

**N BROWN
GROUP PLC**

Where fashion fits!



The power of

Agility

N Brown Group plc
Annual Report & Accounts 2017

An expert in fashion that fits and flatters, N Brown is one of the UK's leading online retailers. Our key retail brands are JD Williams, Simply Be and Jacamo.

We are all about democratising fashion and are size inclusive, focusing on the needs of underserved customer groups – size 20+ and age 50+. We offer an extensive range of products, predominantly clothing, footwear and homewares, and our Financial Services proposition allows customers to spread the cost of shopping with us.

We are headquartered in Manchester where we design, source and create our product offer and we employ over 2,700 people across the UK.

HIGHLIGHTS

REVENUE – CONTINUING OPERATIONS (£M)

52 week figure 2017¹ Statutory 53 week figure 2017

887.7 **900.7**

(2016: £866.2m)

ADJUSTED² PRE-TAX PROFIT – CONTINUING OPERATIONS (£M)

52 week figure 2017¹ Statutory 53 week figure 2017

80.6 **82.6**

(2016: £88.3m)

STATUTORY PROFIT BEFORE TAX (£M)

52 week figure 2017¹ Statutory 53 week figure 2017

55.6 **57.6**

(2016: £72.2m)

ADJUSTED² EARNINGS PER SHARE – CONTINUING OPERATIONS (P)

52 week figure 2017¹ Statutory 53 week figure 2017

22.18 **22.74**

(2016: 24.02P)

DIVIDENDS PER SHARE (P)

Statutory 53 week figure 2017

14.23

(2016: 14.23P)

NET ASSETS (£M)

Statutory 53 week figure 2017

478.2

(2016: £476.0m)

¹ As previously guided, this year we are reporting on the 53 weeks to 4 March 2017, with an extra week added to ensure that the year-end date stays close to the end of February. In order to provide a meaningful comparison with last year's 52 week period, all P&L financial movements are reported on a 52 week basis, excluding the 53rd week, unless otherwise stated. Where applicable, the 53rd week's known result has been used as the basis for the adjustment to provide the 52 week results, although a degree of judgement has been applied in deriving certain operating costs in respect of the final week. A detailed comparison of the 53 weeks and 52 weeks results are set out on page 44. All second half P&L financial movements relate to the 26 week period, excluding the 27th week, unless otherwise stated. All balance sheet figures are reported as at the year-end date and cash flow figures are for the 53 week period.

² Defined as excluding exceptionals and unrealised FX movement and therefore represents the underlying trading performance.

