as part of our multi-year tech transformation roadmap. As consumers respond to inflationary pressures and digital retail competition continues to intensify, we will prioritise the customer experience. By investing in talent, upgrading our platforms to make even-faster changes, and giving our DCX colleagues the capacity to focus purely on our end-to-end customer journey, we will improve innovation and create an even better customer experience. These factors are the foundation for our success in the years ahead.

"Our platform is absolutely optimised for stability, security, and scalability, even during times of extremely high traffic, and it enabled us to have our best year of trading last year. However, if we want to continue to move at an ever-increasing pace and unleash the potential of the business, we've got to be a step ahead all the time."

MATT GREST, CIO,
VERY GROUP

LED BY OUR VALUES

PEOPLE AND CULTURE

We believe that everyone deserves to get the most out of life every day.

SUPPORTING AND INVESTING IN OUR PEOPLE

Everything we do supports our purpose of helping families get more out of life. We're led by our five values: trusted, ambitious, proud, innovative, and together. These values reflect what we stand for and how we act, and help us create the best possible experience for our customers and, importantly, our people.

Our values-led approach has created a distinctive culture, with an overall engagement rating of 7.6/10 among our people. We're also the UK's number-one retailer for work-life balance based on Glassdoor ratings, and were named the Best Place to Work at the 2022 Retail Week Awards.

NEW WAYS OF WORKING

As the pandemic reshaped the working world, we learned a lot. Based on feedback from our people, we introduced a new, hybrid-working model and 81% of teammates who responded to our 'return to the office' survey feel relaxed, happy or excited about it. Most teams choose where they work to best serve our customers, supported by a £2m investment in technology, processes, and transforming our offices to boost collaboration, community, and culture.

Our digital playbook helps us navigate hybrid working, with guides, videos, podcasts, and supporting learning. More than 75% of our people have used it so far. As our ways of working evolve, so will our playbook.

PRIORITISING WELLBEING

We believe we perform at our best when we all feel at our best, so we make wellbeing a priority. Our people have access to the world-renowned Ripple Effect programme from Dr Greg Wells, including live Q&As and exclusive blogs. More than 1,000 team-mates have signed up. We also offer access to free wellbeing support through our membership of Retail Trust.

We encourage all our desk-based people to take a lunch break during our daily meeting-free hour, and step away from their screens. And our meetings are 25 or 50 minutes' long, giving time for a breather in between. We have free-to-use gyms at our head office and fulfilment centre, which also has a well-used outdoor games pitch, and we offer discounted fitness memberships across the UK and Ireland.

IMPROVING DIVERSITY AND INCLUSION

We're passionate about diversity and inclusion (D&I), reflected in our 4.2/5 Glassdoor D&I rating. We want every team-mate, customer, and member of our community to feel welcomed, represented, and valued. We're committed to becoming an even more inclusive workplace by 2025, with more females in senior roles and teammates who represent the ethnic diversity of our nation. Read about our other commitments in our latest D&I report.

Read about our other commitments in our latest D&I report.

We proudly support our teammate-led networks, including WAVE (Women at Very), LGBT+ and R@VE (Race at Very), which collectively have 350 members. And we'll keep thinking differently about finding and nurturing talent through schemes like our career-returners programme, degree apprenticeships, and partnerships with education providers.

LISTENING TO OUR PEOPLE

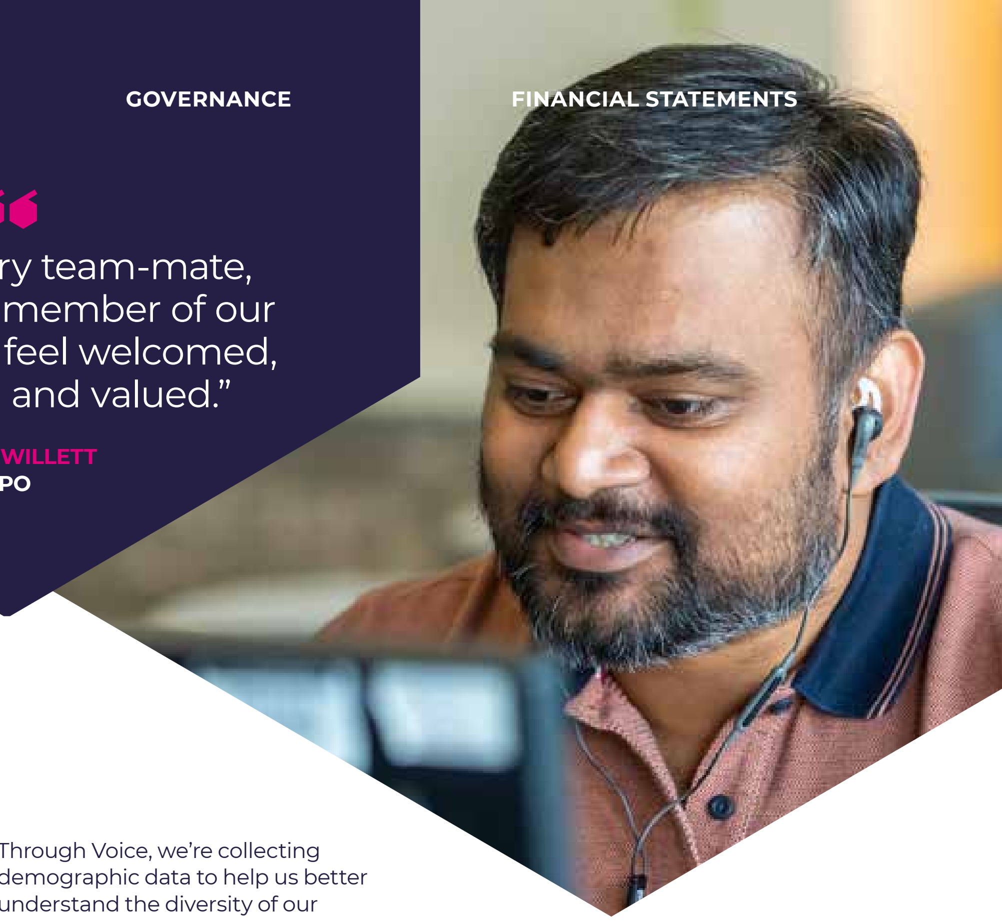
Hearing from our team-mates is more important than ever as we adjust to hybrid working. Through our recently refreshed engagement programme, Voice, team-mates offer their views on themes like career progression, management support, recognition, wellbeing, and D&I via regular surveys. 82% of our people completed the last survey and our engagement score was 7.6/10. This indicates that, overall, people find Very a positive place to work. We'll report progress using this baseline.

"We perform at our best when we all feel at our best, so we make wellbeing a priority."

SARAH WILLETT
CPO

"We want every team-mate, customer and member of our community to feel welcomed, represented and valued."

SARAH WILLETT
CPO



No.1
UK RETAILER FOR WORK-LIFE BALANCE

BEST PLACE TO WORK AWARD, RETAIL WEEK AWARDS 2022

4.2/5
GLASSDOOR D&I RATING

Through Voice, we're collecting demographic data to help us better understand the diversity of our organisation, highlight progress, and show areas for improvement. Our new people labs bring together team-mate representatives to share ideas and help leaders shape an even better experience of working at Very.

INVESTING IN TRAINING AND DEVELOPMENT

We want to empower our people to build a career as unique as they are, whatever their role or experience. Inspiring resources, like our 'dreamsetting' module, help team-mates own their goals and development. Our newly created intranet performance zone has already received 1,600 hits.

We believe great line managers affect lives and careers positively. We've invested in resources to support our 600 people managers in building confidence and exploring their strengths and purpose. Our leadership-development programme, created with an expert psychologist, has helped our most senior leaders create trust, build even better teams, and, encourage inclusion.

COMPETITIVE REWARDS AND BENEFITS

Our market-based approach to pay benchmarks roles with the wider industry to ensure our people earn fair, competitive wages. Our bonus structure rewards performance and our flexible benefits mean everyone can tailor a package to suit them. We've also upgraded our people and payroll systems to Oracle, simplifying processes and generating cost savings.

HEALTH AND SAFETY

We promote a positive attitude towards health and safety at our workplaces. Our health and safety management system, comprising 34 policies, is endorsed by our executive Board and audited by the British Standards Institute to ISO 45001 standard.

IN SUMMARY

We've always known our people and culture are what make us special. As we emerge from the pandemic, our workplaces are buzzing with energy and a sense of togetherness. By continuing to put our people first, through prioritising wellbeing and continuous learning, and taking even more steps to improve our D&I progress, we'll keep providing the very best experiences for our customers.

OUR 2025 D&I COMMITMENTS

1. Very will be a more inclusive workplace – with all colleagues feeling welcomed, represented, and valued
2. We'll have more talented females in our senior management roles at Very
3. Our Very colleagues will represent the ethnic diversity of our nation and our local communities
4. We'll have created employment opportunities at Very for under-represented groups in our local communities
5. Very will have actively contributed to shaping diversity and inclusion in the industries we operate in

Read more in our D&I report

KEY PERFORMANCE INDICATORS

Our key performance indicators (KPIs) show our progress with our economic value model and wider business strategy.

Our key performance indicators (KPIs) show our progress against our economic value model and wider business strategy. This year, we have revised these KPIs, which include both financial and non-financial targets, to more effectively show how we view our business. The changes include introducing costs as a percentage of revenue which, alongside our revenue, EBITDA, and Very Finance KPIs, details our performance against our economic value model. We've also revised our non-financial, customer-focused KPIs, replacing conversion and demand per customer with measures that paint a clearer picture of this crucial aspect of our business.

Among our KPIs, we use alternative performance measures (APMs). APMs are not defined by IFRS and therefore may not be directly comparable to other companies' APMs. These are reconciled to equivalent statutory balances in the Financial Review (page 28).

NON-FINANCIAL

ACTIVE CUSTOMERS
4.41m

(-8.5%)

■ Credit (69.4%)
■ Cash (30.6%)

AVERAGE ORDER VALUE
£144.5

(+2.7%)

NET PROMOTER SCORE[1]
27.7

AVERAGE ORDER FREQUENCY
4.7x

(–2.3%)

1 Net promoter score is a measure of customer satisfaction of a business.

FINANCIAL

GROUP REVENUE
£2,148.3m

(-7.3%)

RETAIL REVENUE
£1,750.4m

(-10.6%)

VERY PAY INCOME
£397.9m

(+10.7%)

UNDERLYING FREE CASH FLOW (APM)
£117.2m

(-28.2%)

UNDERLYING EBITDA (APM)
£291.4m

(-3.0%)

PROFIT BEFORE TAX[2]
£63.9m

(+2.2%)

BAD DEBT AS % OF DEBTOR BOOK (APM)
6.3%

(+0.2%pts)

VERY AVERAGE DEBTOR BOOK (APM)
£1,346.7m

(+7.6%)

COSTS AS % OF REVENUE (APM)
23.2%

(-1.6%pts)

2 All figures unless otherwise stated reflect the impact of the Software as a Service accounting policy change, including prior year restatements where relevant. For figures relating to periods prior to FY21, there has been no restatement. Please see note 35 to the accounts for more detail.

FINANCIAL REVIEW

Our FY22 performance shows the resilience of our business and the power of working towards the five aspects of our economic value model.

"We are particularly pleased with this performance given our excellent profitability in FY21 and the fresh headwinds we faced in FY22."

BEN FLETCHER,
CHIEF FINANCIAL OFFICER

FY22 has been another year in which the resilience and adaptability of our model has been proven. Our performance is underpinned by the clarity our economic value model provides: Very revenue growth was double-digit on a two year basis; the Very debtor book grew significantly; costs have come down in both pound and percentage of sales basis; bad debt is well under control, and our gross margin has been stable. It is this model that drives earnings and their quality, and accordingly we have achieved growth in EBITDA margin and PBT year on year.

It is this model that keeps us focussed on the drivers of earnings and their quality, and accordingly we have achieved growth in EBITDA margin and PBT year on year. We are particularly pleased with this performance given our excellent profitability in FY21 and the the challenging post Covid-19 economic headwinds.

SALES

Our leading brand Very has achieved another resilient top-line performance, with revenues of over £1.7bn, being a 4.0% decline year on year but, on a two-year basis, growth of 12.6%. This shows our continuing positive trajectory and achievement on the first pillar of our economic value model – long-term Very revenue growth.

REVENUE

	FY22 £m	FY21[4] £m	Variance £m	Variance %
Very	**1,790.5**	1,865.4	(74.9)	(4.0)%
Littlewoods[3]	**357.8**	451.7	(93.9)	(20.8)%
Group revenue	**2,148.3**	2,317.1	(168.8)	(7.3)%

1 FY21 was a 53 week period whereas FY22 was a 52 week period. Unless otherwise stated, all comparators include the extra week in FY21. Where a 52 week comparison has been used, this is calculated using weeks 2-53 of FY21.
2 Retail sales is on a management accounts basis and therefore excludes certain other adjustments, meaning it differs to revenue from the sale of goods presented in note 4.
3 Littlewoods sales performance includes the decline of Ireland sales of 28.4%.
4 The comparative split of revenue and operating profit between Very and Littlewoods has been restated for a reallocation of the returns provision between the two brands.

Our Group revenue performance also comprises Littlewood sales, down 20.8% to £357.8m (FY21: £451.7m)[4]. Within the Littlewoods results is Littlewoods Ireland revenue, down 28.4% to £80.6m reflecting the more severe and prolonged lockdown measures in Ireland, and the resulting impact on consumer confidence. Together, this means that compared with our record performance in FY21, Group revenue was down 7.3% to £2,148.3m (FY21: £2,317.1m, (5.7)% after adjusting for the 53-week year[1]). However, because the wider market contracted at a greater rate, we increased our estimated market share.

SALES MIX

	FY22	FY21
Fashion & Sports	**33%**	28%
Electrical	**45%**	47%
Home	**12%**	15%
Developing Categories	**10%**	10%
Very retail sales[2]	**100%**	100%

RETAIL

Alongside the widely anticipated contraction of the online retail market as a consequence of annualising against an exceptional FY21, retail as a whole felt the impact of wavering consumer confidence due to the Omicron variant of Covid-19 in late 2021 and inflationary pressures from early 2022.

SALES BY CATEGORY

	FY22 £m	FY21 £m	Variance £m	Variance %
Fashion & Sports	**584.5**	579.3	5.2	0.9%
Electrical	**742.7**	863.0	(120.3)	(13.9)%
Home	**236.7**	309.4	(72.7)	(23.5)%
Developing categories	**180.4**	188.1	(7.7)	(4.1)%
Total retail sales[2]	**1,744.3**	1,939.8	(195.5)	(10.1)%
Other adjustments	**6.1**	17.7	(11.6)	(65.5)%
Total retail revenue	**1,750.4**	1,957.5	(207.1)	(10.6)%
Very Finance income	**397.9**	359.6	38.3	10.7%
Total Group revenue	**2,148.3**	2,317.1	(168.8)	(7.3)%

Other adjustments largely includes delivery income and the cost of marketing vouchers.

Our flagship brand Very, which this year represented 81.3% of group retail sales[2] saw retail sales[2] down 7.7% to £1,417.3m. In a market that has contracted 16.7%, however, we secured a greater market share, as our business remained relevant to our customers. While we saw growth in Fashion & Sports, which returned to prominence, we recorded declines elsewhere as we annualised against strong years in FY21 for Electricals and Home in particular. On a two-year basis, we saw growth of 15.3%.

Exploring Very's category performance in more detail, the growth in Fashion & Sports is supported by a return to social activities, bringing strong growth in both men's and women's casual wear (collectively up 25.8% on last year), ladies' high street (up 86.4% on last year) and women's designer (up 49.9%). As mentioned, Home and Electricals – categories defined by less frequent, big-ticket purchases – expectedly declined, which is reflected across sub-categories too. However, we were delighted to see customers enjoy a more normal Christmas after Covid-19 curbed plans for many in 2020, reflected in growth in our festive products of 29.3%. Within developing categories, our biggest sub-category, personal care, continued to perform strongly with growth of 15.2%, supported by growth in boys' toys and gifts, offsetting declines in fragrance and girls' toys, such that the overall category is broadly flat year on year.

Group retail revenue for the year was down 10.1% to £1,744.3m (FY21: £1,939.8m). As with Very, this largely reflects growth in Fashion & Sports, offset by declines in other categories. Category performance (on a management-retail-sales basis[2]) is shown in the table above, which is reconciled to the full retail revenue figure.

VERY FINANCE

Our Very Finance business, the flexible payments arm of our integrated model, returned to growth in FY22 as customer spending habits began to normalise as the pandemic impact reduced. This shows the benefits of our integrated business model, which can flex to suit customer behaviour. Very Finance revenue has increased by 10.7% to £397.9m (FY21: £359.6m), as our Very Pay Platform becomes increasingly important to our customers in challenging times.

The Very average debtor book increased by 7.6% year on year, illustrating progress for one of the five components of our economic value model that allows us to achieve profitability. Furthermore, Very interest yield improved, with interest income up 11.2% to £317.8m (FY21: £285.8m), being 23.6% of the debtor book. Bad debt as a percentage of debtors has remained broadly flat prior to additional economic overlays we have introduced this year (see below), underpinning our Very Finance performance at a top-line and margin level. Post-overlay, bad debt for Very has increased as a percentage of the Very debtor book to 7.1% (FY21: 6.4%), although this remains significantly below pre-pandemic levels.

The higher payment rates, coupled with our continual focus on improving our decision-making processes to provide flexible payment solutions to our customers, helped us manage our bad debt, which helps promote a stable gross margin to ensure we do not overpay for growth. We continue to take a cautious, risk-informed view of bad debt, with the provision including overlays in light of economic conditions and data that we have reviewed. To that end, we have added a further £5m to our bad debt provision to reflect economic uncertainties and some caution as to how consumers may behave compared to historical evidence. Given the importance bad debt and Very Finance plays in our economic value model and drive for profitability, the continual effort to improve and manage our credit risk will remain paramount as payment rates normalise.

FINANCIAL REVIEW
continued

INCOME STATEMENT

	FY22 £m	(Restated)[2] FY21 £m
Group Revenue	**2,148.3**	2,317.1
Gross margin	**776.7**	846.2
Gross margin rate %	***36.2%***	*36.5%*
Distribution expenses	**(224.0)**	(241.6)
Administrative expenses	**(275.6)**	(333.1)
Depreciation and amortisation	**(65.0)**	(62.6)
Other operating income	**2.6**	1.8
Operating profit before exceptional items	**214.7**	210.7
Net finance costs	**(109.3)**	(106.9)
Profit before tax and exceptional items	**105.4**	103.8
Exceptional items	**(41.5)**	(41.3)
Profit before tax	**63.9**	62.5

RECONCILIATION TO UNDERLYING EBITDA

	FY22 £m	(Restated)[2] FY21 £m
Operating profit	**186.9**	169.4
Adjusted for exceptional items	**27.8**	41.3
Operating profit before exceptional items	**214.7**	210.7
Adjusted for pre-exceptional depreciation and amortisation	**65.0**	62.6
Pre-exceptional EBITDA	**279.7**	273.3
Adjusted for:		
Fair value adjustments to financial instruments	**(5.7)**	3.1
Foreign exchange translation movements on trade creditors	**(0.7)**	(3.1)
IAS 19 pension adjustments	**1.5**	0.2
SaaS accounting policy change (see note 35)	**16.6**	27.0
Underlying EBITDA	**291.4**	300.5

CUSTOMERS

Our customers are central to everything we do at The Very Group, and for that reason we are delighted to welcome 1.3m new customers to Very, showing that our business continues to prove attractive to shoppers.

More broadly we saw 3.59m customers shop with Very over the 12 months in FY22, which is down 5.9% versus our record-breaking FY21, and reflects the reopening of the high street which saw some customers return to brick and mortar retail in FY22. On a two-year basis, Very active customers were up 5.7%, showing the longer-term trajectory remains positive and our core customers continue to value our proposition.

In FY22, we compare our figures to a unique year for customer spending habits. Across FY21, we welcomed new customers who turned to online retail when the high street closed under Covid-19 lockdown measures. Many of these new customers, as well as our existing customers, had higher levels of disposable income and favoured cash purchases when compared to pre-pandemic levels.

The absence of lockdowns and social restrictions also reversed the preference for cash we had seen in FY21. Accordingly, the proportion of credit customers increased to 67.6% (FY21: 64.1%). The move back towards credit helped us succeed in our economic value model. Debtor book growth and stable gross margin, supported by the inherently higher margin of our Very Finance business, are two key contributors to our overall PBT growth.

In FY22 there was an increase in average order value (AOV) amongst Very customers, more than offsetting a decline in average order frequency (AOF). This reflects an increase in the number of items per basket, which more than offsets the reduced item value expected, as customers shift from Home and Electricals to Fashion & Sports. Accordingly, total demand per customer increased, showing that the customers we retained were higher quality, bringing more value to the Group.

On a Group basis, total active customers declined 8.5%, but just 1.5% on a two-year basis. Demand per trader[1] also increased on a Group level, reflecting the higher AOV but lower AOF seen with Very.

1 Average order frequency multiplied by average order value stated before customer returns, VAT, not yet dispatched goods and credit approval.
2 Prior year figures have been restated to reflect the impact of the Software as a Service accounting policy change which has impacted administrative expenses and depreciation and amortisation. Please see note 35 to the accounts for more detail.

RECONCILIATION OF BAD DEBT TO PROVISION MOVEMENT

	FY22 £m	FY21 £m
Bad debt charge	**99.2**	97.7
Written off debt recovered	**21.2**	22.0
VAT reclaimed	**17.4**	17.4
Returns provision adjustment	**(4.2)**	10.2
Unactioned demand adjustment	**3.3**	7.3
Bad debt overlay	**5.0**	–
Provision movement	**141.9**	154.6

COSTS AND EARNINGS

Our gross margin rate, being another component of our economic value model, has remained broadly consistent at 36.2% (FY21: 36.5%). Decline in higher-margin Home category and changing mix in full price verses sale price items has offset growth in Fashion & Sports and Very Pay, showing the strength of our multi-category, integrated proposition. As mentioned previously, bad debt has increased year on year, reflecting an additional provision to reflect economic uncertainties and some caution as to how consumers may behave compared to historical evidence, without which gross margin would be flat year on year.

Cost control is another key aspect of our economic value model and an important KPI, particularly at a time of inflationary pressures. Indeed, FY22 has brought notable headwinds in our industry, for example, supply chain and courier challenges, and so our proven cost-control culture has never been more important in helping navigate these challenges. To that end, we have successfully managed our costs across FY22, with costs as a percentage of revenue improving year on year, particularly due to a reduction in head office costs within administrative expenditure. Distribution costs as a percentage of revenue have remained flat at 10.4%, despite widely reported cost inflation in this area. While there have been some courier cost increases, we have ensured these remain tightly controlled alongside wider distribution costs.

As a result of these cost controls and our stable gross margin, underlying EBITDA margin has improved.

In August 2021, we successfully refinanced our £550m bond, with the new £575m instrument carrying a reduced interest rate of 6.5% (down from 7.75%), showing investor confidence in our business. Owing to the reduced interest rate, which will provide an annual saving of c.£5.3m, net finance costs are only 1.7% higher year on year. This is despite rising interest rates, which have contributed to an increase in our securitisation facility interest cost to c.£53.9m (FY21: £49.0m).

We are aware that at the time of signing these accounts there is widespread economic uncertainty that is driving an expected further rise in interest rates alongside a decline in the value of sterling. It is difficult to predict the quantum in the medium term but as a business we have the security of our stable capital structure following the bond refinancing, and proven flexibility when responding to such economic shocks.

Profit before tax improved by 2.2% to £63.9m, reflecting stability at the EBITDA level alongside a similar level of exceptional costs to last year (£41.5m, from £41.3m in FY21), despite the adoption of a new accounting policy for certain expenditure (see note 35). Outside of the accounting policy related costs, other exceptional items relate primarily to our refinancing exercise, alongside professional fees relating to the consideration of our capital options.

TAX

Profit after tax of £50.8m includes a tax charge of £13.1m, reflecting current tax of £1.4m and deferred tax of £11.7m. Cash tax of £1.4m was paid in the year.

FINANCIAL POSITION

Net assets increased 23.9% to £194.6m (FY21: £157.1m) with key movements set out below.

Our closing inventory is up on last year by £9.9m. As a business, we continue to focus on inventory and working capital management. Trade and other payables has decreased to £517.6m (FY21: £566.1m). This reflects the reduced payables build owing to lower retail sales in the year, and the paying down of balances from FY21.

The performance of Very Pay has seen trade debtors (across current and non-current) increase to £2,144.0m (FY21: £2,075.8m) due to our growing debtor book (see Very Finance section earlier). Accompanying this, securitisation borrowings have also increased to £1,441.7m (FY21: £1,389.2m). The securitisation borrowings figure includes £23.9m (FY21: £25.2m) relating to the balance sheet of Shop Direct Ireland Limited.

During the period, the UK securitisation was extended for a further year to January 2025. The UK securitisation has a total facility size of £1,735.0m. The Ireland facility was extended in the prior year and has a total maximum commitment of €35.0m, which expires in December 2024.

As mentioned, we refinanced our bond at the start of the financial year. At this time, we also renewed our revolving credit facility, extending the expiry date to February 2026 (previously May 2022). This facility was drawn to £75m at the year end (FY21: £90m).

FINANCIAL REVIEW
continued

RECONCILIATION TO UNDERLYING FREE CASH FLOW

	FY22 £m	(Restated)[1] FY21 £m
Underlying EBITDA	**291.4**	300.5
Management fee	**7.2**	5.0
Securitisation interest	**(53.9)**	(49.0)
SaaS accounting policy change (see note 35)	**(16.6)**	(27.0)
Adjusted EBITDA post securitisation interest and SaaS	**228.1**	229.5
Movement in inventories	**(9.9)**	(36.8)
Movement in trade receivables	**(46.8)**	16.7
Movement in prepayments and other receivables (excluding refinancing costs)	**(2.6)**	(13.7)
Movement in trade and other payables (excluding refinancing costs)	**(65.1)**	22.2
Movement in securitisation facility	**52.5**	3.8
Net working capital movement (post securitisation funding)	**(71.9)**	(7.8)
Pension contributions	**–**	0.3
Fair value adjustment to financial instruments	**–**	(0.1)
Capital expenditure	**(39.0)**	(58.7)
Underlying free cash flow	**117.2**	163.2
Increase in bond amounts	**25.0**	–
Bond refinancing costs	**(21.0)**	–
Dividends paid	**(25.0)**	–
Free cash flow (post refinancing and dividends)	**96.2**	163.2
Interest paid (excluding securitisation interest)	**(46.3)**	(54.1)
Income taxes paid	**(1.4)**	(3.0)
Cash impact of exceptional items	**(38.6)**	(145.8)
Underlying fees	**(7.2)**	(5.0)
Cash paid to parent company	**(5.0)**	(5.0)
Repayments of finance leases	**(11.6)**	(18.6)
Repayment of bank loans	**(5.9)**	–
Movement in revolving credit facility	**(14.9)**	(60.0)
Net decrease in cash and cash equivalents	**(34.7)**	(128.3)

1 Prior year figures have been restated to reflect the impact of the Software as a Service accounting policy change which has impacted administrative expenses and depreciation and amortisation. Please see note 35 to the accounts for more detail.

PENSIONS

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 £8.0m (2021: £7.0m), with contributions totalling £0.6m (2021: £0.5m) being payable to the scheme at the end of the period. More details can be found in note 24 of the accounts.

In addition, there are defined benefit schemes of which the most material component is the Littlewoods Pensions Scheme; a defined benefit arrangement based on final pensionable salaries. A number of agreements have been reached over recent years with regards to contribution obligations, culminating in the latest agreement on 2 April 2022. This allows for reduction of the scheme deficit to £nil and, accordingly, these agreements have reduced the Scheme liability to £nil as at 2 July 2022 (3 July 2021: £8.7m). Again, further details can be found in note 24 of the accounts.

SOFTWARE-AS-A-SERVICE (“SAAS”)

In FY22, we have changed our accounting policy related to the capitalisation of certain software assets in line with the IFRIC Interpretation Committee’s guidance published in April 2021. This specifically relates to the capitalisation of software under ‘Software as a Service’ (SaaS) arrangements. We have also retrospectively applied this to prior financial periods presented in this report to allow direct comparison.

Full details can be found in note 35 to the accounts.

CASH FLOW

This year we saw a positive underlying free cash inflow of £117.2m (FY21: £163.2m), which leads to free cash flow post-dividend and bond refinancing of £96.2m. This has generated net cash and cash equivalents of £43.4m (FY21: £78.1m). Our cash flow reflects that stock levels have normalised following our busiest ever trading period in FY21 during the pandemic causing a reduction in inventories and trade payables. The acceleration in growth of our debtor book as customer payment rates have started to reduce has driven a short term cash outflow as seen in the movement in trade receivables but improves our profitability in the medium term.

On a statutory cash flow basis, we saw a significant reduction in cash outflow, which stood at £(34.7)m (FY21: £(128.3)m). This reflects a reduced movement on our revolving credit facility and the minimal residual payments in respect of PPI. A reconciliation to underlying cash flow is shown opposite.

CAPITAL EXPENDITURE AND INVESTMENT

Net capital additions for the year totalled £38.0m (FY21: £54.4m) across a number of business-as-usual and strategic investments.

In June this year, The Very Group acquired Primevere Equipment Limited, which is a non-group company with a common shareholder. Primevere Equipment Limited is the owner of the specialist machinery used at our Skygate facility, which has historically been leased to The Very Group. By acquiring the company, we therefore give ourselves greater control of the assets and long-term security. More details can be found in account note 32.

We have made £5.9m of investment into our flexible fulfilment model (FFM), allowing us to continue to achieve working capital and stock management efficiencies, while also improving our ability to meet our customers’ needs. FFM is but one of many items on our tech roadmap, and we have spent a further £7.2m on our tech acceleration, moving us onto newer platforms to help improve efficiency and agility.

On the subject of customers, we have also continued to invest in our digital customer experience, with £5.2m of investment into improving the digital journey. We have focused particularly on fashion, beauty and sports, alongside upgrades to our app and payment experience.

After reflecting the changes in accounting policy as detailed in note 35 to the accounts, a total of £12.8m has been expensed to the income statement under the new accounting policy in relation to the investments outlined above (FFM, technology acceleration, and digital customer experience investment).

Read more in our DCX case study on page 22.

OUR ROLE IN SOCIETY

SUSTAINABILITY

We recognise the social and environmental impacts of our operations, and aim to manage these responsibly in the way our customers, colleagues, and other stakeholders would expect.

The role of businesses and the impact they have on society has never been more visible or important. Through our sustainability strategy, we aim to achieve long-term value for all our stakeholders, and it is an established part of our overall business strategy and operations. We align this sustainability strategy with the United Nations Sustainable Development Goals (SDGs) to couple our aims with the global 2030 agenda, to help us make a meaningful impact and to monitor our progress against those aims.

We have invested significantly in our in-house ESG team, whose full-time job is to manage our sustainability strategy. They work closely with both our operations team and suppliers to look at sustainability across our four strategic focus areas: **planet**, **product**, **circularity**, and **communities**. This allows us to work on a wide range of social and environmental issues in a structured and targeted way. Each area has a clear 2025 target, developed with internal and external stakeholders, and 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, help us move towards carbon-neutral, and enable us to have a positive impact in the communities where we operate.

To understand the work we're doing to improve the experience of our Very colleagues please see pages 24 and 25.

MAJOR PROGRESS MADE IN FY22

- Developed a specific ESG Committee that meets once a quarter.
- Continued to invest in the ESG global team, bringing in additional expertise to tackle the design and implementation of our approach to ESG through our own operations and supply chain.
- Included ESG risks within our principal risk framework for the first time.
- Identified the key environmental and social risks we face, and ensured we have effective mitigation strategies in place.
- Conducted our first full materiality assessment of sustainability risks.

OUR GOALS FOR NEXT YEAR

In FY23, the ESG Committee plans are as follows:

- Continue progress towards our specific targets highlighted in each section below.
- Support the risk team in building ESG risk into individual business units' risk matrices.
- Ensure strong identification, accountability for, and reporting of, ESG issues, both internally and externally.
- Continue to hold ourselves to account on our ESG strategy and targets.

OUR FOCUS AREAS

Our strategy focuses on four areas:

- PLANET
- CIRCULARITY
- PRODUCT
- COMMUNITIES

HOW WE MANAGE SUSTAINABILITY

THE BOARD'S ROLE

The Board oversees our sustainability strategy, ensuring we have a clear vision, and holds the business to account in moving towards our stated ESG goals. The Board aims to reflect our customers' expectations, while balancing the interests of all stakeholders to ensure we have a successful and sustainable future.

THE ESG COMMITTEE

This year we created an ESG Committee to ensure sustainability is at the heart of key business decisions. It comprises senior leaders from across the business and is chaired by Charlotte Heiss, who also sits on the executive Board. The Committee has developed a fully integrated sustainability agenda – a multi-year programme to address the risks and opportunities presented by our social and environmental impacts.

MANAGING RISK

The Committee offers an additional layer of governance by overseeing the effectiveness of our risk-management process. It ensures we regularly identify and assess any risks or changes in the external environment, and implement appropriate mitigation strategies.

We use an external company, Datamaran, to undertake a full materiality assessment of the business. Datamaran provides a fully automated solution for identifying and monitoring material ESG risks and opportunities by scanning the regulatory, media, and corporate-disclosure environments. This helps us compare our internal priorities with an external stakeholder analysis, and ensure alignment.

Our March 2022 assessment showed the following as our ten highest-priority material issues:

1	Climate change risks and management
2	Greenhouse gas emissions
3	Human rights
4	Transparency
5	Energy management
6	Product and service safety and quality
7	Customer practices
8	Product design and lifecycle management
9	Transition to renewables and alternative energy
10	Natural capital

To be able to map, understand, and address our climate-related risks, we have started work on aligning with the Task Force on Climate-related Financial Disclosures (TCFD) framework, and next year will use this for our carbon reporting.

SUSTAINABILITY
continued

POLICIES

We have clear policies to support our commitment to conducting business responsibly. They are designed to ensure we treat people with dignity and respect in all areas of our business and supply chain, and are based on the principles laid out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

- **Modern Slavery and Human Rights Policy:** outlines our company-wide position.
- **Bribery and Corruption Policy:** establishes our position, in accordance with the Bribery Act. It applies to everyone working directly for us, as well as consultants, contractors, or anyone else associated with our business.
- **Supplier Ethical Code of Conduct:** based on the International Labour Organisation's standards as well as the Ethical Trading Initiative Base Code, it reflects the standards applied globally by responsible retailers. All merchandise suppliers must sign it before we do business with them.
- **Child Labour Remediation and Young Worker Policy:** sets out the steps suppliers must take to protect young workers and make sure no children are involved in making any of our products.
- **Migrant and Contract Worker Policy:** sets out the steps suppliers and factories must take to recruit migrant labour responsibly and ensure they receive the same rights and benefits as local workers.
- **Syrian Refugee Remediation Policy:** provide guidance to suppliers and factories hiring Syrian workers within our Turkish supply chain.

You can view all our public policies on our corporate website: www.theverygroup.com.

OUR CONTRIBUTION TO THE UN SDGs

Our targets in these areas allow us to contribute to the following United Nations Sustainable Development Goals (SDGs)

3 GOOD HEALTH AND WELL-BEING — ENSURE HEALTHY LIVES AND PROMOTE WELLBEING FOR ALL AT ALL AGES

3.7, 3.8, 3.9

Linked To

- The training programmes we continue to operate in factories across India and Bangladesh contain modules on health and wellbeing, as well as access to reproductive health care services.
- Initiatives like our partnership with Jeanologia help us to remove harmful chemicals from the production process having a positive impact on worker health.

5 GENDER EQUALITY — ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

5.1, 5.2, 5.5, 5.6

Linked To

- We are committed to the UN Women's Empowerment Principles and ensure that we embed these principles within our outreach programmes in our supply chain.
- We are also working to ensure equal representation at all levels for women across our operations in the UK and Ireland.

8 DECENT WORK AND ECONOMIC GROWTH — PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL

8.4, 8.5, 8.7, 8.8, 8.10

Linked To

- Our auditing processes and strategic partnerships ensure we are upholding standards of decent work across our supply chain whilst also identifying risks of modern slavery and child labour.

10 REDUCED INEQUALITIES — REDUCE INEQUALITY IN AND AMONG COUNTRIES

10.2, 10.3, 10.4

Linked To

- Our programmes to combat gender inequality help us to implement our ambition of a fairer society where all people are treated equally.
- Our programmes also aim to help workers outside of the workplace by providing the tools so that workers can better manage their own finances and household budgets.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

12.5, 12.6, 12.8

Linked To

- Our commitment to carbon-neutral, offsetting our inbound logistics and switching to renewable demonstrate our commitments to responsible consumption.
- The implementation of sustainable materials in our supply chain as well as the removal of harmful chemicals in the production process shows that we are making progress in achieving this goal.

13 CLIMATE ACTION — TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACT

13.1, 13.2, 13.3

Linked To

- Our commitment to report annually on our progress to UNGC, as well as being a signatory to the BRC Roadmap to Net Zero, means that we will continue to hold ourselves publicly accountable.
- We will continue to implement new ways of working that minimise our impact on the planet, as demonstrated this year through offsetting and switching our energy needs to renewable sources.

SUSTAINABILITY
continued

PLANET

AMBITION	TARGET DATE	MEASURE OF SUCCESS	PROGRESS SO FAR	PRIORITIES FOR FY23
Carbon neutral for Scope 1 and 2	June 2025	Transparent energy and carbon reporting	We commissioned a report to provide a baseline position of our carbon footprint for Scope 1, 2 and 3 emissions, which will then allow us to set science-based targets to align to net zero Updated target to be carbon neutral for scope 1 and 2, to align to the science-based target initiative Further reduction of our own operations' carbon footprint (Scope 1 and 2) in FY22 of 40% driven largely by using renewable energy at all sites	Explore energy efficiencies across our own operations
Set science-based targets for Scope 1, 2 and 3	June 2023	SBTi approval	Work is underway to map our full Scope 1, 2 and 3 emissions to these targets, and we will make an SBTi submission before the end of 2022	Finalise our business carbon footprint calculation Set our carbon-reduction targets Submit our SBTi application
Switch to renewable gas across our own operations	June 2022	Renewable at all sites	We have sourced all gas renewably from 1 July 2022	N/A
Supporting our logistics network in carbon measurement	June 2023	Carbon emissions-reduction targets set for each provider	We have begun working with our logistics partners to support them in ways to record the required data	Use information gathered through Scope 3 mapping exercise to formulate a detailed plan on how to support our logistics network in reducing carbon

We have been working for several years to tackle the impact of our operations on the environment. This work has ensured we build environmental factors into investment decisions, most clearly seen at our fulfilment centre, Skygate, in the East Midlands, which has been certified as A-rated for energy efficiency by an independent third party.

We recognise the importance of setting formal targets and have set a target of being carbon-neutral in our own operations by 2025, and across our value chain by 2035. To achieve our aims, we recognise the need to include climate change within our principal risk review. We have worked to better understand our climate risks and are working across the business to build climate risk into individual risk registers.

EMISSIONS MAPPING AND REPORTING

We are working with environmental reporting experts Carbon Intelligence to map and analyse our total carbon footprint, before setting science-based carbon-reduction targets for our Scope 1, 2 and 3 emissions. Once this work is complete, we will be able to report all emissions accurately and better understand our climate-related risks and opportunities.

The net zero target has been updated to be carbon neutral in scopes 1 and 2 by 2025. To achieve net zero, emissions must be reduced by at least 90% with any remaining emissions been neutralised. The main source of emissions for scope 1 and 2 comes from the use of gas. Although the change to renewable gas has reduced the reliance on fossil fuels, it cannot be accounted for in reducing carbon emissions through the science-based target initiative. The focus will be on reducing consumption and off-setting any remaining emissions by 2025.

We have also implemented a new system, Greenstone, to record our carbon-emissions data so we can monitor progress towards our targets. We have also commissioned Amber Energy to assess carbon impact across our sites. This will give us a detailed understanding of how we could improve our energy use, and where we could have avoided waste energy consumption. In addition, it will show us how changes in technology can help improve energy use. These steps will form our strategic approach to reducing carbon emissions through every part of our business, with public carbon-reporting detailing our progress.

NEXT STEPS

Over the last year, we have maintained momentum in our environmental ambitions, and the switch to using renewable energy at all sites has contributed to a further reduction of own operations' carbon footprint in FY22 of 40%.

Outside of our own operations, we are working with our factories and logistics partners to better understand their carbon footprints and support them with reductions. Using the Greenstone system allows us to house this data centrally and see the true impact of our Scope 3 emissions.

CIRCULARITY

AMBITION	TARGET DATE	MEASURE OF SUCCESS	PROGRESS SO FAR	PRIORITIES FOR FY23
Take-back schemes offered to consumers	June 2025	Tonnes of products' lifecycles either extended or repurposed	Take-back schemes in place applicable to 48% of fashion, and 45% home and living products	Maximise usage of takeback schemes on Fashion and Home
25% of customers requesting a return bag to return clothes for charity resale	June 2022	Figures confirmed by Re-Fashion	Successful pilot launch of the scheme in Littlewoods Ireland during FY21 which saw around 2,400 orders for bags	Relaunch take-back scheme for retail customers with increased communications
Launch packaging take-back campaign with consumers	June 2023	Tonnes of packaging returned to us for recycling	We have worked with key stakeholders to develop the proposition that will allow us to operate the take-back scheme	Scope opportunity for packaging takeback through existing takeback solutions

TOWARDS A CIRCULAR ECONOMY

To meet our ambitions for sustainability, we aim to make it easy for our customers to contribute to our efforts. To do this, we have two customer take-back schemes where customers can dispose of products easily and responsibly when they no longer want them.

For clothing, we work with Re-Fashion on a customer take-back scheme where customers can request a bag to send in clothes they no longer wear, free of charge. Re-Fashion then sells the clothes online, with a percentage of the profits going to support charities and sustainability-linked initiatives. We will aim to continue to grow the relationship with Re-Fashion as we look for more ways to include our customers in our sustainability efforts.

Alongside this, we run a furniture take-back scheme with Emmaus, which we launched in the previous financial year. After successfully working with Emmaus for over a year, we have plans to make the scheme more apparent to customers while they are shopping. Alongside this, we will look at ways we can offer take-back schemes on other products and packaging.

NEXT STEPS IN RECYCLING

Reducing the impact our products have on the planet is a key priority. In 2021, we worked with more than 50 brands, manufacturers, recyclers and NGOs in developing the textile-recycling industry in Bangladesh through the Circular Fashion Partnership (CFP). The partnership redirects post-production textile waste back into making new fashion products.

Currently both of our eligible Bangladeshi suppliers fall into the scope of this project and contribute cotton waste, and we intend to increase their contribution.

Last year we sent 99% of waste cardboard packaging from our warehouse for recycling, over 1,500 tonnes. Smurfit Kappa's closed-loop business model takes this cardboard and uses it to produce new packaging material that, in turn, we buy to produce new cardboard containers. As well as recycling used material, we also look for ways to reduce our need for it in the first place, and that includes reusing wherever possible. We collect any cardboard boxes fit for reuse and send them back to our pre-retail operations. This reduces our demand for new materials.

We are also working with Mainetti to implement their PolyLoop system, which provides a closed-loop recycling service for clear low-density polyethylene (LDPE) plastic packaging waste. The PolyLoop process removes any printing and labelling to provide maximum clarity in a finished polythene bag, and supports being able to achieve more than 30% recycled content. In addition, with Mainetti, we have increased the recycled content of our traditional pink dispatch bags to 80%, reducing our reliance on natural resources while eliminating waste.

SUSTAINABILITY
continued

PRODUCT

AMBITION	TARGET DATE	MEASURE OF SUCCESS	PROGRESS SO FAR	PRIORITIES FOR FY23
We will use more-sustainable raw materials in 75% of our own-brand fashion and home products	June 2025	Increased use of more sustainable raw materials	63% of our cotton has been BCI accredited We have developed plans to achieve 100%-FSC timber by 2025	Continue our work, prioritising cotton, polyester, viscose and timber switching which captures some of our highest raw material usage
Sustainability training for all retail colleagues to enable more-informed purchasing decisions	June 2023	Training provided for all retail colleagues involved in purchasing products	We have agreed sustainable-product training for all retail colleagues by June 2023	N/A
Achieve 40% compliance with our Very Basics questionnaire among our third-party brand partners	June 2022	Number of completed responses from branded partners	We have sent the questionnaire to all branded fashion partners, and built this into the onboarding process for new brands We have achieved 40% compliance with fashion brands	Use responses to develop a framework for our third-party brands, allowing us to assess compliance with our desired environmental and social standards Expand the Very Basics programme into other product categories Achieve 50% compliance across our total branded offering

USING MORE SUSTAINABLE MATERIALS

We have developed five-year sustainability strategies in our clothing and home departments. This year, we started to work with Jeanologia to reduce the environmental impact that comes from manufacturing denim products at our factories. This technological partnership gives us access to an innovative process that reduces the energy and water required. By removing hazardous chemicals as we change to a sustainable washing system, the process also provides health benefits to the workers in our factories.

Currently, 60% of own-brand denim is classified by Jeanologia as low impact, with the remaining 40% classified as medium impact. By 2025, we want all our own-brand denim to be classified as low impact. This means the denim will be manufactured in a way that uses less water and energy, and less-harmful chemicals. The work with Jeanologia will also support our understanding of our Scope 3 emissions as we work with our suppliers to monitor the water and energy used in our denim production.

We also continue to increase our ranges that include more sustainable cotton, with 63% of our cotton in FY22 having been accredited by the Better Cotton Initiative (BCI). Alongside this, we have lowered the impact of our school-uniform range by introducing recycled polyester into the main lines.

In home and living, our focus has been on enhancing the sustainability of our timber ranges, and we work with both the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). Alongside this, we continue to use BCI cotton in our home ranges and have started to introduce recycled polyester.

We recognise the need to help our buying, design, and sourcing teams better understand the more sustainable raw material options available to them. To support this, we have commissioned Anthesis, a leading sustainability consultancy, to host workshops with the buying teams to explain our sustainable sourcing needs and issues, and to create a sustainable raw materials manual that will guide and support them.

COMMUNITIES

AMBITION	TARGET DATE	MEASURE OF SUCCESS	PROGRESS SO FAR	PRIORITIES FOR FY23
Launch financial literacy training in five key communities	June 2025	Effective financial literacy training provided in communities	Financial literacy training is ongoing in two communities – India and Bangladesh	Support the expansion of existing financial literacy training in India and Bangladesh
Launch financial literacy training in at least one new community	June 2022	Community programme is running successfully	We have launched a new project in China to build workers' capabilities, and financial literacy is one of the main modules	Complete provision of training in China Launch financial literacy training in at least one new community
Train 100,000 workers from our supply chain	June 2025	Number of workers who have received training	Our mill project in India continues to reach over 31,000 workers and their families	Continue to expand provision of training in our supply chain by a further 20,000 workers
Advance the above target by training 20,000 workers in FY 2022	June 2022	Number of workers who have received training	New projects launched in China and Bangladesh, and our work in South India continues	N/A

In addition to the charitable activities we support in the UK, we take a keen interest in the working conditions, livelihoods and wellbeing of the communities who produce the goods we sell. We also support charitable activities in the UK as part of our community programmes. We have a broad and varied supply chain, manufacturing products for our own-brand clothing and home and living ranges. We buy from approximately 400 tier 1 (direct suppliers) factories in 30 countries, with colleagues present in the main ones – Bangladesh, China, India, Malaysia, Poland, and Turkey. You can find a full list of our manufacturing sites here. Currently we are working with our suppliers to map tiers 2 and 3 (indirect suppliers and raw materials) to be able to introduce procedures to better understand working conditions and ensure these sites meet our standards by 2025.

SUPPLY-CHAIN TRANSPARENCY

As part of our commitment to the human and labour rights coalition, the Transparency Pledge, we work with the Open Apparel Registry (OAR) to provide an easily navigable database that maps the locations of the factories we work with. Working with OAR helps us increase the transparency of our operations, with our tier 1 and 2 factories updated every six months. We recognise though, that the OAR relates only to our clothing supply chain, so we also provide a list on our website of all factories manufacturing our products.

Alongside this, we have also adopted the Everyone's Business app to expand our factory monitoring programme. This smartphone app educates our factory-facing colleagues on the risks of modern slavery and facilitates their reporting, to the sustainability team, any issues or potential issues identified when they visit sites.

FACTORY AUDITS

All tier 1 factories must take an annual ethical audit, performed by us or our third-party contractors. The auditors conduct these on a semi-announced or unannounced basis, so we can gain an insight into working conditions. Alongside this, our local team supports suppliers in remedying issues found during audits. We also commission follow-up audits to ensure high-risk issues that need independent verification have been dealt with.

To support improvements in working conditions and enhance relationships, we have sustainability teams based in our key sourcing regions. They ensure our partners uphold our commitments to the 10 principles of the UN Global Compact, but also develop programmes that offer training, improve facilities and support the workers and communities where we operate. Building on the success of previous years, our broader strategy focuses on training to tackle areas of risk in our supply chain. With the slowdown of projects due to the pandemic, we have worked with our stakeholders and industry experts to re-evaluate and assess priority areas and have agreed on four key pillars of training that will shape all supply-chain projects – gender equality, social dialogue and worker voice, financial literacy, and sustainability.

TRAINING, EDUCATION AND ACCESS TO WORK

In India, we have trained over 31,000 workers and their families at our five established resource centres, three of which we opened this year, improving their knowledge of labour rights, health and sanitisation as well as their communication and IT skills. We also run regular 'drop-ins' offering health and legal advice. We also worked with the organisation Vidhya Shakti, who provide digital libraries, giving workers access to training on employment, gender equality and the UN SDGs. Three suppliers' factories, with nearly 1,500 people, over 65% of whom are women, will receive a device with 1,500 eBooks and videos in both English and the regional language.

In Bangladesh, we have worked with 11 other brands and the Stockholm International Water Institute on an initiative designed to ensure the health, safety, and rights of the workers in the textile and garment industry during the pandemic. The training, carried out through picture-based modules and associated materials, covered topics like hygiene, occupational health and safety, gender and legal issues related to Covid-19, and reached nearly 350,000 workers. Also in Bangladesh, we launched a new partnership with

SUSTAINABILITY
continued

COMMUNITIES continued

the Centre for the Rehabilitation of the Paralysed offering training and rehabilitation for people with disabilities. Over the next year, this will help 30 people gain employment at our Bangladesh factories.

EMPOWERING FEMALES

In China, we have started working with local consultancy, Inno, to run their Women Empowerment programme in three key factories. The programme provides a series of courses to improve skills that help address common challenges women face in factories, particularly the balance between family, career, and personal development needs. The programme uses the train-the-trainer approach, and workers from each factory will learn to train the rest of the workplace. Trainers were qualified by August 2022, with worker sessions due to start soon.

As a provider of flexible payment solutions, we are keen to encourage financial literacy and while our efforts support all workers, women told us after the financial training we ran in Bangladesh that they felt more financially included, were able to discuss household expenditure and could start to put savings aside. We ran the training for two factories, reaching over 2,600 workers. Following this success, we have built financial literacy training into our key projects in India and China.

HELPING WORKERS RAISE CONCERNS

In India, we have continued our work with TIMBY, an app for workers to report problems and grievances, and receive real-time feedback – workers are usually the closest to the issues and often understand why, where, and how they are happening and how to remedy them. Over the past year, we have received over 200 notifications through the app, and worked with TIMBY to integrate WhatsApp into the platform, where workers can select a language, add details, answer questions, or upload media. Given its success, we plan to introduce the app throughout our Sri Lankan supply chain and develop TIMBY training for our factories and their workforce, so people understand how it works and have confidence that grievances will be confidential and receive support.

In Turkey, we worked with five brands and a local consultancy to develop a programme focused on ensuring the effectiveness of the worker's voice. We will train workers on their roles and responsibilities regarding this, and focus on electing worker representatives and supporting effective worker-management relations.

UK FINANCIAL LITERACY PROGRAMMES

Closer to home, we are working with We Are Futures to develop a schools programme to educate young people on the importance of good financial knowledge, specifically the benefits and risks of credit. We recognise a level of financial literacy is already taught in schools at key stage 3 and 4. However, there is an opportunity to introduce a fun resource for students aged 11 to 14 who are just beginning to understand aspects of financial independence. The programme uses a mix of classroom learning, scenario-based challenges, and homework, enabling children to involve their families.

OUR UK CHARITY PARTNER, CORAM BEANSTALK – HELPING CHILDREN'S LITERACY

Our UK charity partner, selected by our colleagues, is Coram Beanstalk. The charity aims to help children become readers. With the help of our colleagues, we are donating £600,000 over the course of our partnership, aiming to help Beanstalk to become more digitally enabled so it can help even more children develop a love of reading. This is particularly important with over one billion hours of schooling lost to the pandemic.

And because of the pandemic affecting the levels of fundraising we have been able to undertake, we decided to help our customers get involved. We began with the introduction of a new initiative – 'You shop, we donate'. We created book bundles, sold pick 'n' mix, and created an offer with Crayola for World Book Day, before moving on to launch a full product collaboration with Roald Dahl, all with a percentage going to Beanstalk.

CASE STUDY

This year we worked with the Ethical Trading Initiative to implement a bespoke social dialogue training programme at KhanTex Fashion in Bangladesh. There are 1,366 workers at the factory, with women making up 43% of the workforce. We focused on developing an effective worker participation committee in the factory, and ensuring workers, supervisors, and factory management all received the training necessary for success. Alongside this, it ensured women were adequately represented on the committee and had the confidence and skills to participate effectively, demonstrating the importance of a women workers' representative who could speak on women's issues within the workplace. We are now looking at how we integrate this training into wider programmes in Bangladesh.

"It's been really useful for the factory and its workers. After learning about harassment, the workers feel more equipped to handle any grievances. We all are happy to receive such support."

HR & COMPLIANCE MANAGER AT KHANTEX

TACKLING MODERN SLAVERY

"Modern slavery risks impact workers across many global supply chains such as ours. We are strongly committed to ensuring the protection of human rights and prevention of modern slavery across our organisation and supply chain and will combat any violations of human rights that we find."

CHARLOTTE HEISS, GROUP GENERAL COUNSEL AND COMPANY SECRETARY

We aim to prevent modern slavery and human trafficking throughout our business operations and supply chains. Each year we review our progress on modern slavery initiatives and set ambitious and significant objectives for the coming year. This year, we have made significant progress towards these objectives both in our UK operations and in our international supply chain.

UK OPERATIONS

We have an ongoing partnership with Unseen, a UK charity that provides safe houses and support in the community for survivors of trafficking and modern slavery. Through this, we have undertaken training with colleagues, recruitment agencies, and security staff at our distribution centre in the East Midlands, to raise awareness and understanding of modern slavery. The Unseen training provides essential information on how to spot and report suspected cases of modern slavery in the workplace. We have also completed a project with Align, to review the effectiveness of our policies, procedures and training in our own operations and those of our labour-supply agencies and security providers.

We are now working to enhance areas where there is scope to improve, to ensure we are effective in our mitigation of modern-day slavery.

INTERNATIONAL SUPPLY CHAIN

We have continued to support workers in South India by opening a migrant-worker resource centre in Tirupur. Its aim is to ensure migrant workers receive fair recruitment and equal rights, and aren't exploited as they move through the country for work. Following its opening in April 2022, it has registered more than 90 workers. We have also continued to expand the use of TIMBY, which uses WhatsApp as a mechanism for raising grievances, encouraging its use among the workforce. In Turkey, we have continued our work with United Work and Mudem in the protection of Syrian migrant workers. We are developing a social-dialogue training package to help all workers in the region communicate with factory management and raise concerns or grievances.

You can read more about our work on modern slavery in our annual modern-slavery statement.

DEVELOPING AN ENTERPRISE WIDE APPROACH TO RISK

RISK MANAGEMENT AND PRINCIPAL RISKS

We continue to enhance the Group-wide enterprise risk framework to ensure we adapt to challenges and advance our operating model.

RISK GOVERNANCE

The TVG Board has overall responsibility for risk management, while responsibility for the reviewing and changing of key risks, as well as the risk management framework, is delegated to the Audit and Risk Committee.

Accountability for risk management in respect of the entities authorised by the FCA remains within those entities.

The Group manages risk consistently across all business areas though the enterprise-wide risk management programme. This forms a key part of its "three lines of defence" model, which is underpinned with an integrated approach to assurance.

The model is owned by the Chief Risk Officer and driven by the Group Risk Team, who form the second line of defence and are best placed to challenge the business in respect of risk management activity, whilst providing insight and assurance to the Board and its committees.

The third line consists of Internal Audit activity, providing independent assurance over risk management activities.

RISK STRATEGY AND CULTURE

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

Our strategy for risk management is to:

- Ensure that the risk philosophy and culture of the Group are understood and embedded at all levels.
- Proactively monitor the level of inherent and residual risk against 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, or 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 are managed through a clearly defined expansion and integration plan.

To deliver our strategy we have set the following business-wide 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 that 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.

Supporting and oversighting the business in the adoption of risk strategy and the meeting of risk objectives are core functions of the Group Risk Team. A dedicated suite of KRIs, underpinned by a significant portfolio of metrics, facilitate effective monitoring in this regard. The Risk Team supports each business area to define and implement appropriate risk governance activities as part of ongoing change and initiative implementation.

LINES OF DEFENCE

THIRD LINE OF DEFENCE
Internal Audit teams

SECOND LINE OF DEFENCE
The Risk team reporting into:

Top down / Bottom up

- TVG BOARD
- AUDIT AND RISK COMMITTEE
- GROUP EXECUTIVE COMMITTEE
- SUBSIDIARY BOARDS AND COMMITTEES

FIRST LINE OF DEFENCE
Day to day risk management by business areas

RISK MANAGEMENT FRAMEWORK VIRTUOUS CYCLE

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

- THREATS AND OPPORTUNITIES
- RISK UNIVERSE
- RISKS IDENTIFIED, MANAGED AND MONITORED BY THE BUSINESS
- ASSURANCE AND INDEPENDENT OVERSIGHT BY RISK AND COMPLIANCE
- RISK PERFORMANCE REVIEWED BY GOVERNANCE COMMITTEES
- ACTIONS AGREED TO ENSURE STRATEGY ACHIEVED
- LOSSES PREVENTED AND COMMERCIAL OPPORTUNITIES ACHIEVED
- BUSINESS STRATEGY

"In a changing world, we need to ensure our approach to risk management identifies and interprets the risk inherent in new challenges, threats, and opportunities."

NICK MCBRIEN
THE VERY GROUP CRO

RISK MANAGEMENT AND PRINCIPAL RISKS
continued

KEY
- Increased
- Decreased
- Stable/No change

PRINCIPAL RISKS

Central to our risk model, principal risks are the key risks to the business and the attainment of our strategic intent. TVG articulates its appetite in the context of the principal risks, and all lower-level risk activity feeds up into these top-level risks. TVG has further embedded ESG within the Principal Risks for 2022 in recognition of its importance to our customers, colleagues, and our future.

CHANGES TO OUR RISK PROFILE SINCE LAST YEAR

The long tail of the pandemic, conflict in Ukraine and the biggest rise in the cost of living for a decade provide a challenging backdrop and created significant market uncertainty. The TVG business model has shown great resilience through these and historic periods of market and economic stress, and as such whilst these unprecedented times create a level of uncertainty we are confident that the TVG boards overall approach to risk management puts us on a strong footing.

PRINCIPAL RISK	KEY RISK DIMENSIONS	HOW WE MANAGE IT	EXEC OWNER	CHANGES SINCE LAST YEAR
POLITICAL AND 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	▪ Inadequate strategic planning ▪ Rise in unemployment, cost of living, or interest rates ▪ Change in consumer habits ▪ Political instability or policy change ▪ Civil or social unrest in the UK or offshore locations ▪ Non-competitive financial services, retail, or customer experience proposition	▪ We continue to monitor key macroeconomic indicators and geopolitical uncertainties to ensure appropriate sensitivities are used for forecasting and risk management purposes. ▪ Our detailed understanding of our customers facilitates the identification of the key economic indicators with the greatest propensity to impact our key demographic. By being able to model the impact to spending and borrowing of macroeconomic factors such as inflation, we can reduce the risk inherent within our forecasting. ▪ Stresses used to determine IFRS 9 provision in respect of bad debt enable monitoring and drive decisions regarding aspects of policy such as cut off rates. ▪ We are enhancing our overall approach to stress testing with the aim to utilise adaptive models within the business to test and ensure resilience.	Lionel Desclée	Increased Over the course of the year, competition has significantly intensified across both retail and lending markets, with numerous established consumer financial services businesses and retail banks reacting to the increased prominence of BNPL in retail sector. We anticipate this competition to continue to increase throughout the next financial year. The ongoing conflict in Ukraine has added to the challenges already faced by the UK economy leading to the cost of living crisis. Globally, the risk of trading with certain states has increased as can be seen with Russia, but also with China and Sri Lanka where instability has impacted the functioning of ports. In addition, there is a growing risk of a debt crisis in South Asia. The economic climate within the UK has become more challenging over this period with the rise of industrial action for better pay, driven by high inflation. The realised and expected increase in interest rates following an extended period of historically low rates, will drive the cost of borrowing upwards for TVG as well as our customers.
FINANCIAL AND LIQUIDITY The risk we are unable to meet our obligations as they fall due or are adversely hit by market rate or price movements	▪ Insufficient liquidity to meet contractual obligations ▪ Financial misstatement ▪ Inadequate financial control ▪ Currency exchange rate fluctuation	▪ We undertake regular and robust testing of liquidity to ensure sufficient levels are available to meet all financial obligations as they fall due. ▪ We undertake regular monitoring and reporting of key metrics, undertaking a detailed quarterly review to ensure an 18 month forward looking view is maintained. This includes the undertaking and analysis of key stress and reverse stress testing. ▪ Adverse changes in currency rates are mitigated to acceptable levels through the utilisation of appropriate hedging strategies. ▪ We maintain strong relationships with our securitisation banks and have a rolling three-year funding programme. ▪ In 2021 the Group concluded on an extension of the long-standing securitisation programme and continues to actively monitor debt markets.	Ben Fletcher	Stable/No change Strong year-on-year financial position continues driven by interest income performance, lower operating costs, growth in the debtor book, and lower bad debt. Turbulence in the currency markets has increased, however our hedging strategy has successfully mitigated the impact to our cost base. During the year, the Group successfully refinanced its £550m bond with £575m of new senior secured notes, which carry a lower coupon rate of 6.5% and will be renewable in August 2026.
CREDIT The risk of loss caused by the failure of a customer to meet their contractual obligations and repay their borrowings	▪ Sustained non-repayment of balances ▪ Failure to optimise credit returns ▪ Inability to predict asset behaviour	▪ We consistently monitor our models and the associated sensitivities in the underlying stress tests to ensure we are able to adapt to a changing macroeconomic environment. ▪ Through a data-led monitoring programme we are able to make risk informed decisions to ensure good outcomes for customers and the business. ▪ Taking an outcome-driven approach we ensure that credit is not granted to over-indebted customers, with an assessment of ability to repay mandatory for new and existing customers.	Mark Harrison-North	Increased The performance of our debtor portfolio has remained stable despite the current economic climate. However, we remain cautious in this regard. Additional measures have been taken to monitor the impact to our customer base of the current high levels of inflation. Whilst our debtor book has performed well, we consider the risk to have increased due to the worsening macroeconomic environment.

RISK MANAGEMENT AND PRINCIPAL RISKS
continued

KEY
- Increased
- Decreased
- Stable/No change

PRINCIPAL RISK	KEY RISK DIMENSIONS	HOW WE MANAGE IT	EXEC OWNER	CHANGES SINCE LAST YEAR
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	▪ Improper conduct and/or culture ▪ Negligent breach of legislative or regulatory requirements ▪ Business model impaired by regulatory or legislative change	▪ We have an established policy framework underpinned by documented business standards which set 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. ▪ A comprehensive compliance testing programme is in place, with thematic and outcome-specific testing being undertaken by the Group Compliance team. ▪ Controls established to mitigate regulatory risk are also tested through the ongoing testing and scenario analysis undertaken by the Group Risk team. ▪ We maintain a live view of changes to regulatory requirements and expectations with a view to ensure that the business is well informed. ▪ We seek to maintain a positive and open relationship with key regulatory bodies, including the ICO, Ofcom, the Financial Conduct Authority, and Government departments such as the BEIS.	Nick McBrien	Stable/No change The regulatory landscape has continued to evolve, and we welcomed initiatives such as the FCA's Consumer Duty. The FCA's recent focus has been upon the impact to customers of the current economic climate, and this is in line with our own monitoring activity. More broadly the Board have taken action to increase rigour in relation to due diligence for sanctions following the challenging political and economic risk position.
OPERATIONAL Losses or disruption resulting from inadequate or failed processes, people and systems or from external events	▪ Technology infrastructure failure ▪ Third party failure ▪ Breach of customer or business data ▪ Key change initiative failure ▪ Internal or external fraud ▪ Sustained loss of sites or resource, or supply chain disruption ▪ Inability to attract or retain top talent ▪ Sustained or widespread low morale ▪ Key business data unavailable or inaccurate	▪ Within key operational areas, including Customer Services and Technology, business line governance teams have been established to ensure the appropriate level of coverage and support in the identification and management of risk. ▪ We have robust business continuity plans in place and continue to build resilience within our business. ▪ We maintain and test the resilience and security of our infrastructure, including through key aspects of the supply chain and material outsourcing activities which are undertaken by third parties. ▪ Our dedicated fraud team ensures customers as well as the Business are protected through a comprehensive range of preventative and detective controls. ▪ Attracting and retaining the right talent is paramount and as such key controls are in place, including industry benchmarking and employee engagement activity. ▪ Data and infrastructure are key to our business and this is reflected in the significant levels of CAPEX expenditure focused upon delivering enhancements and reducing risk in these areas.	Sean Hallows	Stable/No change Cybersecurity remains a key threat to businesses in general underpinned by a warning from the National Cyber Security Centre for UK firms to bolster defences. The recruitment market had become more challenging in the final quarter; however action has been taken to ensure adequate resource levels are maintained. Based upon our resilience planning and controls, we see this as stable.
ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) An environmental, social, or governance event, or condition that, if it occurs, could cause a negative impact on the value of the business	▪ Growing legislation and transparency requirements on business (TCFD, human rights DD, packaging tax etc.) ▪ Changing consumer expectations ▪ Inadequate ESG policies and processes ▪ Increase in adverse weather conditions, impacting, customers, operations, and supply chains ▪ Failure to implement robust and independent management structures ▪ Failure to promote sustainability across business activities ▪ Inadequate diversity and inclusion policies and practices	▪ We aim to ensure that an environmentally friendly business model is maintained with a culture of social responsibility. ▪ TVG are proud of our diverse and inclusive culture, which is promoted throughout all levels of seniority. ▪ We actively monitor the risk of modern slavery and labour exploitation in our supply chain. ▪ We maintain a corporate governance framework which includes experienced and non-executive Board members governing the delivery of strategy. ▪ The business model seeks to maintain a sound reputation with consumers, regulators and the general public through our ESG agenda.	Charlotte Heiss	Increased In consideration of the importance to the Group TVG have escalated ESG to the Principal Risks for 2022. During the course of the year we have invested in technology and external data to enhance our ESG monitoring, including the assessment of suppliers and other third parties in this regard. We have established clear ambitions across four pillars: planet, circularity, product and communities.

MANAGING RISK IN UNCERTAIN TIMES

We are constantly monitoring the horizon and as we progress through 2022 and beyond, we are all too aware of the headwinds both the retail sector and our customers face. The long tail of Covid-19 remains and events such as the war in Ukraine drive uncertainly in the consumer and financial markets.

Increases in the cost of living tend to impact our customer demographic disproportionately, though our proposition has never been more relevant. Through our risk management programme and as a responsible lender, we have sought to ensure that our approach to lending reacts to the changing environment to ensure good outcomes for our customers are maintained. Through our lending policy, reviews are triggered by economic factors, including inflation, and we have moved to ensure that lending decisions are reflective of the current environment. In addition to CPI data, we utilise external economic data and analysis.

The FCA has also issued guidance to firms in this regard, and we have ensured that our practices continue to remain in line with regulatory requirements.

The cost challenges have not been limited to our customers and we expect business costs to remain high over the next 18 months. Effective modelling enables us to make good risk-based decisions around future costs ahead of time.

The marketplace has seen significant change, presenting both upside and downside risk. While the online consumer credit market has continued to grow, competition has intensified. Some suppliers are seeking to develop direct to consumer propositions and in the financial services market, the explosion in lenders offering BNPL products has led to a diversification of credit utilisation within our target market and an increased cost in new customer acquisition.

Both in terms of informing strategy and monitoring performance, the business undertakes significant market and horizon scanning through the use of primary sourced and third-party data. To ensure the monitoring of the risks and opportunities presented through market shifts such as those noted above remains appropriate, the Group Risk Team monitors and challenges the comprehensive data feeds utilised by the business so that we are confidently able to test and validate assumptions made in business planning, and advise the Board so that they may adapt our strategy accordingly.

PROMOTING LONG-TERM SUCCESS

STAKEHOLDER ENGAGEMENT AND SECTION 172

OUR STAKEHOLDERS

CUSTOMERS

WHY THEY MATTER TO US

Our customers are at the heart of our business. We have been here for millions of shoppers across the UK and Ireland for over a century, and are now here for online shoppers.

WHAT MATTERS TO THEM

- A large range of high-quality, good value products for all the family
- Good product availability so they can make the important purchases for the most important people in their lives
- Online shopping that's attractive and accessible
- Financial flexibility that puts them in control of their budget
- Confidence that Very acts ethically and sustainably when sourcing the products they love

HOW THE BOARD HAS ENGAGED

- The Board and Executive Committee have been involved regularly with the work we're doing with the new customer focus groups, the developments in digital customer experience, customer-closeness programme, and regular reporting on Net Promoter Score.
- Through our customer-closeness programme, we sought to maintain a deep knowledge of our customers by following several families throughout the pandemic and beyond to understand their priorities and needs. We reported the insights and feedback from these customers to Board members.
- We know a seamless digital customer experience is essential for improving customer satisfaction, perception, and loyalty. Therefore we have begun upgrading our platforms and investing even more in tech and data, to support our ambition to create an industry-leading digital customer experience, as outlined on pages 22 and 23.
- Within our Very Finance business we maintain a strong focus on treating customers fairly and ensuring customers receive the right outcomes, such as responsible lending – supported by our initial credit decisioning process; forbearance policies, and processes for customers in financial difficulties.

COLLEAGUES

WHY THEY MATTER TO US

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

WHAT MATTERS TO THEM

- Feeling valued and appropriately rewarded
- Being part of a diverse and inclusive workplace that allows them to develop and thrive
- Being able to share their views
- Having a safe and engaging working environment
- Understanding the Group's strategic direction and their place within that

HOW THE BOARD HAS ENGAGED

- Colleague engagement is measured through our annual Voice survey, with the results reviewed at every level of the organisation and included in reporting to the Executive Committee and Board.
- In FY22 the Board approved a bold diversity and inclusion strategy, supported by five commitments and measures to ensure we achieve them by 2025.
- The Executive Directors kept colleagues updated on corporate and individual business objectives, trading performance, and market conditions through a variety of communications media, including regular site visits and head office 'balcony' briefings, which include the opportunity for live Q&A.
- The Board listened to feedback from people about how they want to work in a post-pandemic world. We introduced a new, hybrid-working model as a result. Most teams choose where they work to best serve our customers, supported by a £2m investment in technology, processes, and transforming our offices to boost collaboration, community, and culture.

Find out more about our people and culture on pages 24 and 25.

COMMUNITIES AND THE ENVIRONMENT

WHY THEY MATTER TO US

We aim to have a positive impact in our communities, promoting growth, supporting inclusion, and developing opportunities.

WHAT MATTERS TO THEM

- Focus on sustainability and ethics
- Management of climate change risks and impact
- Diverse and inclusive approach that mirrors the local community
- Meaningful support for charitable activities and local initiatives
- Creation of employment and career opportunities in the communities where we are based

HOW THE BOARD HAS ENGAGED

- Over the past 12 months, we have advanced our sustainability agenda and strengthened our governance structure by establishing a Sustainability Committee comprising senior leaders from across the business.
- The Board ensures the clarity of vision and strategic direction of sustainability. It held the business to account for acting on the sustainability strategy this financial year.
- Our sustainability strategy addresses our impact on society and the environment, and is allied with the United Nations' Sustainable Development Goals.
- Focusing on planet, circularity, product, and communities, we have set ambitious 2025 targets based on industry best practice and have achieved key milestones during the year.

Find out more about our sustainability strategy on pages 34 to 43.

SUPPLIERS

WHY THEY MATTER TO US

Our ongoing success depends on suppliers being able to operate efficiently and effectively. Supplier relationship management is a key discipline across the business to ensure the best mutual outcomes.

WHAT MATTERS TO THEM

- Long-term and collaborative relationship with The Very Group
- Transparency and communication
- Working together to provide great products to our customers, building volume and achieving shared strategic goals
- Working collectively to minimise the environmental impact of production and transportation

HOW THE BOARD HAS ENGAGED

- Through our supplier relationship management, the Board and Executive Committee understand the importance of the Group's suppliers in achieving the Group's long-term plans. Our retail team engages with suppliers on a regular basis and key matters are shared with the Executive Committee and the Board through our regular systematic channels.
- We are often regarded as a strategic partner for the suppliers of the products we sell, with our new flexible fulfilment model a key example of how we have worked collaboratively with suppliers to ensure the best outcome for our stakeholders.
- We employ a strict onboarding procedure for potential new suppliers, adhering to the same ethical standards for suppliers as we do for customers.
- We perform ethical audits of suppliers and factories. In-country experts visit our factories regularly to offer advice and support on improving welfare standards for workers and implementing best practice.

INVESTORS AND LENDERS

WHY THEY MATTER TO US

Our investors comprise the Sir David Barclay and Sir Frederick Barclay Family Settlements. Our lenders comprise bondholders and external banks, Our investors and lenders are vital to our business and strategy, which is why we maintain open investor relationships.

WHAT MATTERS TO THEM

- Responsible stewardship of the Group from a financial, strategic, governance, environmental, and ethical perspective
- Transparency and communication
- Sustainability and profitability

HOW THE BOARD HAS ENGAGED

- The Board regularly engages with family shareholder members and with their representatives 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, our newly appointed independent Non-Executive Chair and representatives of the shareholders.
- The Investor Relations team engages with bondholders and investors throughout the year through quarterly reporting and accompanying conference calls, hosted by the Director of Finance and Investor Relations, our CFO and our CEO.
- We regularly update our corporate website with presentations, financial reports, press releases, and trading updates, and our Investor Relations team manages an exclusive investor mailbox.

STAKEHOLDER ENGAGEMENT AND SECTION 172
continued

OUR APPROACH

TRAINING	The Board believes that a deep understanding of the priorities of the Group's stakeholders is critical to ensuring long-term success and maximising value in our business. Each of the Directors is aware of their duties in relation to s172.
INFORMATION	Our Board directly and indirectly engages with stakeholders. See pages 50 and 51. The Board considers the quality of information it has received and seeks assurance where appropriate
STRATEGIC DISCUSSIONS	s.172 factors are considered in the Board's discussions on strategy, including how they underpin the Group's long-term success The Group's open and honest culture helps ensure there is proper consideration of the impact of Board decisions on our stakeholders
DECISION-MAKING	Outcomes of Board decisions are assessed and further engagement with stakeholders is undertaken where appropriate As a result of the Board's engagement, the necessary actions are taken

SECTION 172 STATEMENT

The Directors have acted in a way they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have given regard, amongst other matters, to the following considerations in the decisions taken during the financial period ended 2 July 2022:

- The likely consequences of any decision in the long-term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and environment
- The desirability for high standards of business conduct
- The need to act fairly as between members of the Company.

The Board has a duty under Section 172 of the Companies Act 2006 to promote the success of the Company and, in doing so, must take account of the effect on stakeholders of how it manages the business of the Company, whether these stakeholders are from within the Company, in its group, or outside the Company and its group. Throughout the year, the Board has kept in mind these responsibilities as it has supervised and monitored the business activities and prospects of the Company and as it has considered, and, where appropriate, made decisions relating to strategic aspects of the Company's affairs.

When a particular matter falls for review by the Board, it first seeks to identify those stakeholders which are likely to be impacted by the decision of the Board, and then the Board discusses the respective interests of those stakeholders as well as the consistency (or otherwise) of the relevant proposal with the Board's existing, or any proposed change(s) to its strategic plan. The examples on the following pages show how the Board has considered the stakeholders likely to be affected by the outcome of some of the key decisions made during the year.

STAKEHOLDER ENGAGEMENT AND SECTION 172
continued

STOCKLESS FULFILMENT MODEL	PARTNERSHIP WITH JEANOLOGIA	TRANSFORMATION OF OUR E-COMMERCE PLATFORM	DIVERSITY AND INCLUSION STRATEGY
This year, the Board approved the launch of a stockless fulfilment model with Adidas and Reebok as part of our investment in the digital customer experience, doubling the number of products available to our customers.	We work with Jeanologia, a denim finishing technology specialist, to improve the sustainability of our own-brand denim production. This technological partnership will give us access to an innovative process that reduces the consumption of energy and water required in the manufacturing process.	In the biggest technology development in Very's history, the Board approved investment to transform our e-commerce platform through a new partnership with commercetools, the world's leading digital commerce platform, giving greater scalability and reliability than ever before. This is just one of a number of investments and projects that span the total digital customer experience before, during, and after they shop.	As a purpose and values-led business, we have supported diversity and inclusion for a long time. Equity is in our heritage, and shows in our values. We recently took a deeper look at how we're doing and what we need to do in some places. To help us do that, the Board approved a bold diversity and inclusion strategy, supported by five commitments and measures to ensure we achieve them by 2025.
CONSIDERATION OF S172 FACTORS			
FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS, AND OTHERS The launch supports our plans to improve the customer experience with a more varied and flexible range of fulfilment options and product choices. Investment in innovative supply chain initiatives enhances our strategic relationships with key suppliers and provides them with more access for sale of their products to our wide customer base.	**FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS, AND OTHERS** Our customers increasingly consider the impact on the environment when making retail choices, and we want to make Very an easy choice for families by offering both value and sustainability. Very and Jeanologia now collaborate with denim suppliers to provide education, support, and advice on improving scores by implementing more sustainable denim washing, ageing, and finishing processes in factories.	**FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS, AND OTHERS** This new technology gives customers a contemporary, consistent, and accessible website experience, built using our new design system. The move to using customer-led insights in our decision-making means the needs of the customer are at the forefront of our business initiatives, allowing us to make customer experience changes more frequently and faster than ever before, creating a better overall experience.	**THE INTERESTS OF THE COMPANY'S EMPLOYEES** We have an established cross-functional diversity and inclusion squad that ensures all elements of the colleague experience come together to create an inclusive culture, where everyone feels they belong and they can be their true, authentic self. We identified the key areas of focus as gender and race – and we started having more conversations with colleagues and targeting action in these areas, in the belief that focusing on these two areas would have a halo effect for inclusion.
IMPACT ON THE COMMUNITY AND ENVIRONMENT The move allows us to choose the most efficient way to deliver any product, reducing the impact on the environment.	**THE INTERESTS OF THE COMPANY'S EMPLOYEES** Likewise, our colleagues want to work for an organisation that takes its ESG responsibilities seriously.	**THE INTERESTS OF THE COMPANY'S EMPLOYEES** Transforming our e-commerce platform helps our colleagues work in a more streamlined and efficient way, making more simultaneous changes to different parts of our customer journey than ever before.	**MAINTAINING HIGH STANDARDS OF BUSINESS CONDUCT** We want inclusion to be at the heart of everything we do, as without it our efforts to be a more diverse business are less sustainable, which is why we have a strong plan to monitor our progress and hold ourselves accountable through board sponsorship, monthly steering, and tracking of commitments.
LONG-TERM CONSEQUENCES The launch supports our plans to improve the customer experience with more varied product offerings, with the initiative being expanded to include more brands.	**IMPACT ON THE COMMUNITY AND ENVIRONMENT** Using Jeanologia's platform will help us ensure all our own-brand denim production is low impact (in energy and water consumed in manufacturing) by 2025, up from 60% currently.	**LONG-TERM CONSEQUENCES** The partnership is a major step forward in our strategy to modernise the technology that powers our customer experience. The possibilities this opens up from both a customer and a business point of view are greater than anything we have experienced previously.	**IMPACT ON THE COMMUNITY AND ENVIRONMENT** We know talent exists in all communities and backgrounds. Talented team-mates will join us, stay, and thrive only when they're respected and valued for the differences they bring. We are striving to create this kind of workplace, for example, by signing up to the 'If Not Now When' campaign, which sees us commit to taking key long-term sustainable action on black inclusion within our business.
ACTING FAIRLY BETWEEN MEMBERS Investment in best-in-class technology is the cornerstone of our digital-first operating model. This will make our business more resilient in the long-term, thereby ensuring sustainable value creation for shareholders and investors. This project is supported by a strong financial investment case and good internal rate of return and payback.	**LONG-TERM CONSEQUENCES** This partnership supports our commitment to better transparency of our supply chain and furthers our long-term sustainability strategy.	**ACTING FAIRLY BETWEEN MEMBERS** The transformation of our e-commerce platform underpins our digital-first operating model and will make our business more resilient in the long-term. As with all our technology investments, this project is supported by a strong financial investment case and good internal rate of return and payback. This will ensure sustainable value creation for shareholders and investors.	**LONG-TERM CONSEQUENCES** We know diversity within our teams will bring a broader range of thought, ideas, and experiences. This leads to greater innovation for our customers, happier colleagues, and better business performance.

KEY:
- The likely consequences of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with customers, suppliers and others
- The impact of the Company's operations on the community and environment
- The desirability for high standards of business conduct
- The need to act fairly as between members of the Company.

COMMITTED TO FULL FINANCIAL SUSTAINABILITY

ENERGY AND CARBON REPORT

Maintaining momentum in our environmental ambitions.

WORKING TOWARDS FULL CLIMATE-RELATED FINANCIAL DISCLOSURE

Below we set out our climate-related financial disclosures for the 52 weeks ended 2 July 2022. As a business we recognise the 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 FY23.

We recognise that enhanced reporting will require the business to ensure robust frameworks are in place for monitoring and measuring scope 1, 2 and 3 emissions. 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 FY22	Focus for FY23
Governance	▪ Established an ESG Board, accountable for overseeing the effectiveness of our ESG strategy. ▪ Participated in the CFO taskforce on sustainable finance to ensure sustainability is at the top of our finance agenda. ▪ Built ESG factors into our broader business decision making and risk frameworks. ▪ See our Sustainability report on page 34 for more details on our approach to governance.	▪ Ensure strong identification, accountability for, and reporting of, ESG issues, both internally and externally. ▪ Continue to hold ourselves to account on our ESG strategy and targets.
Strategy	▪ Continued to invest in the ESG global team, bringing in additional expertise to tackle the design and implementation of our approach to ESG through our own operations and supply chain. ▪ Further developed our ESG strategy, taking salient risks into account – see our Sustainability Report on page 34 for more details. ▪ Continued conversations with investors and broader stakeholders on the business' ESG agenda.	▪ Continue delivery of our carbon-neutral roadmap. ▪ Further investor conversations around our ESG agenda.
Risk management	▪ Included ESG risks within our principal risk framework for the first time. ▪ Identified the key environmental and social risks we face, and ensured we have effective mitigation strategies in place. ▪ Conducted our first full materiality assessment of sustainability risks.	▪ Support the risk team in building ESG risk into individual business units' risk matrices. ▪ 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	▪ Commissioned a report to provide a baseline position of our carbon footprint for Scope 1, 2 and 3 emissions. ▪ Continued 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 identifying the risks and opportunities of climate change to The Very Group and understanding how they may impact our business operations going forward, as well as for setting stronger targets in this area.

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 carbon-neutral agenda.

You can read more about our strategy and ambition, as well as our progress so far, in our Sustainability report on page 34.

	Target	Measurements
Scope 1 and 2 emissions	Carbon-neutral across scope 1 and 2 emissions by 2025 (using 2018/19 as a benchmark)	Reduction against a baseline of modelled emissions, verified externally
Scope 3 emissions	Carbon-neutral across scope 3 emissions by 2035 (using 2021/22 as a benchmark)	Reduction against a baseline of modelled emissions, verified externally
Packaging	Closed loop system implemented for all plastic and cardboard (i.e. waste is turned into a new product)	% of packaging processed through closed loop systems
Product	75% of own brand product to utilise more sustainable raw materials by 2025	External verification schemes

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.

REPORTING PERIOD

The Very Group is reporting for the financial year ended 2 July 2022.

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 2 July 2022, 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 2 July 2022.

The following figures show the consumption and associated emissions for The Very Group in FY22, 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 kg CO_2e emissions factors relevant for reporting year 4 July 2021 to 2 July 2022.

ENERGY AND CARBON REPORT
continued

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.

Utility and scope	FY22 Consumption (kWh)	FY21 Consumption (kWh)
Grid-supplied electricity (Scope 2)	**11,189,513**	14,513,940
Gaseous and other fuels (Scope 1)	**2,517,630**	8,791,011
Transportation (Scope 1 and 3)	**352,219**	190,403
Total	**14,059,362**	23,495,354

Utility and scope	FY22 Consumption (tCO_2e)	FY21 Consumption (tCO_2e)
Grid-supplied electricity (Scope 2)	**2,163.83**	3,081.74
Gaseous and other fuels (Scope 1)	**459.57**	1,610.16
Transportation (Scope 1 and 3)	**81.68**	44.36
Total	**2,705.08**	4,736.26

Intensity metric	FY22	FY21
tCO_2e/FTE	**1.26**	1.13
tCO_2e/£m revenue	**0.75**	2.37

ENERGY AND CARBON REPORTING COMMENTARY
We made material progress in our carbon ambitions during FY21 as a result of consolidating our warehouse footprint and moving to a hybrid work-from-home model. These changes provided a strong baseline and we are pleased that we have maintained momentum in our environmental ambitions over the last 12 months.

FY22 reflects the full year impact of the closure of our fulfilment operations at Shaw, which generated significant energy savings. We have also invested further in energy efficiency optimisation across all sites. This involved reviewing energy usage and implementing energy efficiency measures for lighting, air handling, heating and cooling systems.

We continue to look for ways to reduce our emissions and additional areas of energy optimisation for our sites have already been identified for us to implement in FY23. We are also pleased to say that as of 1 July 2022, we source all gas from renewable sources.

APPROVAL OF THE STRATEGIC REPORT
The Strategic report has been approved by the Board on 20 October 2022 and signed on its behalf by:

DAVID KERSHAW
DIRECTOR

CHAIR'S INTRODUCTION TO GOVERNANCE

Our governance and company purpose have been crucial in navigating the challenges of the last two years.

"I look forward to the year ahead, confident in the knowledge that the Company is led by a highly competent, motivated, and professional team."

DIRK VAN DEN BERGHE
CHAIR

OUR GOVERNANCE APPROACH

I am pleased to present my first report to you on the functioning of our governance, having been appointed Non-Executive Chair in January 2022. In the following pages, we set out our approach to governance and the activities of the Board in FY22. We also set out our statement on page 52 describing how we had regard to matters set out in Section 172(1) of the Companies Act 2006.

Our governance processes and focus on our purpose have both been crucial to managing the business through the global pandemic, supporting us in making what were sometimes difficult decisions during the past two years. They help us act with integrity and treat our employees, customers, suppliers, communities, and environment appropriately and with respect, while we work to provide a good return for our shareholders.

My appointment as the Group's first independent Chair is part of the shareholders' progressive approach to governance, which seeks to ensure we maintain an appropriate corporate governance framework for the Group. In addition, the appointment of Charlotte Heiss to the role of Group General Counsel and Company Secretary ensures continued consideration of governance at Executive Committee level. I strongly believe our ongoing focus on high standards of corporate governance will maintain strong engagement with our many stakeholders, and strengthen trust. We have decided at this stage of our business growth, we will continue to apply our own corporate governance arrangements for the year ended 2 July 2022.

FY23 will be a year of transition for the Board, as we build on the changes we have already made. I do consider, however, that the governance framework set out in the following pages of this report is strong and appropriate for an organisation of our size and structure. It will support the Board well in serving the interests of all our stakeholders.

In the brief period since my becoming Chair, succession planning activity has been a key area for the Board. The work done by the shareholders since September 2021 to review the skills of the Board has already proved to be of great value. Still, this year we plan a Board evaluation process so we can ascertain if we run the Board and its Committees in an effective and collaborative manner, and if they suit the Company's current governance needs and obligations. We will identify any areas of development to address, as well as specific areas of focus for FY23.

I look forward to the year ahead, confident in the knowledge that the Company is led by a highly competent, motivated, and professional team.

DIRK VAN DEN BERGHE
CHAIR
20 October 2022

CORPORATE GOVERNANCE REPORT

An evolving governance structure for the needs of our business.

CULTURE

The Board is conscious of its responsibility for setting the cultural tone, and deploys a number of monitoring and assessment tools, including regular colleague surveys, balcony briefings (with live Q&A elements), and other employee communications, including Chief Executive Officer videos. For more information on our engagement with employees, please see pages 24 and 25 of our People and Culture section of our Strategic Report and pages 50 and 51 of our Stakeholder Engagement section.

The pandemic reshaped the working world and, as a result, we introduced a new hybrid-working model. Most teams choose where they work to best serve our customers, supported by a £2m investment in technology and processes, and the transformation of our offices with culture, community, and collaboration in mind.

Putting our people first remains a priority and so we have a number of employee wellbeing measures as part of the hybrid-working model. These include a daily meeting-free hour when everyone is encouraged to take a lunchbreak and recharge, and access to a wellbeing hub that has extensive resources available.

We have continued to promote diversity and inclusion, and during the year released a new diversity and inclusion strategy supported by five commitments, with measures to ensure we achieve them by 2025. This is fundamental to ensuring our culture respects and values differences, and this supports business performance and innovation.

PURPOSE AND VALUES

We believe an effective board develops and promotes the purpose of a company, and ensures its values, strategy, and culture all align with this purpose.

This year, the Board worked with our executive team to create our refreshed purpose: helping families get more out of life. This new purpose reflects the benefits we provide to our customers and the role we play in their lives. It embodies the business we are today as well as our ambitions for the future. By providing convenience, flexibility and value, we aim to help families overcome their challenges and have the lives they deserve. We do that through our combination of famous brands, a simple digital customer experience, and our Very Pay platform, offering flexible ways to pay.

Our well-established framework of values and leadership behaviour will continue to underpin our purpose and culture, evolving as our business develops.

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 are 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 are 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.

CORPORATE GOVERNANCE REPORT
continued

OUR CORPORATE GOVERNANCE FRAMEWORK

We take the view that good corporate governance is a cornerstone to the creation of a successful business and one that generates value for wider society.

During the second half of the year, we undertook a detailed review of our governance systems and processes. This led to the creation of a new framework and revised Board composition, which we implemented in April 2022. The Board is therefore pleased to be able to report that we have made substantial progress in the year.

You can find further details regarding the Board and its responsibilities on pages 64 and 65.

THE BOARD

The Board Is responsible for promoting the long-term sustainable success of the Company, generating value for shareholders, while having regard to all stakeholders, and the impact of the business on the community and the environment.

Refer to pages 50-55

REMUNERATION COMMITTEE

The Committee is responsible for making recommendations to the Board for the Group's remuneration structure, aligning remuneration to the long-term sustainable success of the Group and taking into account Group results and the broader economic environment, as well as having regard to pay throughout the business. This continues to be the case under the new combined Remuneration and Nomination Committee.

Refer to pages 70 and 71

NOMINATION COMMITTEE

The purpose of the Committee is to ensure the appropriate mix of skills, competence and diversity of the Board and Committees, to achieve the Group's strategic goals while providing value to our shareholders and stakeholders. This continues to be the case under the new combined Remuneration and Nomination Committee.

Refer to pages 70 and 71

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is responsible for ensuring the financial performance of the Group is properly prepared, reviewed and reported. Its role also includes maintaining comprehensive internal control and risk management systems to safeguard shareholder interests.

Refer to pages 72 to 75

THE BOARD

PURPOSE

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders, while having regard to all shareholders, and the impact of the business on the community and the environment.

The Board is responsible for ensuring the Group and its various businesses conduct their activities in compliance with the law, regulatory requirements and rules, and good practices; ethically, and with appropriate governance and standards. This includes reviewing internal controls, ensuring the Board has an appropriate balance of skills and experience, and maintaining appropriate relations with shareholder and other stakeholders. The Board provides leadership to the Group and is collectively responsible for overseeing strategy, performance, governance, and risk.

Our s172 statement describes the ways the Board has carried out these responsibilities, recognising the key decisions it makes will affect long-term performance. The statement considers paragraphs A to F of the Companies Act 2006 and includes details on how the Board has considered and engaged with stakeholders. Please see the s172 Statement on page 52.

BOARD COMPOSITION

A STRONG LEADERSHIP TEAM

Dirk Van den Berghe joined the Board in January 2022 and was considered independent upon appointment as Chair. His external appointments are set out on page 65 and these are approved by the Board and are aligned with the time commitment required for his role as Chair of the Board. His appointment brought broader experience in digital retail, marketplaces, and payments, and represented the first major step to bringing independent oversight to the Group's governance framework.

At 2 July 2022, our Board comprised two Executive Directors, two Non-Executive Directors and six representatives of the shareholders, including members of the Barclay family. However, other than in exceptional circumstances, only one representative of the shareholders, Stuart Winton (or his alternate), attends each Board meeting. Therefore, in practice, the Board comprises the independent Chair, two Executive Directors and two Non-Executive Directors, plus one shareholder representative.

THE BOARD AND EXECUTIVE COMMITTEE

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.

The Executive Committee met nine times during the year, in addition to a Board strategy day and a budget review meeting. There were five meetings of the Audit and Risk Committee, the original Remuneration Committee met four times during the year and the combined Remuneration and Nomination Committee has met once since it's constitution in April 2022.

Under the new governance framework (from April 2022), Board meetings are quarterly and Executive Committee meetings are monthly. In addition, monthly financial performance reviews are attended by the Executive Directors, Non-Executive Directors, the shareholder representative, and the Chair. There will also be a Board strategy day and a budget review day each year. In future, there will be four meetings a year of both the Audit and Risk Committee and the Remuneration and Nomination Committee.

Although not all Directors attend the monthly performance reviews, all receive a monthly management report with business, financial, legal and regulatory reviews from the Chief Executive Officer, Chief Financial Officer, and Group General Counsel and Company Secretary.

BOARD COMMITTEES

The Board has reviewed the terms of reference for the Audit and Risk and Remuneration and Nomination Committees, given these were established in 2019. The Board concluded that the Remuneration Committee and Nomination Committee should be combined in April 2022, having previously been individual committees.

All committees are chaired by Non-Executive Directors. Copies of the terms of reference are available on our website. Their reports are at the end of this Governance report.

BOARD PERFORMANCE EVALUATION

The performance evaluation process in FY22 involved the following:

- The Non-Executive Directors and the Chair reviewed the performance of the Executive Directors using their personal objectives for the year
- We evaluated the effectiveness of the Board Committees (Audit and Risk, Remuneration and Nomination) internally. We will assess the effectiveness of the Board in early 2023, once the new Chair has been in position for 12 months
- The Chair assessed the performance of individual Non-Executive Directors through a programme of one-to-one discussions.

CORPORATE GOVERNANCE REPORT
continued

DIVISION OF RESPONSIBILITIES OF THE BOARD

CHAIR	▪ Responsible for leading and overall effectiveness of the Board ▪ Promotes a Board culture of openness and debate, and effective contribution of all Non-Executive Directors ▪ Coordinates the performance evaluation of the Chief Executive Officer and of individual Non-Executive Directors ▪ Holds meetings with and without Executive Directors present as appropriate ▪ Leads on all aspects of corporate governance
CHIEF EXECUTIVE OFFICER	▪ Senior executive responsible for operational management of the Group ▪ Develops, prepares, and implements the Group's strategy as approved by the Board ▪ Communicates the Group's culture and values ▪ Communicates the Group's financial performance to investors in conjunction with the Chief Financial Officer ▪ Keeps the Board fully informed of all material issues ▪ Responsible for employee engagement
NON-EXECUTIVE DIRECTORS	▪ Challenge constructively and scrutinise, holding to account the performance of management and individual Executive Directors to agreed performance objectives
KEY BOARD RESERVED ACTIVITIES	▪ Approve corporate and strategic business plans ▪ Approve annual and interim results, bondholder reports, and trading updates ▪ Oversee the business risk management framework ▪ Decide on major acquisitions and disposals, as well as major capital expenditure ▪ Director appointments ▪ Material litigation ▪ Approach to governance, processes and procedures ▪ Other matters reserved to the Board under the Group Delegated Authorities policy

EXECUTIVE DIRECTORS

LIONEL DESCLÉE
GROUP CEO

HENRY BIRCH*
GROUP CEO

BEN FLETCHER
GROUP CFO

NON-EXECUTIVE DIRECTORS: CHAIR AND BOARD COMMITTEE CHAIRS

DIRK VAN DEN BERGHE
NON-EXECUTIVE CHAIR

MARK MCMENEMY
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

JACQUI HUMPHRIES
CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

* Stepped down 23 September 2022

EXECUTIVE DIRECTORS

LIONEL DESCLÉE
GROUP CEO

APPOINTED: 19 September 2022

Lionel joined The Very Group as Chief Executive Officer in September 2022. He previously spent three years as President and CEO of Walmart in Japan, where he led a 35,000-strong team at Seiyu, the Japanese supermarket business with a significant food, non-food, and online presence through a joint venture with Rakuten. Before joining Walmart, Lionel spent three years as president and CEO of omnichannel retailer Tom & Co, which operates 180 pet care stores in continental Europe as well as an online presence. Between 2005 and 2016, Lionel held a number of senior roles at global retailer Delhaize Group, with responsibility for 750 franchised or affiliated stores in Belgium and Luxembourg, and 1,600 supermarkets in the US. Originally from Belgium, Lionel is fluent in English, French and Dutch.

HENRY BIRCH
GROUP CEO

STEPPED DOWN: 23 September 2022

Since joining in 2018, Henry successfully led The Very Group through a rebrand, the opening of a new, highly automated fulfilment centre and the Covid-19 pandemic, helping it become a £2bn-revenue business in the process and deliver a record-breaking financial performance in 2021. He previously spent four years as chief executive officer of FTSE 250-listed Rank Group plc, where he guided the business through a strategic overhaul to create the UK's largest multichannel gaming operator. Prior to joining Rank, Henry spent four years as CEO of William Hill Online, where he launched the company's mobile business. He started his career working in the House of Commons and holds an MBA from Stanford Graduate School of Business. Henry stepped down as Chief Executive Officer of The Very Group in September 2022.

BEN FLETCHER
GROUP CFO

APPOINTED: 1 September 2020

Ben leads The Very Group's 150-strong finance team as it strives to create and protect the future of the business, whilst improving its capabilities and adopting new ways of working. He was previously European President at Clarks Shoes, where he was responsible for investments including a new European fulfilment centre; delivering digital expansion and increasing colleague engagement. Prior to joining Clarks Shoes, Ben was at Walgreens Boots Alliance for six years. As managing director of Boots Opticians, he grew the business' market share, revenue, profit and EBITDA year-on-year. Between 1999 and 2011, Ben held a series of senior finance positions at Procter & Gamble worldwide. He sits on the board of the National Literacy Trust, and is a member of the United Nations CFO Taskforce on Sustainable Finance.

NON-EXECUTIVE DIRECTORS: CHAIR AND BOARD COMMITTEE CHAIRS

DIRK VAN DEN BERGHE
NON-EXECUTIVE CHAIR

APPOINTED: 15 March 2022

Dirk has successfully transformed and grown some of the very best companies in e-commerce, marketplaces and payments. In his most recent executive roles with Walmart, Dirk was responsible for Walmart's business in Canada, China, India and Japan, and oversaw Walmart Global Sourcing. Prior to joining Walmart, he held a range of senior roles in Asia and Europe at global retail business Ahold-Delhaize. Dirk has long-standing experience as a member of private, family and public boards, and is currently a non-executive director at Colruyt Group, a leading Belgium-based and Western Europe-focused retail and energy group.

MARK MCMENEMY
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

APPOINTED: 8 April 2019

Mark rejoined The Very Group in 2017 after deciding to give up full time executive roles to accommodate a number of non-executive and consulting positions, being appointed non-executive director on the 8 April 2019. Prior to this, he held the role of Group Finance Director at The Very Group for three years from 2012. Mark has a wealth of experience across the retail sector, both in the UK and internationally, having been CFO of Clarks Shoes, Mothercare and Monsoon. Prior to these roles, he held senior finance positions at Marks & Spencer. Mark currently Chairs the Audit and Risk Committee of The Very Group.

JACQUI HUMPHRIES
CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

APPOINTED: 8 April 2019

Jacqui joined the board of The Very Group in January 2009. Prior to joining The Very Group, Jacqui was the Head of HR – Retail for Marks & Spencer, responsible for 550 stores and the 70,000 people within them. During her time at The Very Group, Jacqui has performed the role of Group Director of People, leading the Group in successfully engendering a purpose and values-led culture that enables people to deliver against its world class digital ambitions. In April 2019 Jacqui was appointed Non-Executive Director of the Group and currently chairs the Remuneration and Nomination Committee of The Very Group.

OTHER DIRECTORS

AIDAN BARCLAY
DIRECTOR
APPOINTED: 2 MAY 2003

RICHARD MAYFIELD
DIRECTOR
APPOINTED: 26 SEPTEMBER 2022

PHILLIP PETERS
DIRECTOR
APPOINTED: 2 MAY 2003

HOWARD BARCLAY
DIRECTOR
APPOINTED: 2 MAY 2003

TIM FRANKLIN
DIRECTOR
APPOINTED: 12 SEPTEMBER 2022

STUART WINTON
DIRECTOR
APPOINTED: 3 JUNE 2013

DAVID KERSHAW
CORPORATE FINANCE DIRECTOR
APPOINTED: 22 FEBRUARY 2010

KEY
COMMITTEE MEMBERSHIP

- Audit and Risk Committee member
- Remuneration and Nomination Committee member
- Audit and Risk Committee Chair
- Remuneration and Nomination Committee Chair

CORPORATE GOVERNANCE REPORT
continued

INDUCTION AND TRAINING

The Group General Counsel and Company Secretary runs a comprehensive induction for newly appointed Directors, tailored to individual requirements and including guidance on their duties in connection with the Companies Act 2006, as well as other relevant legislation.

Dirk Van den Berghe underwent an extensive induction programme on joining. He will, in consultation with the Group General Counsel and Company Secretary review and agree the training and development needs of the Directors. The skills and knowledge of the Board as a whole are updated by briefings provided by the Company's internal resources and materials, and workshops and seminars offered by external advisers. During the year, the Executive Committee received a briefing on the Department for Business, Energy and Industrial Strategy's proposed reforms aimed at restoring trust in audit and corporate governance.

The Group General Counsel and Company Secretary's responsibilities include ensuring good information flows to the Board and between senior management and the Non-Executive Directors. The Group General Counsel and Company Secretary is responsible, through the Chair, for advising the Board on all corporate governance matters and for helping the Directors with their professional development.

The appointment and removal of the Company Secretary is a matter reserved for the Board.

DIRECTOR RESPONSIBILITIES

In April 2022, the Board adopted a new Group governance framework that was developed during the first half of the financial year, and which sets out the responsibilities and accountabilities allocated to the Board and its Committees.

The governance framework provides a clear understanding of roles and responsibilities, linking to policies and procedures and delegations of authority, supporting effective decision-making and independent challenge. In turn, all of this will achieve long-term value for the Group and its stakeholders. We review governance processes regularly as part of our commitment to corporate governance outlined at the beginning of this report.

Consistent with the ownership of the Group and the composition of the Board, as part of the Governance Framework, there is in place a schedule of matters reserved that ensures the shareholders retain authority on a number of specified matters that the Board considers.

EXECUTIVE COMMITTEE

As the senior Executive Director, the Chief Executive Officer is responsible for all aspects of day-to-day operational control of the Group and execution of the Group strategy. He has established and chairs a strong and effective Executive Committee to help him in his duties. The Committee's other members are the Chief Financial Officer, Chief People Officer, Chief Operating Officer, Chief Executive of Very Finance, Managing Director, Retail; Chief Information Officer, and Group General Counsel and Company Secretary.

The Executive Committee develops the Group's strategy, annual revenue, and capital budgets for Board approval. It reviews and recommends to the Board any significant investment proposals, monitors the financial and operational performance of the Group, and allocates resources within the budgets agreed by the Board. It also considers people issues, ensures the Group has an appropriate pool of talent, and develops senior management workforce planning and succession plans.

The Executive Committee meets on a four-weekly cycle that aligns with other operational meetings and forums. The ESG Committee, Governance Committee, Sourcing Committee, and the Investment Committee report to it.

BOARD ACTIVITY IN FY22

During the year, the Board operated to a strategic framework focused on achieving sustainable earnings growth.

1. STEERING THE BUSINESS THROUGH COVID-19 AND ITS AFTER-EFFECTS

The impact of the pandemic on the Company, performance, operations, and our employees continued to be a standing item at all meetings, and Board meetings continued to be virtual until January 2022.

2. INVESTING IN ORGANIC GROWTH

Material capital expenditure projects are subject to Board review and approval, including investment in our flexible fulfilment model and our continued transformation of the technology that underpins the digital customer experience.

3. RENEWED FOCUS ON CORE CUSTOMER GROUP

The Board has regularly reviewed the work done with new customer focus groups, the developments in digital customer experience, the customer closeness programme, and regular reports on Net Promoter Score.

4. FINANCIAL AND COMMERCIAL PERFORMANCE

These are reviewed at every meeting, supported by reports and presentations from the Executive Directors and members of the Executive Committee. Detailed reviews of specific business areas were provided by the relevant senior manager along with budget and strategy discussions.

5. MONITORING FINANCIAL STRENGTH

Financing, cash flow, and liquidity were an area of specific focus and the Board approved the bondholder presentation each reporting quarter.

6. LEADERSHIP AND PEOPLE

The Board reviewed succession-planning processes and progress with support from the Chief People Officer. The Nomination Committee completed the search for the new independent Non-Executive Chair.

7. ESG AND STAKEHOLDER RELATIONS

Received regular reports on governance, bondholder relations, and Employee Voice matters throughout the year. Took a number of material decisions relating to ESG matters, with demanding targets set.

8. INTERNAL CONTROL AND RISK MANAGEMENT

As well as receiving regular reports from the Audit and Risk Committee on the Company's internal control and risk management processes, the Company introduced an enterprise risk management framework, reporting through the Audit and Risk Committee.

9. STRATEGY AND INNOVATION

The Board dedicated an additional day to reviewing the existing strategic plan with the Executive Committee, and approved further work with external strategy consultants to further evolve it.

10. EMPLOYEE VOICE

A new engagement programme encourages colleagues to provide views on important themes like wellbeing, diversity and inclusion, and career progression, through regular surveys.

11. DIVERSITY AND INCLUSION

Following on from previous extensive work, the Company has strengthened its D&I ambition, publishing its annual D&I report containing five new commitments covering greater inclusion, 50/50 female/male split at senior management level, greater ethnic diversity, employment opportunities for underrepresented groups, and helping to shape D&I in our industry.

CORPORATE GOVERNANCE REPORT
continued

OPPORTUNITY AND RISK

The Board continuously looks for opportunities to create value, while assessing risks affecting the Group, and has in place the necessary procedures to oversee identifying and mitigating risk effectively.

It reviews short-term operational and trading opportunities as part of its day-to-day routine and through the weekly trading Executive Committee meetings.

The Executive Committee considers both medium and longer term opportunities regularly in its planning meetings, Committee meetings, and in meetings with the shareholders. The Executive Committee agrees a capital investment plan with the Board annually, and also agrees three-year and five-year plans annually. Similarly, the Executive Committee regularly considers opportunities for generating income streams from new sources and, with Board assistance, regularly reviews its strategic objectives and market positioning to ensure we continue to meet the demands of our customers' changing behaviour and market trends.

The Board has overall responsibility for risk management. Protecting our customers, colleagues, the commercial interests of the Group, and the society we serve is central to our risk management philosophy. Following extensive work in the year, we have now introduced a Company-wide approach to risk management. The risk framework will ensure we are able to best support the Group in achieving its strategic objectives.

The Board delegates responsibility for reviewing and challenging key risks and the risk management framework to the Audit and Risk Committee. The systems of risk management and internal control we deploy are designed to reduce the risks of failure to meet business objectives, but cannot eliminate these risks altogether. Our risk management and internal controls can therefore provide only reasonable, not absolute, assurance for meeting our business objectives or against material misstatement or loss.

INTERNAL CONTROLS

The Group's internal controls over the financial reporting and consolidation processes are designed, under the supervision of the Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external-reporting purposes, in accordance with IFRS.

The processes used by the Board, either directly or, where appropriate, through the Audit and Risk Committee, to review the effectiveness of the internal-control and risk-management systems in relation to the financial reporting process, and the process for preparing consolidated accounts, include the following:

- A review of the external and internal audit work plans
- Consideration of reports from management and external parties, including the internal and external auditors, on the system of internal financial control and any material control weaknesses
- Discussion with management on what to do about any possible problem areas identified. In addition, the Board receives copies of minutes from all Audit and Risk Committee meetings and a verbal update from the Audit and Risk Committee Chair at each Board meeting. It receives regular written and verbal reports from management on all aspects of regulatory, operations, financial, and risk-management matters.

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

Risks within the Group's regulated companies are managed by the boards of those and reported up to the Group Board in line with established reporting structures, to satisfy the relevant requirements of their regulators. Where relevant, matters are reported from those companies to the Executive Committee, the Group Board and the Group's Audit and Risk Committee. Please see the Risk Management and Principal Risks report on page 46 for more details of how we recognise and manage risk.

The Group uses the risk management and compliance capability of its UK regulated subsidiary in a number of key areas, including data protection, information security, and business continuity. Its recently revised delegated approval levels and contract approval and authorisation process, provide rigorous 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.

The Board confirms it has carried out a strict assessment of the emerging and principal risks facing the Group, and that it has monitored and reviewed the effectiveness of the Group's risk-management and internal control systems in FY22.

REMUNERATION

The Board is responsible for ensuring remuneration across the Group is appropriate to support its strategy and objectives, and to attract and retain a high-quality workforce and business leaders. Executive pay structures are designed to promote sustainable, long-term success, while incentivising behaviour and performance consistent with our values and leadership culture. Executive remuneration is linked to financial performance, customer outcomes, and the customer experience. Remuneration is also considered in light of remuneration structures and rewards across the workforce.

Together with the Group's Remuneration Committee, each of the Group's regulated companies has its own remuneration committee responsible for recommending to its board matters including recruitment and remuneration strategy, and reward frameworks. Compliance with regulatory obligations and expectations of senior management conduct is a key element of those frameworks.

The Group believes strongly in equal opportunities and takes a zero-tolerance approach to discrimination and victimisation, and promotes equal treatment. The Group operates a whistleblowing policy.

Total Directors' remuneration is disclosed in note 10 to the financial statements.

For further information on the role of the Group's Remuneration and Nomination Committee, please refer to page 70.

GENDER PAY GAP REPORTING

Decisions on pay, promotion and reward are critical to ensuring we attract and retain high-performing talent. The Group has complied with gender pay gap reporting requirements since 2017, and has acted to ensure we eliminate any systemic bias from our processes and decision making.

Like many other organisations, our gender pay gap is caused by having more males in higher-paid roles than females. Large organisational change in our fulfilment centres over the past year has adversely affected the figures, too. However, our gender pay gap is not an equal-pay issue. We pay our colleagues equally and fairly for the same or equivalent work, regardless of gender or any other characteristic, supported by our market-based approach to pay. As a result, the Board is confident that any variations in pay within a range are a result of justifiable factors such as service, market, or experience.

However, the Board and senior management recognise they must remain focused on tackling the areas that influence the gender pay gap. The Group's new diversity & inclusion ambition and 2025 commitments will go some way to helping this. Our commitment based on gender – to have more females in senior-management roles – we will measure by the female/male split and also through our female senior management team voice survey. To achieve this, we have initiatives that range from deepened gender focus in recruitment searches, a focus on early talent with an intake of 50:50 Female/Male, through to mentoring for women and tracking of female senior management team leaver data. The Board aims to help women rise in the Group and to move the gender pay gap in the right direction.

STAKEHOLDER ENGAGEMENT

The Board collectively, and the Directors individually, believe effective relationships with stakeholders are key to the business. Therefore, the Board is responsible for overseeing meaningful engagement with stakeholders to ensure we can take account of their needs and concerns in decision making, and create value for all.

Further detail on our key stakeholder groups and materially significant topics is set out on pages 50 to 55.

SHOP DIRECT FINANCE COMPANY

Shop Direct Finance Company (SDFC) is a company registered in England and Wales and is regulated by the Financial Conduct Authority (FCA), and is a wholly owned subsidiary of Shop Direct Group Financial Services Limited (SDGFS), which in turn is a wholly owned subsidiary of The Very Group Limited (TVG).

SDFC is committed to maintaining high standards of corporate governance, believing that effective corporate governance is essential to establishing an open and transparent framework for delivering good outcomes to our customers. It has therefore developed a robust governance structure that is appropriate for the size, complexity, and risk profile of the business. The structure ensures that governance processes are transparent, with defined escalation routes to manage significant risks and processes.

The Board has established certain standing committees to which it has delegated specific powers, duties, and decision-making responsibilities. Together with the Board, these form the Tier 1 Board and Committee structure as detailed below:

- The Executive Committee (ExCo) – established by the Chief Executive Officer to help manage the business in line with the strategy agreed by the Board, ensuring that delivery risks and exposures are adequately managed.
- The Risk Management Committee (RMC) – oversees the risk management framework, associated appetites, and risk position on behalf of the Boards. The RMC oversees this by providing assurance that material risks are identified and managed appropriately by maintaining and overseeing the application of the risk framework and risk management policies.
- The Remuneration and Nomination Committee – primarily responsible for the management and oversight of senior management (SM) remuneration, succession planning, and the appointment of new senior managers.
- The Audit Committee – primarily responsible for considering and reviewing the adequacy and effectiveness of SDFC's internal controls and integrity of the financial statements. They will recommend to the SDFC Board to sign and approve the SDFC year-end accounts and Management Representation Letter.

REMUNERATION AND NOMINATION COMMITTEE REPORT

"The Remuneration Policy is formulated to attract and retain outstanding leaders and colleagues, and to incentivise all to achieve the Group's strategy."

JACQUI HUMPHRIES
CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

INTRODUCTION

As Chair of the Remuneration Committee (it became the Remuneration and Nomination Committee from 1 April 2022), and on behalf of the Board, I am pleased to present our report on Directors' remuneration for FY22, which is in line with the Company's approved remuneration policy.

We have divided the Committee's report into three distinct sections: on the remuneration side, the annual statement and the remuneration policy, and on the nomination side, some detail of our work.

ANNUAL STATEMENT

The Committee's purpose is to make recommendations to the Board for the Group's remuneration structure, and to align remuneration to the long-term sustainable success of the Group, taking into account Group results and the broader economic environment, as well as having regard to pay throughout the business.

To do this, the Committee works with the Chief Executive Officer and executive management to harmonise and develop a Group-wide, sustainable approach to remuneration that attracts, retains, and rewards key talent.

The specific roles and responsibilities, as detailed in the Committee's terms of reference, are as follows:

- Recommending for Board approval the Group's remuneration policy for the Directors and key members of the senior leadership team
- Proposing appropriate remuneration structures, ensuring the performance criteria are fair, reward successful performance, and sufficiently balanced to include financial and non-financial KPIs
- Ensuring we consider the need for clarity, simplicity, risk, mitigation, proportionality, and cultures in all proposed structures
- Keeping sufficiently aware and up to date regarding remuneration in other companies of similar size, as well as changes in laws and regulations
- Ensuring a pipeline of talent and that we have effective succession plans for key roles
- Ensuring appropriate reviews, and that we consider workforce pay and policies, and they are in line with best practice.

The Committee believes the remuneration policy rewards effectively, and aligns the Executive Directors with the short and longer-term objectives of the business, linked to KPIs around financial performance, customer outcomes, and the customer experience. We have closely aligned the approved remuneration policy with the Group's strategy, and regularly review to ensure reward is aligned with the market and supports the right strategic aims and behaviour.

This Committee report, along with the disclosures in note 10 to the financial statements, fulfils the requirements under the Companies Act 2006 in relation to directors' remuneration for a privately owned Group.

COMPOSITION OF THE COMMITTEE

Since April 2022, the Committee has been led by Jacqui Humphries, with Dirk Van den Berghe and Henry Birch (until September 2022) as fellow members. Sarah Willett (Chief People Officer), the Director of Reward and, in future, the Group General Counsel and Company Secretary, are usually invited to attend and present updates and proposals as required.

Before April 2022, the membership of the Committee comprised Jacqui Humphries as chair, with Mark McMenemy and Stuart Winton as fellow members, and Sarah Willett as an attendee.

MEETINGS

The original Remuneration Committee held four meetings and the newly constituted Committee (from April 2022) met once during the year. The agenda is agreed in conjunction with the Chair, and circulated alongside relevant papers in advance of the meeting.

At the Board meeting that follows a Committee meeting, the Committee Chair provides an update to all Board members on matters discussed and agreed, next steps, and actions.

The Committee adopted new terms of reference in April 2022. You can find these on the Company's website.

KEY REMUNERATION DECISIONS TAKEN DURING THE YEAR

1. Reviewing and approving Executive Directors' remuneration structures, including salary, bonus, and related bonus measures.
2. Approving Executive Directors' bonuses earned during the prior year and awarded this year.
3. Reviewing the annual Gender Pay Gap Report and plans to reduce the pay gap.
4. Approving key market rate changes for employees, and investment in the April 2022 pay review.
5. Evaluating the Executive Directors' performance and succession plans, ensuring sufficient plans in place to continue the smooth running of the business.
6. Reviewing and approving new Executive Committee members' remuneration.

NON-EXECUTIVE DIRECTORS

The Chair's 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.

THE COMMITTEE'S NOMINATION REMIT

For the year under review prior to April 2022, the original Nomination Committee, chaired by Jacqui Humphries, with Mark McMenemy and Stuart Winton as members, was very active in the search for the roles of Board Chair, Legal Counsel and Company Secretary, and Group Chief Executive Officer, making recommendations to the Board. The Committee was also active in succession planning at an Executive Committee level. Since April 2022 (when the Remuneration Committee and Nomination Committee were combined), from a nomination perspective, the purpose of the Committee has been to ensure the appropriate mix of skills, competence, and diversity of the Board and Committees, to achieve the Group's strategic goals while providing value to our shareholders and stakeholders.

REMUNERATION POLICY

The Remuneration Policy is formulated to attract and retain outstanding leaders and colleagues, and to incentivise all to achieve the Group's strategy in the short, medium, and long term. The Committee continues to review the principles of the policy regularly.

The policy 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 have their futures provided for 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.

When the Remuneration Committee determines the structure and level of remuneration, it considers and benchmarks with 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.

Within the agreed terms of reference, the Committee helps the Group in:

- ensuring a pipeline of talent, and that effective succession plans are in place for key roles
- recommending for Board approval the appointment of Directors and members of Executive Committee, where appropriate
- ensuring Directors remain fit for purpose and up to date with relevant training and professional development
- assisting and supporting with Board and Committee evaluations and implementing plans to support the continuous development and training of the Directors
- monitoring and reviewing the Group's corporate governance framework.

LOOKING AHEAD

The Committee's priorities for FY23 and beyond include:

- reviewing the effectiveness of short-and long-term incentive arrangements and their alignment with the market
- undertaking an internally facilitated evaluation of the Directors, the Board, and Committees, reporting the outcome of the evaluation and making appropriate recommendations to the Board
- support with the implementation of plans as a result of the evaluation exercise.

Jacqui Humphries

JACQUI HUMPHRIES
CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE
19th October 2022

GOVERNANCE

AUDIT AND RISK COMMITTEE REPORT

> Our role in assessing the fairness and accuracy of the Annual Report and Accounts and scrutinising other externally communicated financial information remains at the heart of our work."

MARK MCMENEMY
CHAIRMAN OF THE AUDIT AND RISK COMMITTEE

CHAIRMAN'S INTRODUCTION

On behalf of the Board, I am pleased to present the Audit and Risk Committee's report for the year ended 2 July 2022. This report explains the Committee's role and its work during the year.

The year has been another extraordinary one for the entire world. While Covid challenges declined, new challenges emerged, such as the Russian invasion of Ukraine. At home, of particular concern to our customers is the cost of living crisis. In previous times of economic uncertainty, the Company has fared well, with its combination of great products in multiple categories, combined with innovative payment options, leading it to a position where customers felt safe shopping with us. We are well positioned to fare well again. Indeed, our results for FY22 are a testament to the underlying quality and resilience of our business and the part it plays in so many of our customers' lives.

Nevertheless, as an Audit and Risk Committee, we need to ensure these emerging issues are centre of mind when presenting our financial information. Our role in assessing the fairness and accuracy of the Annual Report and Accounts and scrutinising other externally communicated financial information remains at the heart of our work. Given the current global environment, we place specific focus on areas of accounting judgement (outlined below) such as 'going concern' and provisions for expected credit loss.

During the course of the year, the IFRIC agenda decisions regarding accounting for Software as a Service have been incorporated into the Group's accounts. The primary change is to move software costs and their implementation from capital to operating costs. As this is a change in accounting policy, the prior period comparatives have been restated. The impact on the prior year is £19.2m, with PBT moving from £81.7m to £62.5m. Within this year's accounts, the impact is £22.7m. This is broken in to two parts: i) licence fees now charged to operating expenses, offset by depreciation charged, amounting to a net reduction of £4.9m to pre-exceptional profit before tax, and ii) an exceptional charge of £17.8m to reflect spend that is part of our technical transformation.

The directors are aware at the time of signing these accounts of significant volatility in financial markets resulting in a rise in forecast interest rates and decline in the value of sterling. While the quantum of these in the medium term is unknown, management has demonstrated flexibility to be able to respond to such shocks most notably during the global pandemic. A series of mitigating actions has been identified which can be enacted, although none are currently required in the short term. The directors will closely monitor the ongoing position.

As an Audit Committee, we have also considered the sensitivities set out on page 86 that management have applied and believe they represent a suitably broad range of potential outcomes as at 2 July 2022 given the uncertainties.

The world is continually throwing new challenges at our customers, suppliers and staff, placing even greater emphasis on overseeing our risk management framework and internal audit. The enterprise risk management (ERM) framework is the responsibility of a Risk Director, who reports at each meeting on the identification of risk across the business, its scale, and the steps taken to mitigate it. The ERM framework is now an accepted tool we use, with individual areas of identified risk delegated to nominated senior management. Its effectiveness has grown, and will continue to grow as it matures.

Internal audit is the third line of defence in the Company's risk management. We strengthened internal audit resources during the year in rapid response to comments made by a specialist firm in the external quality assessment (EQA), and in the PwC review of corporate governance towards the end of the prior financial year. It is the Committee's view that internal audit remains effective and continues to meet its agreed plans and overall 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
20 October 2022

MEMBERSHIP AND MEETINGS

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

- Mark McMenemy (Chair)
- Jacqui Humphries
- David Kershaw
- Stuart Winton
- Tim Franklin

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 five meetings during the year. The attendance details are set out below:

Member	Attendance
Mark McMenemy	5/5
Jacqui Humphries	3/5
David Kershaw	5/5
Stuart Winton	3/5[1]
Tim Franklin	5/5

1 Stepped down 24 May 2022.

The Committee has a wide range of experience and skills, which provide the knowledge and ability required to work as an effective committee and to challenge the Board and senior management 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 The Very Group operates in.

During the year, the Committee held five 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 maintaining comprehensive internal control and risk management systems to safeguard shareholder interests. The Committee focuses on monitoring 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 reviewing findings and implementing them
- 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 of whistleblowing arrangements.

AUDIT COMMITTEE REPORT
continued

COMMITTEE ACTIVITIES DURING 2021/22

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 FY22 Annual Report. We assess whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements.

We are satisfied the judgements are reasonable, and that suitable accounting policies have been adopted and disclosed in the accounts. We discussed the following areas and addressed them 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. GOING CONCERN	We reviewed management's paper, scenario modelling and disclosures regarding going concern. The Committee has reviewed the sensitivity tests and the severity of these has been increased in light of the cost-of-living crisis, particularly around the sensitivity of management's sales forecasts, along with measures available to management should a liquidity shock occur. We note that during the year, the Group completed its refinancing plan to secure continued liquidity. Based on their review, including liquidity forecasting, we were satisfied that it appropriate to produce the accounts on a going concern basis.
2. ACCOUNTING FOR SOFTWARE AS A SERVICE (SAAS)	Management has evaluated the IFRIC agenda decisions regarding accounting for Software as a Service and has performed an exercise to ascertain which intangible assets are impacted by the change. Management has concluded that £22.7m should be expensed to the income statement in FY22 rather than capitalised as intangible assets. Management have also concluded that, as this is a change in accounting policy, the prior period comparatives should be restated. The Committee has reviewed the accounting papers produced by management and related disclosures in conjunction with the conclusions of the external audit procedures. We are satisfied that the changes in accounting policy have been implemented appropriately and that the adjustments made to the current and prior years are complete and accurate.
3. EXPECTED CREDIT-LOSS MODEL ADJUSTMENT	Significant judgements are made on the provisioning of potential credit risk of customers, including any remaining impacts of Covid-19 along with the emerging cost-of-living crisis. The net expected credit-loss provision is £253.5m at 2 July 2022. Based on detailed reports and thorough discussions with management and the external auditor, we reviewed and assessed the basis and level of provisions under IFRS 9 'Financial Instruments' standard methodology. This included reviewing the supporting calculations and data. While there remains some specific overlays to the underlying predictive model relating to Covid-19, these are substantially reduced compared to last year. However, a new overlay relating to the cost-of-living crisis has been added to acknowledge the impact it may have on our customers' ability to satisfy all their obligations. We are satisfied the judgements made were reasonable and appropriate.
4. VALUATION OF DOUGLAS GOODWILL	The carrying value of the Douglas goodwill is £97.0m. Management has prepared a paper outlining their assessment that the goodwill is not impaired at the Balance Sheet date. We have assessed the appropriateness of the assumptions made in the value in use calculation, which can be found on page 93. The audit committee is kept up to date with the progress of key projects through the quarterly management judgement papers. Having reviewed this, and the results for the external audit, we concluded the carrying value of the goodwill was supportable based on predicted future cash flows, and the assumptions for future cash flows and discount factors were reasonable.
5. ACCOUNTING FOR THE BOND	During the year, the Group successfully refinanced its £550m bond with £575m of new listed bonds, which carry a lower coupon rate of 6.5% and will be renewable in August 2026. Management has reviewed the nuances of the agreement to ensure the correct technical accounting treatment has been applied. We have reviewed management's paper and related disclosures in conjunction with the results of the external audit. We are satisfied the accounting for the bond is in accordance with the provisions of IFRS 9 and management has sought the correct technical advice.
6. CLASSIFICATION OF EXCEPTIONAL COSTS	The exceptional costs incurred in the period to 2 July 2022 were £41.5m (2021: £41.3m). Management has prepared a paper outlining their assessment of the nature of these costs and the rationale for them being presented separately as exceptional. Having reviewed the paper and supporting rationale, we concluded that the treatment of these costs is appropriate. We will keep the classification of exceptional costs under review.
7. REVENUE RECOGNITION	We assessed management's analysis of revenue recognition under IFRS 15, in particular the valuation of the early settlement accrual, and concluded it has been properly recorded in the period in accordance with accounting standards.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board retains overall responsibility for the Group's approach to risk management. The Committee is charged with reviewing regularly, and at least annually, the overall effectiveness of risk management within the business. We conducted an internal review on the effectiveness of the Audit and Risk Committee, having sought external advice from PwC the year before. While effectiveness was felt to be satisfactory, some improvements have been made to the presentation of management papers on accounting judgements and communication with external auditors. The strengthening of the risk-management framework, with a Risk Director overseeing it and the associated controls and mitigating factors and reporting through the Committee, has continued to evolve.

You can find further details on the risk framework and approach to risk management, together with details of The Very Group's principal risks and risk assessment, on pages 46 to 49.

INTERNAL AUDIT

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

It changed last year from an annual to quarterly updated internal audit plan. The Audit and Risk Committee reviewed and approved each quarterly internal audit plan and any subsequent material changes. We ensured the audit plan and related changes were aligned to the significant risks of the business.

During the year, internal audit performed audits on key risk areas of the business, including: Very Pay regulation; technology; cyber security; financial controls, operations and retail.

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 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 reappointment and remuneration of the external auditor, and during the year, we approved the reappointment of Deloitte. When considering whether to recommend the reappointment of the external auditor, we consider 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. Mark Lee-Amies, the Lead Audit Partner, has taken this position for the current annual audit cycle due to the length of the previous Lead Audit Partner's tenure. Mark has reviewed the FY21 audit process and subsequent report and has held regular discussions with the Committee and senior management to ensure a smooth transition.

The Committee has assessed and will continue to assess, the independence, tenure, and quality of the external auditor at least once a year, in addition to requiring both oral 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 was £0.8m and its non-audit fees were £1.2m. Further details are provided in Note 11 to the financial statements. The non-audit services during the current year were in relation to other reporting accountancy services. Deloitte was selected for these services as they would normally be undertaken by the external auditor.

EFFECTIVENESS AND REAPPOINTMENT

The Committee is responsible for evaluating the effectiveness of the external auditors. During the year, we approved and monitored Deloitte's terms of engagement, scope of work and the process for the annual audit. 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 healthy debate. These debates not only provide a level of clarity and comfort for the FY22 Report and Accounts, but provide guidance to aid the focus of the Committee.

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 has maintained strong challenges and scepticism throughout the audit process, and that it conducted the audit 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 2022/23 financial year.

WHISTLEBLOWING

The Company's whistleblowing procedures ensure all stakeholders can raise concerns confidentially about possible improprieties. They can do this by phone or online to an independently provided service.

The Committee received regular updates and can confirm that no material concerns were raised during the year.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for The Very Group Limited (the Company) and its subsidiaries (the Group) for the year ended 2 July 2022.

RESEARCH AND DEVELOPMENT

The Group undertakes research and development activities for the markets the business operates in.

MATTERS DISCLOSED IN THIS STRATEGIC REPORT

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 4 to 59 and includes the Group Chief Executive's review on pages 13. The principal risks and uncertainties are considered on pages 46 to 49.

OWNERSHIP

The Company's immediate parent is Shop Direct Holdings Limited. The ultimate controlling party is the Sir David Barclay and Sir Frederick Barclay Family Settlements.

DIVIDENDS

During the year ended 2 July 2022, the Directors recommended the payment of a dividend to the shareholders of £25m (2021: £nil).

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
D W Kershaw
P L Peters
S A Winton
J T Humphries
M McMenemy
D Van den Berghe (appointed 15 March 2022)
R A Mayfield (appointed 26 September 2022)
L A Desclée (appointed 19 September 2022)
T A Franklin (appointed 12 September 2022)

* H Birch stepped down on 23 September 2022.

DIRECTOR INDEMNITY PROVISIONS

The Company's Articles of Association provide for the indemnification of its Directors to the extent permitted by the Companies Act 2006 and other applicable legislation, out of the assets of the Company, in the event they incur certain expenses in connection with the execution of their duties. In addition, and in common with many other companies, the Company has directors' and officers' liability insurance, in respect of certain losses or liabilities officers of the Company may be exposed to in discharging their duties.

EMPLOYMENT OF DISABLED PERSONS

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

EMPLOYEE ENGAGEMENT

Our employee engagement is geared towards business improvement and incorporates a full and open dialogue with employees and their representatives. This encourages employees to contribute to achieving our 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.

Further details on how we engage with our employees is detailed in our ESG statement on pages 34 to 43 and our Section 172 statement on pages 50 to 55.

GREENHOUSE GAS EMISSIONS AND ENERGY CONSUMPTION

We comply with all relevant environmental legislation and have clear objectives to reduce energy consumption and waste production. Details of our carbon reporting are set out in the Energy and Carbon report on pages 56.

POLITICAL CONTRIBUTIONS

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

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 28 to 33.

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 the steps they ought to have taken as a director 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 they know of or know the auditor is unaware of. 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 has indicated its 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 20 October 2022 and signed on its behalf by

D W KERSHAW
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

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 United Kingdom adopted international accounting standards. The directors have chosen to prepare 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 judgements 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 of the financial reporting framework is 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 a going 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE VERY GROUP 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 2 July 2022 and of the group's profit for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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 company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 47.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting. 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:

- Challenging the board approved cash flow forecasts and covenant compliance forecasts;
- Assessing the appropriateness of the forecast assumptions by:
  - Challenging the key assumptions within the base case forecasts and sensitivity scenarios in order to assess the possible impact on covenant compliance and liquidity headroom;
  - Testing the mechanical accuracy of the forecasts and the underlying data generated to prepare the forecast scenarios and determining whether there was adequate support for the assumptions underlying the forecast;
  - Considering mitigating actions available to reduce costs and manage cash flows, should this be required, with reference to supporting evidence; and assessing whether the mitigating actions are within the Group's control;
  - Comparing the forecast with recent historical financial information to consider accuracy of forecasting; and
- Evaluating the Group's disclosures on going concern against the requirements of IAS1.

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 contained 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 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 and tax legislation; 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 the regulations issued by the Financial Conduct Authority ("FCA") and General Data Protection Regulation ("GDPR").

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

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

- completeness and accuracy of post model adjustments made to the loan loss provision;
- completeness and accuracy of the buy now pay later early settlement accrual; and
- completeness of the Software as a Service ("SaaS") adjustment.

Our procedures performed to address the fraud risk identified on completeness and accuracy of post model adjustments made to the loan loss provision included:

- assessed the post model adjustments in context of the current economic uncertainty and challenged the completeness of the overlays through a review of industry updates and analysis of Key Performance Indicators ("KPI's") as part of our stand back assessment.

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

Our procedures performed to address the fraud risk identified on the completeness and accuracy of the buy now pay later early settlement accrual (note 3) included:

- challenged the group's assessment of how potential changes in customer behaviour have been incorporated into the estimate of the early settlement accrual and compared the assumed early settlement rates against historical evidence and settlement activity post year end up to the submission date of this report.

Our procedures performed to address the fraud risk identified on the completeness of the SaaS adjustment (note 2) included:

- challenged the remaining intangible assets balance and assessed if the initial cost contained a SaaS arrangement via agreement to external evidence and investigation with project personnel to consider the appropriateness of the cost remaining on the balance sheet.

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 and external 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, reviewing correspondence with HMRC and FCA.

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.

M. R. Lee-Amies.

MARK LEE-AMIES
(Senior statutory auditor)

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

20th October 2022

CONSOLIDATED INCOME STATEMENT
for the 52 week period ended 2 July 2022

		52 week period ended 2 July 2022			(Restated)[1] 53 week period ended 3 July 2021		
	Note	Pre-exceptional items £m	Exceptional items (note 6) £m	Total £m	Pre-exceptional items £m	Exceptional items (note 6) £m	Total £m
Sale of goods		**1,750.4**	–	**1,750.4**	1,957.5	–	1,957.5
Rendering of services		**397.9**	–	**397.9**	359.6	–	359.6
Total Revenue	4,5	**2,148.3**	–	**2,148.3**	2,317.1	–	2,317.1
Cost of sales		**(1,371.6)**	–	**(1,371.6)**	(1,470.9)	–	(1,470.9)
Gross profit		**776.7**	–	**776.7**	846.2	–	846.2
Distribution costs		**(224.0)**	–	**(224.0)**	(241.6)	(8.4)	(250.0)
Administrative costs		**(340.6)**	**(27.8)**	**(368.4)**	(395.7)	(32.9)	(428.6)
Other operating income		**2.6**	–	**2.6**	1.8	–	1.8
Operating profit	7	**214.7**	**(27.8)**	**186.9**	210.7	(41.3)	169.4
Finance income	8	–	–	–	0.2	–	0.2
Finance costs	8	**(109.3)**	**(13.7)**	**(123.0)**	(107.1)	–	(107.1)
Profit before tax		**105.4**	**(41.5)**	**63.9**	103.8	(41.3)	62.5
Tax (charge)/credit	12	**(21.0)**	**7.9**	**(13.1)**	23.3	7.4	30.7
Profit for the period		**84.4**	**(33.6)**	**50.8**	127.1	(33.9)	93.2
Profit attributable to equity holders of the Group		**84.4**	**(33.6)**	**50.8**	127.1	(33.9)	93.2

The above results were derived from continuing operations.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 52 week period ended 2 July 2022

	Note	52 week period ended 2 July 2022 £ m	(Restated)[1] 53 week period ended 3 July 2021 £ m
Profit for the period		**50.8**	93.2
Items that will not be reclassified subsequently to profit or loss			
Remeasurement on retirement benefit obligations before tax	24	**10.5**	50.4
Income tax effect	12	**(2.2)**	(8.7)
Other comprehensive income for the period for items that will not be reclassified subsequently to profit or loss		**8.3**	41.7
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation losses		**(0.1)**	(1.6)
Other comprehensive income for the period		**8.2**	40.1
Total comprehensive income attributable to:			
Equity holders of the Group		**59.0**	133.3

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 2 July 2022 (Registration number: 04730752)

Assets	Note	2 July 2022 £ m	(Restated)[1] 3 July 2021 £ m	(Restated)[1] 27 June 2020 £ m
Non-current assets				
Goodwill	14	**202.5**	202.5	202.5
Intangible assets	15	**174.9**	182.9	194.1
Property, plant and equipment	13	**75.4**	25.7	9.1
Right-of-use assets	16	**84.7**	164.1	146.2
Deferred tax assets	12	**190.8**	204.9	180.7
Trade and other receivables	19	**503.8**	–	–
		1,232.1	780.1	732.6
Current assets				
Inventories	18	**112.1**	102.2	65.4
Trade and other receivables	19	**1,640.2**	2,075.8	2,072.3
Income tax asset		**1.1**	1.5	0.3
Cash and cash equivalents	20	**43.4**	78.1	206.4
Derivative financial instruments	17	**5.1**	–	2.5
		1,801.9	2,257.6	2,346.9
Total assets		**3,034.0**	3,037.7	3,079.5
Equity				
Share capital	22	**(200.0)**	(200.0)	(200.0)
Accumulated (profit)/deficit		**5.4**	42.9	176.2
Equity attributable to owners of the Company		**(194.6)**	(157.1)	(23.8)
Non-current liabilities				
Loans and borrowings	23	**(620.9)**	(550.0)	(550.0)
Securitisation facility	23	**(1,441.7)**	(1,389.2)	(1,385.4)
Retirement benefit obligations	24	**(1.3)**	(1.6)	(59.5)
Deferred income	27	**(25.2)**	(26.4)	(30.7)
Lease liabilities	31	**(96.8)**	(166.7)	(151.3)
Provisions	25	**(5.7)**	–	(0.6)
		(2,191.6)	(2,133.9)	(2,177.5)
Current liabilities				
Trade and other payables	26	**(517.6)**	(566.1)	(533.1)
Loans and borrowings	23	**(80.0)**	(90.0)	(150.0)
Derivative financial instruments	17	**–**	(0.6)	–
Retirement benefit obligations	24	**–**	(8.7)	–
Lease liabilities	31	**(1.1)**	(11.6)	(14.3)
Deferred income	27	**(44.4)**	(48.6)	(55.6)
Provisions	25	**(4.7)**	(21.1)	(125.2)
		(647.8)	(746.7)	(878.2)
Total liabilities		**(2,839.4)**	(2,880.6)	(3,055.7)
Total equity and liabilities		**(3,034.0)**	(3,037.7)	(3,079.5)

The notes on pages 86 to 132 form an integral part of these financial statements.

The financial statements of The Very Group Limited, registered number 04730752, have been approved by the Board and authorised for issue on 20 October 2022 and signed on its behalf by:

D W KERSHAW
DIRECTOR

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 52 week period ended 2 July 2022

	Share capital £m	Accumulated profit/(deficit) £m	Merger reserve £m	Total £m
At 28 June 2020 (as previously reported)	200.0	(139.4)	–	60.6
Impact of change in accounting policy[1]	–	(36.8)		(36.8)
Restated balance at 28 June 2020[1]	200.0	(176.2)	–	23.8
Restated profit for the period[1]	–	93.2	–	93.2
Other comprehensive income	–	40.1	–	40.1
Restated total comprehensive income[1]	–	133.3	–	133.3
Restated balance at 3 July 2021[1]	200.0	(42.9)	–	157.1

	Share capital £m	Accumulated profit/(deficit) £m	Merger reserve £m	Total £m
Restated balance at 3 July 2021[1]	200.0	(42.9)	–	157.1
Profit for the period	–	50.8	–	50.8
Other comprehensive income	–	8.2	–	8.2
Total comprehensive income	–	59.0	–	59.0
Acquisition[2]	–	–	3.5	3.5
Dividend to parent company	–	(25.0)	–	(25.0)
At 2 July 2022	**200.0**	**(8.9)**	**3.5**	**194.6**

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.
2 During the current financial year, The Very Group Limited acquired 100% of the ordinary share capital of Primevere Equipment Limited, see note 32 for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 52 week period ended 2 July 2022

	52 weeks to 2 July 2022 £m	(Restated)[1] 53 weeks to 3 July 2021 £m
Cash flows from operating activities		
Profit for the period	**50.8**	93.2
Adjustments for:		
Depreciation	**18.0**	15.6
Amortisation	**47.0**	47.0
Financial instrument net (gains)/losses through profit and loss	**(5.7)**	3.1
Finance income	**–**	(0.2)
Finance costs	**123.0**	106.3
Income tax credit	**13.1**	(30.7)
Decrease in provisions	**(10.7)**	(104.6)
Adjustments for pensions	**1.5**	1.1
Operating cash flows before movements in working capital	**237.0**	130.8
Increase in inventories	**(9.9)**	(36.8)
Increase in trade and other receivables	**(64.8)**	(1.8)
(Decrease)/increase in trade and other payables	**(65.8)**	19.0
Cash generated by operations	**96.5**	111.2
Income taxes paid	**(1.4)**	(3.0)
Interest paid	**(100.2)**	(103.2)
Net cash inflows from operating activities	**(5.1)**	5.0
Cash flows from investing activities		
Interest received	**–**	0.2
Acquisitions of property plant and equipment	**(1.7)**	(18.6)
Acquisitions of intangible assets	**(37.0)**	(40.1)
Consideration paid for company acquisitions	**(0.3)**	–
Net cash outflows from investing activities	**(39.0)**	(58.5)
Cash flows from financing activities		
Payments of lease liabilities	**(11.6)**	(18.6)
Proceeds from securitisation facility drawdowns	**52.5**	3.8
Proceeds from senior secured notes	**25.0**	–
Payment of early redemption premium	**(10.7)**	–
Repayments of secured revolving credit facility	**(14.9)**	(60.0)
Repayments of bank loans	**(5.9)**	–
Dividends paid to parent company	**(25.0)**	–
Net cash inflows/(outflows) from financing activities	**9.4**	(74.8)
Net decrease in cash and cash equivalents	**(34.7)**	(128.3)
Net cash and cash equivalents at 3 July 2021 (note 20)	**78.1**	206.4
Net cash and cash equivalents at 2 July 2022 (note 20)	**43.4**	78.1

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 2 July 2022

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
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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 e-commerce 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 United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB. 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 period relates to the 52 week period ended Saturday 2 July 2022 (2021: 53 week period ended Saturday 3 July 2021).

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.

The consolidated financial statements incorporate the results of business combinations of entities under common control. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their carrying values at the acquisition date. The results of acquired operations for the full year are included in the consolidated income statement.

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

Following the work undertaken, the directors are confident that the Group has sufficient liquidity for the next 18 months to December 2023 and will satisfy covenant requirements.

Forecasts have been stress tested with sensitivities around reductions in revenue, deterioration in customer payments, higher interest rate outlook and increased write offs of trade receivables. Reverse stress testing has also been applied to the forecasts which represent a suitably significant deterioration in the key assumptions from the base case forecasts. The reverse stress sensitivities are considered to be remote. The directors have also considered seasonality and the mitigating actions available in their base and stress scenarios.

Reverse stress testing has also been applied to the forecasts which represent a suitably significant deterioration in the key assumptions from the base case forecasts. The reverse stress sensitivities are considered to be remote.

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 affect 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.

2 ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

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 period 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 4 July 2021:

- The Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 3 Business combinations
- Amendments to IAS 16 Property, Plant and Equipment
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- 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.

CHANGE IN ACCOUNTING POLICY – CLOUD COMPUTING CONFIGURATION AND IMPLEMENTATION COSTS

During the prior year the IFRS Interpretations Committee ('IFRIC') published an agenda decision on the accounting for configuration and customisation costs incurred when implementing Software as a Service ('SaaS') solutions. The agenda decision has resulted in a revision in the accounting policies of The Group, which had a material impact on previous years' reported results.

The updates and restatements per these financial statements result from a comprehensive review of the Group's approach to the capitalisation of such costs which was completed during the final 3 months of the year ending 2 July 2022.

The Group's accounting policy has historically been to capitalise costs directly attributable to the SaaS arrangements as intangible assets in the Consolidated Statement of Financial Position, irrespective of whether the services were performed by the SaaS supplier or third party. Following the adoption of the above IFRIC agenda guidance, current SaaS arrangements were identified and assessed to determine if the Group has control of any of the software. For those arrangements where the Group does not have control of any of the developed software, the Group derecognised the intangible asset previously capitalised. This methodology was adopted during the period ended 2 July 2022 and retrospectively applied to prior financial periods to allow direct comparison.

Further details regarding the impact of this change in accounting policy has been disclosed within note 35 of these 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.

IFRS 17 INSURANCE CONTRACTS (IFRS 17)

IFRS 17 was issued in 2017 and is required to be adopted for annual reporting periods beginning on or after 1 January 2023. For the Group, this will be the 52 week period ended 29 June 2024. The IFRS 17 model combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided. The general model in the standard requires insurance contract liabilities to be measured using probability-weighted current estimates of future cash flows, an adjustment for risk, and a contractual service margin representing the profit expected from fulfilling the contracts. Effects of changes in the estimates of future cash flows and the risk adjustment relating to future services are recognised over the period services are provided rather than immediately in profit or loss. The Group has evaluated the expected initial impact of this standard on the consolidated results and has deemed this to have an immaterial effect.

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

2 ACCOUNTING POLICIES (continued)
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 as performance obligations are satisfied, once goods are delivered to the customer and the control of goods is transferred.

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 thecustomer 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. 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.

The amount expected to be settled within the interest free period is an estimate which management make based on past settlement rates and trends. This is a matter of estimation. Were BNPL early settlement rates to be 5% higher/(lower) than forecast then the provision for early settlement would be £7.7m higher/(lower) reducing/(increasing) interest income earned in FY22 and net assets.

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 within note 29.

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 period 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.

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.

2 ACCOUNTING POLICIES (continued)
TAX (continued)
DEFERRED TAX (continued)
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.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

2 ACCOUNTING POLICIES (continued)
INTANGIBLE ASSETS ACQUIRED SEPARATELY (continued)
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.

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.

2 ACCOUNTING POLICIES (continued)
PROVISIONS (continued)
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.

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 period 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:

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

2 ACCOUNTING POLICIES (continued)
FINANCIAL INSTRUMENTS (continued)
IMPAIRMENT (continued)
Customer balances are assessed within three 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.

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 cashflows 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 considered.

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.

2 ACCOUNTING POLICIES (continued)
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 are one-off or exceptional in nature and by virtue of their size and/or nature should be separately disclosed in order to provide more information to help understand the underlying trends, performance and position of the Group.

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.

BUSINESS COMBINATIONS
Where business combinations have occurred between the Group and other entities under common control, the transaction falls out of scope of IFRS 3 Business Combinations. In these circumstances, the Group applies the "common control method" to recognise the acquisition as a common control transaction. Under this method, the assets and liabilities of the entity to be acquired are transferred at their respective carrying values and the transaction will not generate any new goodwill upon transfer.

Should any consideration exceed the net assets of the entity to be transferred, this will instead be recognised as a separate equity reserve on consolidation.

The Group will recognise the results of the acquired entity's statement of profit or loss for the full reporting period when producing consolidated financial statements. This is regardless of the timing of the combination and this has been applied prospectively with previous years not being restated. Any costs resulting from the combination will be written-off to the statement of profit or loss.

INVESTMENTS
Investments in subsidiary undertakings are included in the Company's balance sheet at cost on acquisition. The Group assesses for indicators of impairment on an annual basis. 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 2 July 2022

2 ACCOUNTING POLICIES (continued)

DEFINED BENEFIT PENSION OBLIGATION (continued)

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 Statement of Financial Position 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 period, are discussed below.

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 Financial Instruments 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.

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

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 period, 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 £190.8m (2021 Restated: £204.9m) which consists of capital allowances, carried forward tax losses and provisions and accruals.

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 period. The carrying amount of goodwill at the balance sheet date was £202.5m (2021: £202.5m), with £105.5m (2021: £105.5m) relating to the acquisition of the Retail business in 2005. Of the £105.5m goodwill relating to this acquisition, £89.3m (2021: £89.3m) has been allocated to the "Very" cash generating unit and £16.2m (2021: £16.2m) allocated to the "Littlewoods" cash generating unit. The balance of £97.0m (2021: £97.0m) resulted from the acquisition of Douglas Insurance Limited in 2008. Details of the impairment review carried out on the Douglas goodwill balance and related sensitivities 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 Very or Littlewoods goodwill balances 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: 3.9% (2021:5.0%), Peak CPI: 9.7% (2021:2.2%)),
II. Upside (Peak unemployment: 3.8% (2021:4.7%), Peak CPI: 10.7% (2021:4.1%)),
III. Mild Upside (Peak unemployment: 3.8% (2021:4.7%), Peak CPI: 10.2% (2021:3.3%)),
IV. Stagnation (Peak unemployment: 6.7% (2021:6.4%), Peak CPI: 9.0% (2021:1.9%)),
V. Downside (Peak unemployment: 6.9% (2021:6.6%), Peak CPI: 9.0% (2021:2.0%)), and
VI. Severe Downside economic performance (Peak unemployment: 7.3% (2021:6.9%), Peak CPI: 9.0% (2021:2.2%)).

The Group applies a balanced mix of scenarios to reflect a range of possible outcomes and the Group's macroeconomic calculation applies a weighting of base case 40%, mild upside 30% and downside 30% (2021: same).

If 100% severe downside scenario were applied, the provision would increase by £1.9m (2021: £2.5m). If 100% base case scenario were applied, the provision would decrease by £1.4m (2021: £1.0m). The application of 100% upside scenario would indicate a provision decrease of £2.0m (2021: £3.0m). The macroeconomic element of the Group IFRS 9 provision has increased period on period. The economic scenarios and sensitivities considered in provision models reflect outlooks as at 2 July 2022.

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, for example if the relationship between defaults and CPI were to be more extreme in a high inflationary period than previously seen in past years.

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. A payment freeze provided customers adversely impacted by Covid-19 with the option to defer payments for up to six 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 to temporarily retain a post-model adjustment to IFRS 9 provisions to specifically increase coverage for potential credit losses on those accounts that were utilising a payment freeze or that had recently done so. At the close of FY20 the PMA was £8.3m and at the close of FY21 the PMA was £6.7m.

In line with FCA guidance, all payment freezes concluded on or before the 31 July 2021 and as such a PMA is no longer retained at the close of FY22.

The PMA held at FY21 close was utilised during FY22, reflecting credit losses against the cohort of accounts that had concluded a payment freeze but subsequently fell into arrears. Loss rates on these accounts were in line with the expected loss calculations made in retaining the PMA. Importantly, loss rates were also in line with historic performance and ultimately confirmed the temporary nature of reduced arrears levels.

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

TEMPORARY REDUCTION IN ARREARS AND DEFAULTS

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

As a result of uncertainty associated with the potentially temporary nature of payment and arrears trends whilst these schemes were active, management considered that Probability of Default (PD) values understated underlying risk at the close of FY21. A post model adjustment was therefore 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 was uplifted to align the provisions to historic ECL performance which we believed to be more representative of forward-looking performance. The post model adjustment retained at year end FY21 was £19.3m. This was before forward-looking macroeconomic factors were included and was separate from specific adjustments made for accounts that had utilised a payment freeze with SDFC as explained above.

With those schemes no longer active, and arrears and default levels gradually returning to historic norms during FY22, the post model adjustment has been progressively utilised in line with credit losses and at FY22 close was £4.7m. Loss rates relating to this post model adjustment have also proven to be in line with historic performance and again ultimately confirmed the temporary nature of reduced arrears levels.

CURRENT MACROECONOMIC FACTORS

During the Covid-19 pandemic, the UK saw high unemployment risk ultimately dampened by government intervention through a furlough scheme. The new economic challenge that has emerged during FY22 has been inflationary pressure on household budgets and the rising cost of living in the UK. The increasing cost of energy, groceries, and other household expenses presents the risk that disposable incomes will fall, that some customers' outgoings will start to exceed earnings and that customer defaults may ultimately rise.

In accordance with IFRS 9 requirements, the Group expected loss model incorporates a macroeconomic adjustment to customer probabilities of default. The adjustment links to two key economic variables: unemployment and CPI (Consumer Price Index). IFRS 9 requires the utilisation of economic forecasting to reflect the potential risk that recent customer performance may not adequately reflect future defaults if these economic variables become more challenging in the coming 12 to 36 months. The Group purchases economic forecasting data from an independent third party.

The third party base case forecast of CPI utilised in IFRS 9 modelling by the Group in June 2022 predicts that UK inflation will peak at 9.7% in December 2022, before subsequently reducing. As this pressure is expected to peak within FY23, there is a "front loading" effect on the macroeconomic adjustment with a greater impact on predicted 12-month default rates, and a resulting rise year on year in this element of the provision to £20.9m (FY21 £12.8m).

COST OF LIVING

POST-MODEL ADJUSTMENT

Further to the above, due to the unique nature of emerging inflationary pressures, management has carried out a review into the impact of cost of living pressures on the Group's customer base, considering its potential effect on disposable incomes and the historic correlation between inflation and default rates. This review has specifically considered potential credit losses over and above the provisions held according to the standard macroeconomic requirements of IFRS 9, acknowledging that the nature of current economic conditions may not ultimately be addressed by a standard economic calibration.

Whilst we are confident the flexibility provided by our Very Pay account will help customers to minimise arrears during a period of financial uncertainty, in the light of the unique nature of current cost of living pressures we have incorporated a £5.0m PMA due to economic uncertainties. This PMA has equivalent impact of a >5% stress in probabilities of default; if the modelled probabilities of default were stressed by +-10% the impact on ECL would be +-£9.0m. This PMA is over and above the £8.1m growth in the macroeconomic adjustment and in addition to the £4.7m PMA relating to a temporary reduction in arrears detailed above.

The overlays to the model have been applied using data going back to 2008. However, in that period inflationary pressures have not reached the levels expected to occur over the next 12 to 18 months. Whilst we are confident that the level of provision included in the accounts is data-led and appropriate the provision is by its very nature judgemental and actual results could differ from the provision. This will continue to be monitored on a quarterly basis in FY23.

BUY NOW PAY LATER EARLY SETTLEMENT

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.

The amount expected to be settled within the interest free period is an estimate which management make based on past settlement rates and trends. This is a matter of judgement. Were BNPL early settlement rates to be 1% higher/(lower) than forecast then the provision for early settlement would be £1.5m higher/(lower) reducing/(increasing) interest income earned in FY22 and net assets.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 future regulatory obligations based on information available at signing date, taking into account factors including risk and uncertainty.

The Group has worked through all claims received before the August 2019 deadline. The provision as at 2 July 2022 is based on the Directors' best estimate of future payments.

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 four assessments of £2.4m, £8.5m, £2.7m and £1.9m from HMRC covering the period April 2015 to March 2021, which have all been paid in line with standard practice to proceed to tribunal.

As discussions are still on-going with HMRC and a satisfactory outcome has not yet been achieved, the directors have continued to accrue in line with professional advice, accruing at £7.9m as at the balance sheet date (2021: £7.0m). The net asset balance of £7.6m (2021: £6.6m) has been recognised as a tax deposit within other receivables in the Group accounts. Based on the amounts reflected in the balance sheet as at 2 July 2022, the directors estimate that an unfavourable settlement of this case could result in a charge to the income statement of up to £7.6m.

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 2 July 2022

4 REVENUE

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

	2022 £m	2021 £m
Sale of goods	**1,750.4**	1,957.5
Interest income	**389.4**	349.5
Insurance and warranty income	**8.5**	10.1
Total rendering of services revenue	**397.9**	359.6
Total revenue	**2,148.3**	2,317.1
Other operating income	**2.6**	1.8
Finance income	**–**	0.2
Total income	**2,150.9**	2,319.1

5 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. 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.

	2022 £m	(Restated)[1,2] 2021 £m
By business segment		
Analysis of revenue:		
Very	**1,790.5**	1,865.4
Littlewoods	**357.8**	451.7
	2,148.3	2,317.1
Gross profit	**776.7**	846.2
Distribution costs (excluding depreciation, amortisation and exceptional items)	**(220.2)**	(241.6)
Administrative costs (excluding depreciation, amortisation and exceptional items)	**(279.4)**	(333.1)
Other operating income	**2.6**	1.8
Pre-exceptional EBITDA*:		
Very	**382.3**	396.4
Littlewoods	**103.9**	123.2
Central costs	**(206.5)**	(246.3)
	279.7	273.3
Exceptional items	**(27.8)**	(41.3)
Depreciation	**(18.0)**	(15.6)
Amortisation	**(47.0)**	(47.0)
Operating profit	**186.9**	169.4
Finance income	**–**	0.2
Finance costs	**(109.3)**	(107.1)
Exceptional finance costs	**(13.7)**	–
Profit before taxation	**63.9**	62.5

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, impairment of assets and exceptional items.

Very sales include Very.co.uk.

Littlewoods sales include Littlewoods.com and LittlewoodsIreland.ie.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.
2 The comparative split of revenue and operating profit between Very and Littlewoods has been restated for a reallocation of the returns provision between the two brands.

5 SEGMENTAL ANALYSIS (continued)

	2022 £m	2021 £m
By geographical location of destination		
Revenue:		
United Kingdom	**2,067.7**	2,204.6
Republic of Ireland	**80.6**	112.5
	2,148.3	2,317.1

	2022 £m	(Restated)[1] 2021 £m
Operating profit:		
United Kingdom	**175.9**	156.2
Republic of Ireland	**11.0**	13.2
	186.9	169.4

The analysis above is in respect of continuing operations.

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

6 EXCEPTIONAL ITEMS

	2022 £m	2021 £m
Regulatory costs and associated administrative expenses	**–**	29.4
New fulfilment centre – charged to distribution costs	**–**	8.4
Site closure costs	**–**	3.5
Professional fees for corporate projects	**7.4**	–
Restructuring costs	**3.4**	–
Technical transformation spend	**17.8**	–
Release of warranty claims provision	**(0.8)**	–
Charged to operating profit	**27.8**	41.3
Refinancing costs	**13.7**	–
	41.5	41.3

During the year, the Board approved a technical transformation program, which involves moving 93% of the Group's current on-premises technology to the cloud by December 2024. This has resulted in elevated levels of spend on cloud-based services and related implementation costs which are not considered to be representative of the Group's normal level of activity. As such, £17.8m of costs have been classified as exceptional in relation to spend incurred on this program during the year.

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

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

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

In the period to 2 July 2022, the Group successfully refinanced its £550m bond with £575m of new senior secured notes, which carry a lower coupon rate of 6.5% and will be renewable in August 2026. Exceptional finance costs recognised in the period relate to the premium paid for early redemption of the previous bond, which was not due until November 2022, along with the write-off of unamortised arrangement fees on the previous bond.

During the period ended 3 July 2021 there was an increase in the customer redress claims provision of £29.4m to recognise the remaining cost of settling all outstanding claims. During the year ended 2 July 2022, £7.4m of this provision has been utilised and £0.7m of the remaining balance is expected to be utilised within 12 months (3 July 2021: £11.1m). The remaining provision of £3.0m at 2 July 2022 is expected to be utilised during 2024.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 2 July 2022

6 EXCEPTIONAL ITEMS (continued)

On 11 April 2018, the Group announced a proposal to upgrade its fulfilment capabilities by creating an automated 850,000 square foot distribution and returns centre in the East Midlands. The Group had begun to exit its existing fulfilment sites in Greater Manchester, a process which finalised in April 2021. As the Group was dual running multiple sites in the prior year, all running costs for the East Midlands site including depreciation and finance costs related to the site's leases were included in exceptional costs up until the point at which the site became fully operational.

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

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

7 OPERATING PROFIT

Arrived at after charging/(crediting):

	2022 £m	(Restated)[1] 2021 £m
Depreciation of property, plant and equipment	**10.6**	2.0
Depreciation of right of use assets	**7.4**	13.6
Amortisation	**47.0**	47.0
Foreign exchange gains	**(1.7)**	(3.9)
Cost of inventories recognised as an expense	**1,324.8**	1,423.3
Write downs of inventories recognised as an expense	**5.8**	6.0
Staff costs	**181.2**	180.7
Impairment loss recognised on trade receivables	**141.9**	154.6
Short-term lease expense	**0.3**	0.1
Low value lease expense	**0.2**	0.2

8 FINANCIAL INCOME AND COSTS

	Note	2022 £m	2021 £m
Finance income			
Interest income on bank deposits		**–**	0.2
Finance costs			
Interest on bank overdrafts and borrowings		**(45.9)**	(48.8)
Interest on obligations under leases and hire purchase contracts		**(7.9)**	(6.9)
Interest on securitisation facility		**(53.9)**	(49.0)
Net interest on defined benefit obligation	24	**–**	(0.7)
Other finance costs		**(1.6)**	(1.7)
		(109.3)	(107.1)
Exceptional refinancing costs	6	**(13.7)**	–
Total finance costs		**(123.0)**	(107.1)
Net finance costs		**(123.0)**	(106.9)

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

9 STAFF COSTS

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

	2022 £m	(Restated)[1] 2021 £m
Wages and salaries	**147.1**	142.8
Social security costs	**15.5**	12.5
Redundancy costs	**10.6**	18.1
Pension costs, defined contribution scheme	**8.0**	7.3
	181.2	180.7

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

	2022 No.	2021 No.
Distribution and customer service centres	**979**	714
Administration	**2,612**	2,361
	3,591	3,075

10 DIRECTORS' REMUNERATION

The Directors' remuneration for the period was as follows:

	2022 £m	2021 £m
Emoluments	**2.3**	6.3
Contributions paid to money purchase schemes	**0.2**	0.2
	2.5	6.5

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 recourse. 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:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	**3**	3

The Directors are considered to be key management personnel. In respect of the highest paid Director:

	2022 £m	2021 £m
Emoluments	**0.8**	3.8
Contributions paid to money purchase schemes	**0.1**	0.1
	0.9	3.9

11 AUDITOR'S REMUNERATION

	2022 £m	2021 £m
Audit of the group financial statements		
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	**1.2**	0.7
Total audit fees	**1.2**	0.7
Other fees to the auditor		
Interim reviews	**–**	0.3
Reporting accountant services	**1.2**	0.1
Total non-audit fees	**1.2**	0.4

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

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12 INCOME TAX
Tax (credited)/charged in the income statement.

	2022 £m	(Restated)[1] 2021 £m
Current taxation		
UK corporation tax	**0.3**	0.3
Adjustments in respect of prior years	**(0.2)**	–
Foreign tax	**1.3**	1.8
Total current income tax	**1.4**	2.1
Deferred taxation		
Arising from origination and reversal of temporary differences	**14.4**	13.1
Adjustment in respect of prior years	**4.7**	(5.7)
Impact of rate change	**(7.4)**	(40.2)
	11.7	(32.8)
Tax charge/(credit) in the income statement	**13.1**	(30.7)

The tax on profit before tax for the period is higher than the standard rate of corporation tax in the UK (2021 – lower than the standard rate of corporation tax in the UK) of 19.0% (2021: 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.

The differences are reconciled below:

	2022 £m	(Restated)[1] 2021 £m
Profit before tax	**63.9**	62.5
Corporation tax at standard rate of 19% (2021: 19%)	**(12.1)**	(11.9)
Adjustments in respect of prior years	**(4.5)**	5.7
Expenses not deductible	**(1.3)**	(0.5)
Income not taxable	**0.2**	–
Transfer pricing adjustment	**(3.4)**	(3.2)
Group relief surrendered for no payment	**–**	3.6
Effect of overseas tax rates	**0.6**	–
Change of tax rate effects	**7.4**	40.2
Deferred tax charge from unrecognised tax loss or credit	**–**	(7.5)
Tax losses for which no deferred tax asset was recognised	**–**	4.3
Total tax (charge)/credit	**(13.1)**	30.7

The majority of the prior year adjustment of £4.5m has arisen due to the recognition of Research and Development deferred tax liabilities which had not been identified at the time the accounts were prepared. The remaining amount is due primarily to the reduction versus forecast of available tax losses brought forward from the prior period.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

12 INCOME TAX (continued)
DEFERRED TAX
Deferred tax movement during the period:

	(Restated)[1] At 3 July 2021 £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 2 July 2022 £m
Accelerated tax depreciation	69.6	(0.5)	3.6	–	–	72.7
Tax losses carry-forwards	93.4	(2.9)	4.9	–	–	95.4
Pension benefit obligations	2.6	–	–	(2.2)	–	0.4
Short term timing differences	39.3	(15.9)	(1.1)	–	–	22.3
Net tax assets	204.9	(19.3)	7.4	(2.2)	–	190.8

Deferred tax movement during the prior period (as reported):

	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
Short term timing differences	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 (as restated):

	(Restated)[1] At 28 June 2020 £m	(Restated)[1] 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	(Restated)[1] 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	52.6	(18.6)	5.3	–	–	39.3
Net tax assets	180.7	(7.3)	40.2	(12.3)	3.6	204.9

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 unrecognised tax losses of £56.5m (2021: £56.5m) and capital losses of £66.3m (2021: £66.3m) 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.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

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for the 52 week period ended 2 July 2022

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Plant and equipment £m	Furniture, fittings and equipment £m	Total £m
Cost				
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
Additions	0.2	–	1.4	1.6
Acquisition of subsidiary	–	60.2	–	60.2
Reclassification	(0.8)	–	(1.1)	(1.9)
Disposals	–	–	(1.3)	(1.3)
At 2 July 2022	11.2	60.2	36.2	107.6
Depreciation				
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
Charge for the period	0.2	6.4	4.0	10.6
Reclassification	–	–	(0.4)	(0.4)
Disposals	–	–	(1.3)	(1.3)
At 2 July 2022	7.3	6.4	18.5	32.2
Carrying amount				
At 2 July 2022	3.9	53.8	17.7	75.4
At 3 July 2021	4.7	–	21.0	25.7
At 27 June 2020	4.1	–	5.0	9.1

On 22 June 2022, the Group acquired 100% of the ordinary share capital of Primevere Equipment Limited under a common control business acquisition (note 32). Primevere Equipment Limited owns the plant and equipment in use at the Group's principal distribution centre in the East Midlands, which is then leased to the parent company of the Group, The Very Group Limited.

The acquisition of Primevere Equipment Limited has resulted in an increase in the tangible asset value for the plant and equipment in place in the East Midlands, which has been capitalised at its net book value on the date of acquisition and the assets will be depreciated over their expected remaining useful lives. Under common control transaction accounting, the full year depreciation charge of £6.4m on the acquired assets has been included within the depreciation charge of the Group in the consolidated income statement.

The lease between the two entities is eliminated in these consolidated financial statements, resulting in a decrease in both the right of use assets (note 16) and lease liabilities (note 31) of the Group.

14 GOODWILL

	Goodwill £m
Cost	
3 July 2021 and 2 July 2022	252.5
Impairment	
3 July 2021 and 2 July 2022	50.0
Carrying amount	
3 July 2021 and 2 July 2022	202.5

Goodwill is allocated to three cash generating units (CGUs) being £89.3m (2021: £89.3m) for Very and £16.2m (2021: £16.2m) for Littlewoods relating to the acquisition of the retail business in 2005 and £97.0m (2021: £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. The Group tests goodwill annually for impairment or more frequently if there are indications that the goodwill might be impaired. The Group 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.

For the element of goodwill relating to Douglas Insurance Limited, management have used a value in use model to review for impairment. The key assumptions include the average growth in earned premiums of 34% (2021: 23%), conversion rate of Term 5% and Monthly 17% (2021: 11%), year 1 product cancellation rate of 18.% (2021: 40%), average claims rate of 53% (2021: 59%) and extensions cancellation rate of 20% (2021: 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 2 July 2022 is £28.3m (2021: £8.5m).

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 £5.0m. An increase in the conversion rate on Monthly to 20%, reduction in the average claims rate to 49% and an increase in extensions cancellation rate to 30% increases the value in use of the CGU by £19.9m.

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 10.6% (2021: 9.9%), an increase in the average claims rate to 64.3% (2021: 62.1%), an increase in the year 1 product cancellation rate to 41.0% (2021: 50.3%) or an increase to extensions cancellation rate to 70.5% (2021: 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 Very or Littlewoods units' carrying amount to exceed its recoverable amount.

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15 INTANGIBLE ASSETS

	Internally generated software £m	Other internally generated costs £m	Total £m
At 28 June 2020 (restated[1])	232.7	49.5	282.2
Additions (restated[1])	34.1	1.7	35.8
Disposals	(24.1)	–	(24.1)
At 3 July 2021 (restated[1])	242.7	51.2	293.9
Additions	35.0	1.4	36.4
Reclassification	3.1	–	3.1
Disposals	(58.2)	–	(58.2)
At 2 July 2022	222.6	52.6	275.2
Amortisation			
At 28 June 2020 (restated[1])	87.9	0.2	88.1
Amortisation charge (restated[1])	44.3	2.7	47.0
Disposals	(24.1)	–	(24.1)
At 3 July 2021 (restated[1])	108.1	2.9	111.0
Amortisation charge	41.2	5.8	47.0
Reclassification	0.5	–	0.5
Disposals	(58.2)	–	(58.2)
At 2 July 2022	91.6	8.7	100.3
Carrying amount			
At 2 July 2022	131.0	43.9	174.9
At 3 July 2021	134.6	48.3	182.9
At 27 June 2020	144.8	49.3	194.1

Included within software costs are £25.1m (2021 restated: £28.5m[1]) 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.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

16 RIGHT OF USE ASSETS

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 28 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
Additions	0.3	2.6	2.9
Disposals	(18.4)	–	(18.4)
Acquisition of subsidiary	–	(70.4)	(70.4)
At 2 July 2022	100.9	3.8	104.7
Depreciation			
At 28 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
Charge for the period	6.8	0.6	7.4
Disposals	(5.0)	–	(5.0)
Acquisition of subsidiary	–	(8.9)	(8.9)
At 2 July 2022	19.1	0.9	20.0
Carrying amount			
At 2 July 2022	81.8	2.9	84.7
At 3 July 2021	101.7	62.4	164.1
At 28 June 2020	76.8	69.4	146.2

On 22 June 2022, the Group acquired 100% of the ordinary share capital of Primevere Equipment Limited under a common control business acquisition (note 32). Primevere Equipment Limited own the plant and equipment in use at The Very Group's principal distribution centre in the East Midlands, which are then leased to the parent company of the Group, The Very Group Limited.

The lease between the two entities is eliminated in these consolidated financial statements, resulting in a decrease to both the right of use assets and lease liabilities (note 31) of the Group. An increase in tangible assets (note 13) has occurred upon acquisition of the distribution centre plant and equipment.

The impact of the business acquisition and subsequent lease elimination on the Group's right of use assets was a reduction in the net book value of £61.5m, with a reduction to cost of £70.4m and accumulated depreciation of £8.9m.

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2022 £m	2021 £m
Notional amount – sterling contract value	**104.1**	150.4
Fair value of asset/(liability) recognised	**5.1**	(0.6)

Changes in the fair value of derivative financial instruments amounted to a gain of £5.7m in the period (2021: loss of £3.1m).

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 and 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.

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18 INVENTORIES

	2022 £m	2021 £m
Finished goods and goods for resale	**112.1**	102.2

An impairment loss of £5.8m (2021: £6.0m) 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 £14.7m (2021: £12.8m). 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

	2022 £m	(Restated)[1] 2021 £m	(Restated)[1] 2020 £m
Non-current:			
Amounts owed by group undertakings (note 33)	**503.8**	–	–

	2022 £m	(Restated)[1] 2021 £m	(Restated)[1] 2020 £m
Current:			
Trade receivables	**1,394.1**	1,347.3	1,330.6
Amounts owed by group undertakings (note 33)	**6.7**	511.3	522.3
Prepayments	**182.7**	162.5	159.2
Other receivables	**56.7**	54.7	60.2
	1,640.2	2,075.8	2,072.3
Total trade and other receivables	**2,144.0**	2,075.8	2,072.3

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

Other receivables include £17.0m (2021: £14.7m) 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 £253.5m under IFRS 9 (2021: £239.0m) 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 (2021: £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.

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

19 TRADE AND OTHER RECEIVABLES (continued)

Allowance for doubtful debts:

	2022 £m	2021 £m
Balance at beginning of the period	**239.0**	221.3
Amounts charged to the income statement	**141.9**	154.6
Amounts written off	**(127.4)**	(136.9)
Balance at end of the period	**253.5**	239.0

The ageing of trade receivables is as follows:

	2022 £m	2021 £m
Current – not past due	**1,412.4**	1,386.3
1 scheduled payment past due	**65.2**	58.7
2 scheduled payment past due	**28.1**	20.4
3 scheduled payment past due or greater	**141.9**	120.9
Gross trade receivables	**1,647.6**	1,586.3
Allowance for doubtful debts	**(253.5)**	(239.0)
Net trade receivables	**1,394.1**	1,347.3

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 3 July 2021	70.0	85.3	83.7	239.0
Transfer stage 1	–	(7.7)	1.3	(6.4)
Transfer stage 2	7.7	–	7.2	14.9
Transfer stage 3	(1.3)	(7.2)	–	(8.5)
Post Model Adjustment	0.9	(17.1)	–	(16.2)
Remeasurement of balances	(5.4)	32.8	39.4	66.8
New financial assets recognised	2.5	12.8	8.9	24.2
Financial assets derecognised	(1.6)	(2.8)	(3.0)	(7.4)
Assets written off	(2.0)	(14.0)	(36.9)	(52.9)
Allowance for bad debts as at 2 July 2022	70.8	82.1	100.6	253.5

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

	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Financial period ended 3 July 2021	3.2	27.4	54.5	13.1
Financial period ended 2 July 2022	6.4	22.3	56.8	15.4

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 3 July 2021	1,123.1	310.4	152.8	1,586.3
Transfer stage 1	–	23.2	43.6	66.8
Transfer stage 2	(23.2)	–	33.4	10.2
Transfer stage 3	(43.6)	(33.4)	–	(77.0)
Growth in trade receivables	51.3	69.9	(0.3)	120.9
New financial assets recognised	106.6	55.6	13.7	175.9
Financial assets derecognised	(84.1)	(16.9)	(7.1)	(108.1)
Amounts written off	(28.1)	(40.3)	(59.0)	(127.4)
Balance at 2 July 2022	1,102.0	368.5	177.1	1,647.6

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20 RECONCILIATION OF NET CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash at bank	**36.1**	78.1
Cash equivalents	**7.3**	–
Net cash and cash equivalents in statement of cash flows	**43.4**	78.1

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

21 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 3 July 2021 £m	Financing cash flows £m	Non-cash changes £m	At 2 July 2022 £m
Securitisation facility	1,389.2	52.5	–	**1,441.7**
Senior secured notes	550.0	22.6	13.3	**585.9**
Bank loans	–	(5.9)	47.4	**41.5**
Lease liabilities	178.3	(11.6)	(68.8)	**97.9**
Secured revolving credit facility	90.0	(16.5)	–	**73.5**
Total liabilities from financing activities	2,207.5	41.1	(8.1)	**2,240.5**

	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

Within financing cash flows for the senior secured notes are £2.4m (2021: £nil) of prepaid loan arrangement fees. Within financing cash flows for the secured revolving credit facility are £1.5m (2021: £nil) of prepaid facility fees. These are presented within interest paid in the Consolidated Statement of Cash Flows.

On 22 June 2022, the Group acquired 100% of the ordinary share capital of Primevere Equipment Limited under a common control business acquisition (note 32). Primevere Equipment Limited own the plant and equipment in use at The Very Group's principal distribution centre in the East Midlands, which are then leased to the parent company of the Group, The Very Group Limited.

The lease between the two entities is eliminated in these consolidated financial statements, resulting in a decrease to the lease liabilities (note 31) of the Group. This has been reflected in the table above by a £68.8m non-cash change to the lease liability balance in the year.

Additionally, as a result of the business combination, the Group acquired the outstanding bank loan held by Primevere Equipment Limited with HSBC. Under the accounting of a common control transaction, the net book value of the loan has been recognised by the Group and has been classified as a non-cash change in the above table.

22 SHARE CAPITAL

Allotted, called up and fully paid shares

	2022 No. m	2022 £m	2021 No. m	2021 £m
Ordinary shares of £1 each	**200**	**200**	200	200

23 LOANS AND BORROWINGS

	2022 £m	2021 £m
Secured non-current loans and borrowings at amortised cost		
Securitisation facility	**1,441.7**	1,389.2
Senior secured notes	**585.9**	550.0
Bank loans	**35.0**	–
	2,062.6	1,939.2

	2022 £m	2021 £m
Current loans and borrowings at amortised cost		
Secured revolving credit facility	**73.5**	90.0
Bank loans	**6.5**	–
	80.0	90.0

	2022 £m	2021 £m
Loans and borrowings at nominal value		
Securitisation facility	**1,441.7**	1,389.2
Senior secured notes	**575.0**	550.0
Bank loans	**42.1**	–
Secured revolving credit facility	**75.0**	90.0
	2,133.8	2,029.2

Within the securitisation facility £23.9m (2021: £25.2m) is denominated in Euros and within bank loans £42.1m (2021:£nil) is denominated in Euros. The underlying currency of all other borrowings and overdrafts is Sterling.

The existing £150m secured revolving credit facility was renewed in August 2021 and at the period end had an expiry of February 2026. The facility rolls over on a monthly basis and is repayable on demand. The revolving credit facility is presented net of prepaid arrangement fees.

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23 LOANS AND BORROWINGS (continued)
During the year, the Group successfully refinanced the £550m 7.75% bonds with £575m of new listed bonds, which carry a lower coupon rate of 6.5%. The senior secured notes are now due August 2026. The senior secured notes are presented in the above table at amortised cost of £585.9m.

	2022 £m	2021 £m
The borrowings are repayable as follows:		
Within one year	**80.0**	90.0
In the first to second year	**57.4**	550.0
In the third to fifth year	**1,988.2**	1,389.2
Over five years	**7.0**	–
Amount due for settlement after 12 months	**2,062.6**	1,939.2

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

(a) The Group has drawn £1,417.8m (2021: £1,364.0m) 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. During the period, the securitisation facility was renewed and now expires in January 2025 for 'AS' Notes (£1,032.5m), 'AJ' Notes (£124.9m), 'B' Notes (£105.0m) and 'C1' Notes (£105.0m). The 'C2' Notes (£50.0m) expire in December 2023. The total facility size is £1,735.0m.

(b) The Group accounts for its senior secured notes of £575.0m at amortised cost. At period end, the amortised cost of the senior secured notes was £585.9m which accrues interest at the effective interest rate of 7.29%. Interest is paid according to the coupon rate of 6.50%. The senior secured notes are due August 2026. The secured revolving credit facility of £150.0m of which £73.5m was drawn down at 2 July 2022 (2021: £90.0m) are due February 2026. Transaction costs associated with the revolving credit facility of £1.9m were prepaid on the balance sheet and amortised over the debt term. As at the balance sheet date these total £1.5m.

(c) The Group has an Irish securitisation facility against which it has drawn down £23.9m (2021: £25.2m), secured by a charge over certain eligible trade debtors of the Group. The facility was extended in the prior year and has a total maximum commitment of €35.0m which expires in December 2024.

(d) On 22 June 2022, the Group acquired Primevere Equipment Limited which held a bank loan with a carrying value of £41.5m. Regular payments are made against this loan which is expected to be fully settled in February 2028.

	2022 %	2021 %
The weighted average interest rates paid were as follows:		
Secured revolving credit facility	**3.49**	2.81
Securitisation facility – UK	**3.25**	2.58
Securitisation facility – Ireland	**2.50**	2.50
Senior secured notes	**6.50**	7.75
Bank loans	**0.56**	N/A

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 £8.0m (2021 restated: £7.3m). 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 £0.6m (2021: £0.5m) were payable to the scheme at the end of the period 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.

	2022 £m	2021 £m
Scheme – defined benefit pension scheme deficit	**–**	(8.7)
UURBS and Ex-gratia – present value of scheme liabilities	**(1.3)**	(1.6)
Retirement benefit obligations	**(1.3)**	(10.3)
Scheme – amounts taken to the Statement of Comprehensive Income	**10.2**	50.4
UURBS and Ex-gratia – amounts taken to the Statement of Comprehensive Income	**0.3**	–
Gain recognised in the Statement of Comprehensive Income	**10.5**	50.4

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.

In May 2018, the Trustee invested in a bulk annuity policy with Scottish Widows and in July 2020 made a second investment in a bulk annuity policy with Rothesay Life. This 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 and 15 June 2021, formal agreements were reached between the Group and the Trustees of The Littlewoods Pensions Scheme ("Scheme") with regards to future Company Scheme contribution obligations. Both agreements had been documented in revised Schedules of Contributions. The initial agreement allowed for a single future contribution of £18.7m payable on or before 31 August 2021 which was then reduced to a single contribution of £9.4m payable on or before 31 January 2022 by the second agreement.

On 21 December 2021, a further agreement was reached with regards to the 31 January 2022 contribution obligation. This has been documented in a revised Schedule of Contributions, which allows for reduction of the scheme deficit to £nil.

These agreements have reduced the Scheme liability to £nil as at 2 July 2022.

RECONCILIATION OF SCHEME ASSETS AND LIABILITIES TO ASSETS AND LIABILITIES RECOGNISED
The amounts recognised in the statement of financial position are as follows:

	2022 £m	2021 £m
Fair value of scheme assets	**1,020.1**	1,398.9
Present value of scheme liabilities	**(980.5)**	(1,368.3)
	39.6	30.6
Restrictions on asset recognised	**(39.6)**	(30.6)
IFRIC 14 liability	**–**	(8.7)
Defined benefit pension scheme deficit	**–**	(8.7)

The reduction in the Scheme liability is due to the revised Schedule of Contributions as noted above.

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24 PENSION AND OTHER SCHEMES (continued)

SCHEME ASSETS

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

	2022 £m	2021 £m
Fair value at start of period	**1,398.9**	1,667.2
Interest income	**26.0**	26.2
Return on plan assets, excluding amounts included in interest expense	**(337.4)**	(236.9)
Employer contributions	**–**	0.2
Benefits paid	**(65.8)**	(57.8)
Administrative expenses paid from plan assets	**(1.6)**	–
Fair value at end of period	**1,020.1**	1,398.9

ANALYSIS OF ASSETS

The major categories of scheme assets are as follows:

	2022 £m	2021 £m
Cash and cash equivalents	**39.9**	31.5
Assets held by insurance company	**980.2**	1,367.4
	1,020.1	1,398.9

The bulk annuity policy assets are equal to the value of the insured pensioner liabilities on an IAS 19 basis as at 2 July 2022.

SCHEME LIABILITIES

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

	2022 £m	2021 £m
Present value at start of period	**1,368.3**	1,440.2
Current service cost	**–**	0.1
Interest cost	**25.4**	22.5
Benefits paid	**(65.8)**	(57.8)
Actuarial gains	**(347.4)**	(36.7)
Present value at end of period	**980.5**	1,368.3

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:

	2022	2021
Rate of increase in pensionable salaries	**–**	2.8%
Rate of increase in pensions in payment if RPI 5%	**3.2%**	3.3%
Rate of increase in pensions in payment if RPI 2.5%	**2.1%**	2.2%
Discount rate	**3.9%**	1.9%
Rate of increases in pensions in deferment	**2.5%**	2.5%
RPI inflation assumption	**3.5%**	3.5%
CPI inflation assumption	**2.8%**	2.8%
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.

24 PENSION AND OTHER SCHEMES (continued)

POST RETIREMENT MORTALITY ASSUMPTIONS

	2022 Years	2021 Years
Current UK pensioners at retirement age – male	**22.6**	22.5
Current UK pensioners at retirement age – female	**24.1**	24.0
Future UK pensioners at retirement age – male	**24.3**	24.2
Future UK pensioners at retirement age – female	**25.7**	25.6

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

	2022 £m	2021 £m
Amounts recognised in income statement		
Current service cost	**–**	(0.1)
Administrative expenses	**(1.6)**	–
Amounts recognised in finance income or costs		
Net interest	**–**	(0.7)
Total recognised in the income statement	**(1.6)**	(0.8)

AMOUNTS TAKEN TO THE STATEMENT OF COMPREHENSIVE INCOME

	2022 £m	2021 £m
Return on plan assets, excluding amounts included in interest income	**(337.4)**	(236.9)
Actuarial losses from changes in demographic assumptions	**–**	(0.3)
Actuarial losses from changes in financial assumptions	**361.0**	37.4
Actuarial gains from experience adjustments	**(13.7)**	–
Adjustments for restrictions on the defined benefit asset	**0.3**	250.2
Amounts recognised in the Statement of Comprehensive Income	**10.2**	50.4

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.

If the discount rate is 25 basis points higher, the defined benefit obligation would decrease by £1.0m (2021: £1.4m).

If the discount rate is 25 basis points lower, the defined benefit obligation would increase by £1.1m (2021: £1.5m).

If the price inflation rate is 25 basis points higher, the defined benefit obligation would increase by £1.1m (2021: £1.5m).

If the post retirement mortality assumption reduces by one year for both men and women, the defined benefit obligation would reduce by £1.0m (2021: £1.5m).

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.

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for the 52 week period ended 2 July 2022

24 PENSION AND OTHER SCHEMES (continued)

RECONCILIATION OF SCHEME ASSETS AND LIABILITIES TO ASSETS AND LIABILITIES RECOGNISED

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

	2022 £m	2021 £m
Present value of scheme liabilities	**(1.3)**	(1.6)

SCHEME LIABILITIES

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

	2022 £m	2021 £m
Present value at start of period	**1.6**	1.6
Past service cost	**–**	0.1
Interest cost	**0.1**	–
Liabilities extinguished on settlements	**(0.1)**	(0.1)
Actuarial gains	**(0.3)**	–
Present value at end of period	**1.3**	1.6

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

	2022 £m	2021 £m
Amounts recognised in operating profit		
Recognised in arriving at operating profit	**0.1**	–
Amounts recognised in finance income or costs		
Net interest	**(0.1)**	–
Total recognised in the income statement	**–**	–

AMOUNTS TAKEN TO THE STATEMENT OF COMPREHENSIVE INCOME

	2022 £m	2021 £m
Actuarial gains	**0.3**	–

25 PROVISIONS

	Warranties £m	Restructuring £m	Regulatory £m	Total £m
At 3 July 2021	0.8	9.2	11.1	21.1
Increase in provisions	–	3.4	–	3.4
Provisions released	(0.8)	–	–	(0.8)
Provisions utilised	–	(5.9)	(7.4)	(13.3)
At 2 July 2022	**–**	**6.7**	**3.7**	**10.4**
Non-current	–	2.7	3.0	5.7
Current	–	4.0	0.7	4.7
	–	**6.7**	**3.7**	**10.4**

The restructuring provision relates largely to costs associated with the closure of the Group's customer care centre in Aintree. £4.0m of the restructuring provision is expected to be utilised by the 52 week period ended 1 July 2023. The remaining £2.7m is expected to be held until December 2024 at which point previous contractual commitments will no longer be in place.

The regulatory provision reflects the estimated cost of all historical shopping insurance claims and associated processing costs. £0.7m of this provision is expected to be utilised within 12 months from the balance sheet date whilst the remaining provision of £3.0m is expected to be fully utilised after 12 months.

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

26 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Trade payables	**414.7**	414.9
Accrued expenses	**73.7**	30.0
Social security and other taxes	**14.3**	30.4
Other payables	**14.9**	90.8
	517.6	566.1

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 £0.1m (2021: £18.9m). The cash flows associated with these supplier financing arrangements are included within 'movements in trade and other payables' in the Consolidated Cash Flow Statement.

27 DEFERRED INCOME

	2022 £m	2021 £m
At start of the period	**75.0**	86.3
Released to the income statement	**(21.4)**	(22.8)
Accrued in the period	**16.0**	11.5
At end of the period	**69.6**	75.0
Non-current	**25.2**	26.4
Current	**44.4**	48.6
	69.6	75.0

Deferred income relates to deferred interest income on sales where interest is recognised over the sales term.

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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 £5.4m (2021 Restated: £2.8m).

OTHER FINANCIAL COMMITMENTS
At 2 July 2022 commitments to purchase stock totalled £180.2m (2021: £178.9m) which is considered to be the fair value. The commitments cover a period of 12 months (2021: same).

The Group has in place contracts for the provision of outsourced service functions. At 2 July 2022, the annual committed cost under these contracts is £35.4m (2021: £40.9m). 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

	Carrying value		Fair value	
	2022 £ m	2021 £ m	**2022 £ m**	2021 £ m
Forward contracts	**104.1**	150.4	**5.1**	(0.6)

See note 17 for details of the valuation methods and assumptions of these derivatives. The maturity dates for these derivatives range from July 2022 to March 2023. Derivative financial instruments have been classified as level 2 financial assets.

FINANCIAL ASSETS AT AMORTISED COST

	Carrying value		Fair value	
	2022 £ m	2021 £ m	**2022 £ m**	2021 £ m
Cash and cash equivalents	**43.4**	78.1	**43.4**	78.1
Trade receivables	**1,394.1**	1,347.3	**1,394.1**	1,347.3
	1,437.5	1,425.4	**1,437.5**	1,425.4

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 237 days (2021: 212 days).

FINANCIAL LIABILITIES
FINANCIAL LIABILITIES AT AMORTISED COST

	Carrying value		Fair value	
	2022 £ m	2021 £ m	**2022 £ m**	2021 £ m
Trade payables	**414.7**	414.9	**414.7**	414.9
Borrowings	**2,142.6**	2,029.2	**2,142.6**	2,029.2
Lease liabilities	**97.9**	178.3	**97.9**	178.3
	2,655.2	2,622.4	**2,655.2**	2,622.4

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 95 days (2021: 88 days).

1 The comparative information has been restated as a result of a change in accounting policy following the IFRIC agenda decisions published in March 2019 and April 2021 in relation to costs incurred for cloud computing configuration and implementation costs, discussed in note 2.

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 Committee.

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:

	2022 £ m Carrying Amount	**2022 £ m Contractual Cash Flows**	**2022 £ m 1 year or less**	**2022 £ m 1 to 2 years**	**2022 £ m 2 to 5 years**	**2022 £ m Over 5 years**
Trade payables	**414.7**	**414.7**	**414.7**	**–**	**–**	**–**
Borrowings	**2,142.6**	**2,447.3**	**187.6**	**164.1**	**2,088.6**	**7.0**
Lease liabilities	**97.9**	**44.9**	**10.7**	**11.4**	**22.8**	**–**

	2021 £ m 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
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

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 holding a bank loan (2021: lease) in euros. The table below illustrates the hypothetical sensitivity of the Group's reported profit (2021: 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	
	2022 £ m	2021 £ m	**2022 £ m**	2021 £ m
Sterling strengthens by 10% against USD	**1.0**	1.4	**1.0**	1.4
Sterling weakens by 10% against USD	**(1.2)**	(1.8)	**(1.2)**	(1.8)
Sterling strengthens by 10% against euro	**3.9**	6.1	**3.9**	6.1
Sterling weakens by 10% against euro	**(4.8)**	(7.4)	**(4.8)**	(7.4)

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.

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30 FINANCIAL RISK MANAGEMENT AND IMPAIRMENT OF FINANCIAL ASSETS (continued)
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 3.0% increase or decrease in the SONIA rate, assuming all other variables were unchanged. The sensitivity rate of 3.0% 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
SONIA rate increase 3.0%	**(43.3)**	(41.7)	**(43.3)**	(41.7)
SONIA rate decrease 3.0%	**43.3**	41.7	**43.3**	41.7

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

	2022 £m	2021 £m
Right-of-use assets:		
Land and buildings	**81.8**	101.7
Plant and equipment	**2.9**	62.4
	84.7	164.1

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:

	2022 £m	2021 £m
Lease liabilities:		
Current	**1.1**	11.6
Non-current	**96.8**	166.7
	97.9	178.3

The maturity of lease liabilities is included in note 30.

Additions to the right-of-use assets during the financial period ending 2 July 2022 were £2.9m (2021: £31.5m).

On 22 June 2022, the Group acquired 100% of the ordinary share capital of Primevere Equipment Limited under a common control business acquisition (note 32). Primevere Equipment Limited own the plant and equipment in use at The Very Group's principal distribution centre in the East Midlands, which are then leased to the parent company of the Group, The Very Group Limited.

The lease between the two entities is eliminated in these consolidated financial statements, resulting in a decrease to both the right of use assets (note 16) and lease liabilities of the Group. An increase in tangible assets (note 13) has occurred upon acquisition of the distribution centre plant and equipment.

Short term lease expense and low value lease expense is disclosed in note 7.

31 LEASES (continued)
AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT
The Consolidated Income Statement includes the following amounts relating to leases:

	2022 £m	2021 £m
Depreciation charge of right-of-use assets:		
Land and buildings	**6.8**	6.6
Plant and equipment	**0.6**	7.0
	7.4	13.6
Interest expense on lease liabilities	**7.9**	6.9

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 £m	2021 £m
Total cash outflow for leases	**11.6**	18.6

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.

32 BUSINESS COMBINATIONS DURING THE PERIOD
On 22 June 2022, The Very Group Limited acquired 100% of the ordinary share capital of Primevere Equipment Limited for total consideration of £0.3m, with £0.3m paid in cash.

The ultimate parent company of Primevere Equipment Limited both pre and post-acquisition is Shop Direct Holdings Limited, which is also the immediate parent company of The Very Group Limited. Given both entities are under common control, the assets and liabilities of Primevere Equipment Limited have been acquired by The Very Group Limited at their carrying value at the date of acquisition. The results of Primevere Equipment Limited for the full year are included in the consolidated income statement.

The primary business activity of Primevere Equipment Limited is the ownership of machinery at The Very Group's primary distribution centre in the East Midlands. These are then leased to parent company of the Group, The Very Group Limited, and post-acquisition this lease arrangement has been eliminated within The Very Group Limited's consolidated financial statements. See note 16 and 31 for illustration of the impact of this on The Very Group's right of use assets and lease liabilities.

The carrying value of the total identifiable net assets recognised at the acquisition date was £0.1m:

	22 June 2022 £m
Property, plant and equipment	**53.8**
Other receivables	**4.5**
Loans and borrowings	**(42.0)**
Other payables	**(16.2)**
Total net assets	**0.1**

VALUE OF CONSIDERATION PAID

	£m
Cash	0.3
Total consideration	0.3

The difference between the consideration paid and the net assets of Primevere Equipment Limited led to a loss on acquisition which has been recognised in reserves within the Consolidated Statement of Financial Position to the value of £0.2m. This treatment is in accordance with the accounting treatment of a common control transaction.

VALUE OF CONSIDERATION PAID

	£m
Total consideration	0.3
Carrying value of net assets acquired	(0.1)
Loss on acquisition	0.2

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

33 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:

	2022 £m	2021 £m
Recharged costs		
Yodel Delivery Network Limited	**2.4**	2.7
Arrow XL Limited	**1.0**	0.5
	3.4	3.2

	2022 £m	2021 £m
Purchase of services		
Yodel Delivery Network Limited	**(80.2)**	(76.2)
Drop & Collect Limited	**–**	(16.9)
Arrow XL Limited	**(37.9)**	(44.1)
Trenport Property Holdings Limited	**(0.6)**	(1.5)
Shop Direct Holdings Limited	**(7.2)**	(7.5)
	(125.9)	(146.2)

At the balance sheet date, the Group had the following balances outstanding with its fellow Group companies:

	2022 £m	2021 £m
Amounts due from fellow Group undertakings		
Shop Direct Holdings Limited	**495.5**	488.0
Yodel Delivery Network Limited	**5.5**	2.3
Arrow XL Limited	**1.2**	0.3
Drop & Collect Limited	**–**	0.4
Primevere Limited	**8.3**	6.1
Primevere Equipment Limited	**–**	14.2
	510.5	511.3

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

34 PARENT AND ULTIMATE PARENT UNDERTAKING

The Company's immediate parent is VGL Finco Limited. The smallest consolidated set of accounts which contain The Very Group Limited results are Shop Direct Holdings Limited.

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.

35 IMPACT OF THE CHANGE IN ACCOUNTING POLICY – CLOUD COMPUTING CONFIGURATION AND IMPLEMENTATION COSTS

The Group has changed its accounting policy related to the capitalisation of certain software assets. This change follows the IFRIC Interpretation Committee's guidance published in April 2021 and relates to the capitalisation of software under 'Software as a Service' (SaaS) arrangements.

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

This change in accounting policy led to adjustments amounting to a reduction of £63.9m in the intangible assets recognised in the 3 July 2021 Balance Sheet, and to a £19.2m increase in operating expenses within administrative expenses. A reduction of £43.9m in the intangible assets recognised in the 28 June 2020 Balance Sheet was also recognised.

IMPACT OF THE CHANGE IN ACCOUNTING POLICY – SOFTWARE-AS-A-SERVICE (SAAS) ARRANGEMENTS

IMPACT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(As previously reported) July 2021 £m	Impact of restatement £m	(Restated) 3 July 2021 £m
Intangible assets	246.8	(63.9)	182.9
Deferred tax assets	194.2	10.7	204.9
Other assets	2,649.6	0.3	2,649.9
Total assets	3,090.6	(52.9)	3,037.7
Equity			
Share capital	(200.0)	–	(200.0)
Accumulated (surplus)/deficit	(10.0)	52.9	42.9
Equity attributable to owners of the Company	(210.0)	52.9	(157.1)
Total liabilities	(2,880.6)	–	(2,880.6)
Total equity and liabilities	(3,090.6)	52.9	(3,037.7)

	(As previously reported) 27 June 2020 £m	Impact of restatement £m	(Restated) 27 June 2020 £m
Intangible assets	238.0	(43.9)	194.1
Deferred tax assets	173.2	7.5	180.7
Other assets	2,705.1	(0.4)	2,704.7
Total assets	3,116.3	(36.8)	3,079.5
Equity			
Share capital	(200.0)	–	(200.0)
Accumulated surplus	139.4	36.8	176.2
Equity attributable to owners of the Company	(60.6)	36.8	(23.8)
Total liabilities	(3,055.7)	–	(3,055.7)
Total equity and liabilities	(3,116.3)	36.8	(3,079.5)

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

35 IMPACT OF THE CHANGE IN ACCOUNTING POLICY – CLOUD COMPUTING CONFIGURATION AND IMPLEMENTATION COSTS (continued)

IMPACT ON GROUP'S SEGMENTAL ANALYSIS, INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	(As previously reported) 3 July 2021 £m	Impact of restatement £m	(Restated) 3 July 2021 £m
Pre-exceptional EBITDA:			
Very	396.4	–	396.4
Littlewoods	123.2	–	123.2
Central Costs	(219.3)	(27.0)	(246.3)
	300.3	(27.0)	273.3
Exceptional items	(41.3)	–	(41.3)
Depreciation	(15.6)	–	(15.6)
Amortisation	(54.8)	7.8	(47.0)
Operating profit	188.6	(19.2)	169.4
Profit before tax	81.7	(19.2)	62.5
Profit for the period	109.3	(16.1)	93.2

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

The total income on administrative expenses presented in the Income Statement for the 53 week period ending 3 July 2021 is £3.3m.

IMPACT ON GROUP'S EFFECTIVE TAX RATE

	(As previously reported) 3 July 2021 £m	Impact of restatement £m	(Restated) 3 July 2021 £m
Profit before tax	81.7	(19.2)	62.5
Tax credit	27.6	3.1	30.7
Profit for the period	109.3	(16.1)	93.2
Effective tax rate	(34%)	(16%)	(49%)

IMPACT ON GROUP'S STATEMENT OF CASH FLOWS

	(As previously reported) 3 July 2021 £m	Impact of restatement £m	(Restated) 3 July 2021 £m
Net cash flow from operating activities	32.8	(27.8)	5.0
Net cash flow from investing activities	(86.3)	27.8	(58.5)
Net cash flow from financing activities	(74.8)	–	(74.8)
Net decrease in cash and cash equivalents	(128.3)	–	(128.3)

No impact on the overall increase in cash and cash equivalent for the period.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY
as at 2 July 2022 (Registration number: 04730752)

	Note	2 July 2022 £m	3 July 2021 £m
Assets			
Non-current assets			
Right-of-use assets	38	**55.0**	61.7
Investments in subsidiaries	39	**813.3**	813.3
Deferred tax assets	40	**3.2**	2.0
Income tax asset		**0.5**	–
Trade and other receivables	41	**1,578.9**	1,067.4
		2,450.9	1,944.4
Current assets			
Trade and other receivables	41	**10.0**	508.1
Total assets		**2,460.9**	2,452.5
Equity			
Share capital	47	**(200.0)**	(200.0)
Retained earnings		**(367.1)**	(388.1)
Total equity		**(567.1)**	(588.1)
Non-current liabilities			
Lease liabilities	44	**(96.8)**	(105.0)
Current liabilities			
Trade and other payables	43	**(1,715.2)**	(1,660.1)
Loans and borrowings	42	**(73.5)**	(90.0)
Lease liabilities	44	**(8.3)**	(7.5)
Income tax liability		**–**	(1.8)
		(1,797.0)	(1,759.4)
Total liabilities		**(1,893.8)**	(1,864.4)
Total equity and liabilities		**(2,460.9)**	(2,452.5)

The profit on ordinary activities after taxation 52 week period ended 2 July 2022 attributable to the Company amounted to £2.5m (2021: £14.3m). 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 20 October 2022 and signed on its behalf by:

D W KERSHAW
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
for the Company 52 week period ended 2 July 2022

	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

	Share capital £m	Retained earnings £m	Total £m
At 3 July 2021	200.0	388.1	588.1
Profit for the period	–	2.5	2.5
Liquidation of investments	–	1.5	1.5
Dividends paid to parent company	–	(25.0)	(25.0)
Total comprehensive income	–	(21.0)	(21.0)
At 2 July 2022	**200.0**	**367.1**	**567.1**

During the financial year, a number of liquidations of dormant entities within the Group were completed, resulting in a £1.5m adjustment to reserves within the parent company The Very Group Limited.

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

36 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 52 week period to Saturday 2 July 2022 (2021: 53 week period to Saturday 3 July 2021).

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.

37 PROFIT OF THE COMPANY

The profit on ordinary activities after taxation 52 week period ended 2 July 2022 attributable to the Company amounted to £2.5m (2021: £14.3m). 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 (2021: 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 £46,000 (2021: £30,000).

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 2 July 2022

38 RIGHT-OF-USE ASSETS

	Plant & equipment £m
Cost	
At 3 July 2021 and 2 July 2022	70.4
Depreciation	
At 3 July 2021	8.7
Charge for the period	6.7
At 2 July 2022	15.4
Carrying amount	
At 3 July 2021	61.7
At 2 July 2022	55.0

39 INVESTMENTS

GROUP SUBSIDIARIES

Details of the Group's subsidiaries as at 2 July 2022 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 2022	2021
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%
Primevere Equipment Limited	Equipment Leasing	Skyways House, L70 1AB	100%	0%
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%
Littlewoods Direct Recoveries 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%

39 INVESTMENTS (continued)

GROUP SUBSIDIARIES (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2022	2021
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%	100%

* Indicates direct investment of The Very Group Limited.
^ Indicates the investment is in the process of being liquidated.

SUMMARY OF THE COMPANY INVESTMENTS

	2022 £m	2021 £m
Investments in subsidiaries	**813.3**	813.3

Subsidiaries	£m
Cost or valuation	
At 28 June 2020	1,432.5
Liquidation of investments	(178.1)
At 3 July 2021	1,254.4
Liquidation of investments	–
At 2 July 2022	1,254.4
Provision	
At 28 June 2020, 3 July 2021 and 2 July 2022	441.1
Carrying amount	
At 2 July 2022	813.3
At 3 July 2021	813.3

40 DEFERRED TAX

Deferred tax movement during the period:

	At 3 July 2021 £m	Recognised in income statment £m	At 2 July 2022 £m
Accelerated tax depreciation	2.0	1.2	3.2
Net tax assets	2.0	1.2	3.2

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

NOTES TO THE FINANCIAL STATEMENTS
for the 52 week period ended 2 July 2022

41 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Non-current:		
Amounts owed by subsidiaries	**1,083.4**	1,067.4
Amounts owed by parent	**495.5**	–
	1,578.9	1,067.4

	2022 £m	2021 £m
Current:		
Amounts owed by subsidiaries	**10.0**	5.6
Amounts owed by parent	**–**	488.0
Amounts owed by other group companies	**–**	14.2
Other receivables	**–**	0.3
	10.0	508.1

42 LOANS AND BORROWINGS

The underlying currency of the secured revolving credit facility is Sterling. Details of the terms of the facility are included in note 23.

	2022 £m	2021 £m
Current loans and borrowings at amortised cost:		
Secured revolving credit facility	**73.5**	90.0

	2022 £m	2021 £m
The borrowings are repayable as follows:		
Within one year	**73.5**	90.0

	2022 %	2021 %
The weighted average interest rates paid were as follows:		
Secured revolving credit facility	**3.49**	2.81

43 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Amounts due to subsidiaries	**1,714.0**	1,660.1
Other creditors	**1.2**	–
	1,715.2	1,660.1

Amounts due to Group undertakings are unsecured, interest free and repayable on demand.

44 LEASES

AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	2022 £m	2021 £m
Right-of-use assets:		
Plant and equipment	**55.0**	61.7
	55.0	61.7

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:

	2022 £m	2021 £m
Lease liabilities:		
Current	**8.3**	7.5
Non-current	**96.8**	105.0
	105.1	112.5

Additions to the right-of-use assets during the financial period ending 2 July 2022 were £nil (3 July 2021: £nil). The total cash outflow for leases during the financial period ending 2 July 2022 was £11.6m (3 July 2021: £18.6m).

Note that the above lease liability value for the parent company includes the assets leased by The Very Group Limited from Primevere Equipment Limited. Within the consolidated group results for the year, this lease has been eliminated following the acquisition of Primevere Equipment Limited and as such the lease liability within the Group balance sheet is lower than that as per the parent company balance sheet. See note 31 for more information.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The Income Statement includes the following amounts relating to leases:

	2022 £m	2021 £m
Depreciation charge of right-of-use assets:		
Plant and equipment	**6.7**	6.7
Interest expense on lease liabilities	**4.0**	2.6

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.

45 AUDIT EXEMPTION

The Company is entitled to exemption from audit for its subsidiaries under Section 479A of the Companies Act 2006 for the 52 week period ended 2 July 2022.

The directors have applied this exemption for the following subsidiaries:

Company name	Company number
Littlewoods Limited	00262152
LW Finance Limited	04542312
Littlewoods Retail Limited	00421258
LW Investments Limited	04502467
Littlewoods Clearance Limited	00232346

The Very Group Limited will guarantee all outstanding liabilities that these subsidiaries are subject to as at the period ended 2 July 2022 in accordance with Section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. The Directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the 52 week period ended 2 July 2022

46 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:

	2022 £m	2021 £m
Amounts due from fellow group undertakings		
Shop Direct Holdings Limited	**495.5**	488.0
Primevere Equipment Limited	–	14.2
	495.5	502.2

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 44 include £59.0m (2021: £65.6m) due to Primevere Equipment Limited and £46.1m (2021: £46.6m) due to Primevere Limited.

47 SHARE CAPITAL

	2022 £m	2021 £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 (resigned 23 September 2022)
B P Fletcher
D W Kershaw
P L Peters
S A Winton
J T Humphries
M McMenemy
D J Van Den Berge (appointed 15 March 2022)
R A Mayfield (appointed 26 September 2022)
L A Desclée (appointed 19 September 2022)
T A Franklin (appointed 12 September 2022)

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Company Registration No. 04730752

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