STRATEGIC REPORT

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**Our
new-found
trading**

Agility

**is key to thriving in
the see now, buy
now, wear now,
fashion culture.**

Read pages 2–9

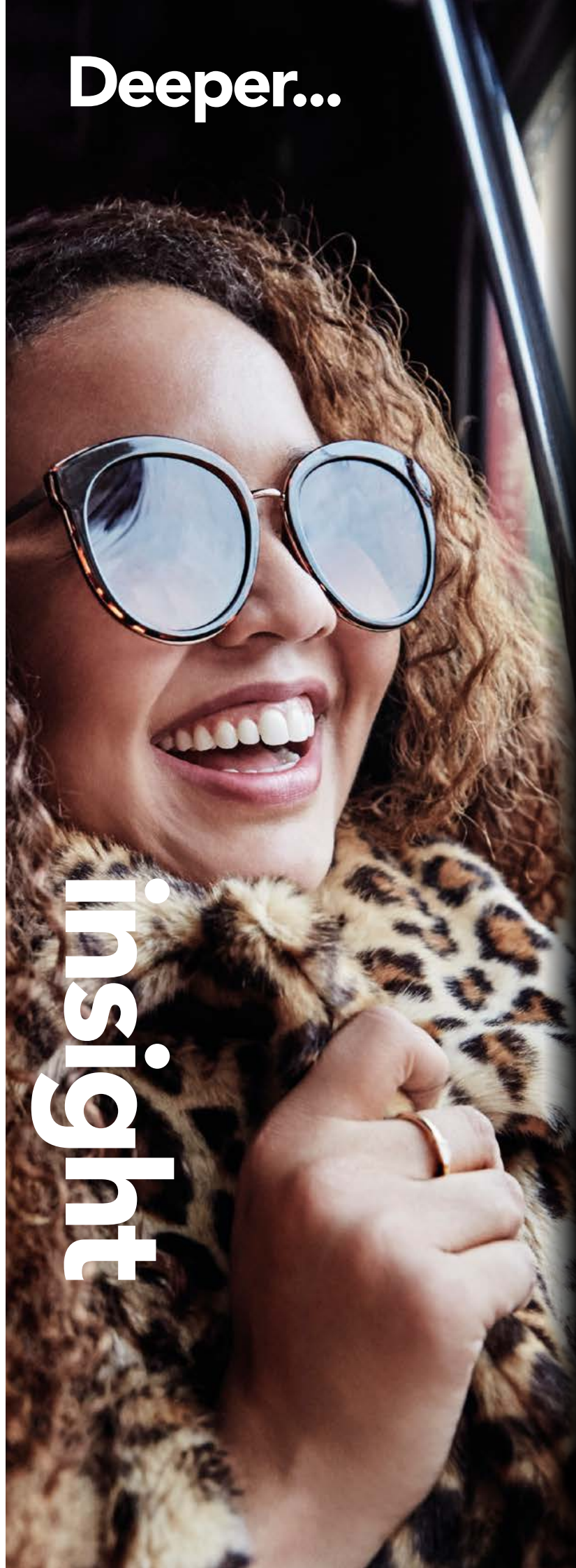


We have made huge changes to our business over the past few years, bringing in new talent and developing our skills and capabilities. We have also significantly changed our processes, particularly in buying, merchandising and marketing. Looking forward, we are on track to complete the final stages of our systems programme by Summer 2018, which will enable even faster growth.

Our trading agility, made possible by the transformative changes we have made, is yielding results and is key to thriving in a world changing faster than ever before.

Angela Spindler
Chief Executive Officer

Deeper...



insight

Greater..



presence

More..



flexibility

OUR TRADING AGILITY
CONTINUED

**Growing customer
lifetime value through
deeper insight
and cutting-edge
data analytics.**



Deeper Insights

Using data to deliver the right products at the right price.

JD Williams 'The Cut' collection – a great success

In Autumn Winter we introduced 'The Cut', a collection of our best value, current season clothes, to further reinforce our value for money credentials. Sales of these lines significantly exceeded expectations, up 72% versus comparable lines in the previous year.

We extended the collection further for Spring Summer, and adopted a similarly assertive entry price strategy across our other brands.

➤ [More detail p23](#)



Merchandising tools now live

A key release from our systems programme are our new merchandising tools which went live in October, ahead of schedule. These new tools give us the ability to forecast at the individual item level, improving our availability and reducing markdown.

Our best ever cyber fortnight

Building on a successful cyber fortnight last year, this year saw us beat records again, with our biggest fortnight ever in both revenue and profit. We planned months in advance to ensure that we could offer customers fantastic deals whilst earning an improved margin ourselves.

➤ [More detail p25](#)

The results

The transformational changes we have made in the past few years are driving results; this is most apparent in the performance of our Power Brands.

- Simply Be revenue up 9.9%
- JD Williams brand revenue up 12%

All revenue figures on this page are on a 52 week basis as explained on page 44.

↑ **9.9%**

Power Brand active customer file (excluding Fifty Plus)

↑ **6.3%**

Power Brand revenue

gnt

OUR TRADING AGILITY
CONTINUED

Reaching more
people through
multiple channels,
brand partnerships
and innovative
marketing activity.



Greater Press

Gaining new customers and strengthening brand engagement with existing customers.

Expanding our product ranges

We have significantly grown the number of third party brands we stock on our websites, typically stocking their ranges exclusively in larger sizes. This allows brands access to a new, growing customer base at relatively low risk, and gives our customers an even greater choice of products. Since the start of the year we have added over 100 third party brands across our categories.

Selling our ranges through other retailers

We are also partnering with other retailers, selling capsule collections of our ranges through their sites or stores. This allows us to further improve our brand awareness and gain new customers. To date we're selling ranges through ASOS and Tesco, with more retailers in the pipeline.

Championing body diversity in the fashion industry

We are a truly size and age agnostic fashion retailer; whatever a customer's size or age, we aim to make them feel amazing in what they wear. This attitude differs significantly to the fashion industry as a whole. We've held a number of protests and other events to call for greater body and age diversity in the industry.

➤ **More detail p38**

The results

We continue to gain market share and grow online sales.

4.2%

Ladieswear market share

69%

Online penetration

Please see pages 26 to 29 for KPI definitions.

enice

The ability to change our product offering and marketing materials quickly, to enable us to better compete in an ever-changing market place.

More

Flexi

Trading agility delivering results.

Lead times

We reduced average lead times by over 20% year on year. Our fastest lead time for repeat purchases is now seven days, compared to seven weeks just two years ago.

➤ **More detail p22**

More flexible ways to pay

Ahead of our new Financial Services system going live, which will enable us to offer variable APR dependent on each individual customer's risk profile, we trialled a lower APR for qualifying new customers. The initial results of this trial are encouraging.

➤ **More detail p41**

Further delivery improvements

We extended our cut-off for next day delivery by an hour to 10pm. We also launched Jacamo Unlimited, offering customers 12 months unlimited next day delivery for a one-off £9.95. Initial response to this delivery subscription offer has been encouraging, and we aim to expand it to other brands in due course.

Marketing flexibility

We are working hard to ensure our marketing spend is as flexible and efficient as possible, so that we can maximise revenue wherever possible. We can now change email campaign content and adjust our online spend within minutes.

The results

Our flexibility continues to improve substantially, enabling us to offer our customers an even better proposition.

↓ **20%**

Reduction in average lead times

412m

Personalised emails sent

ability

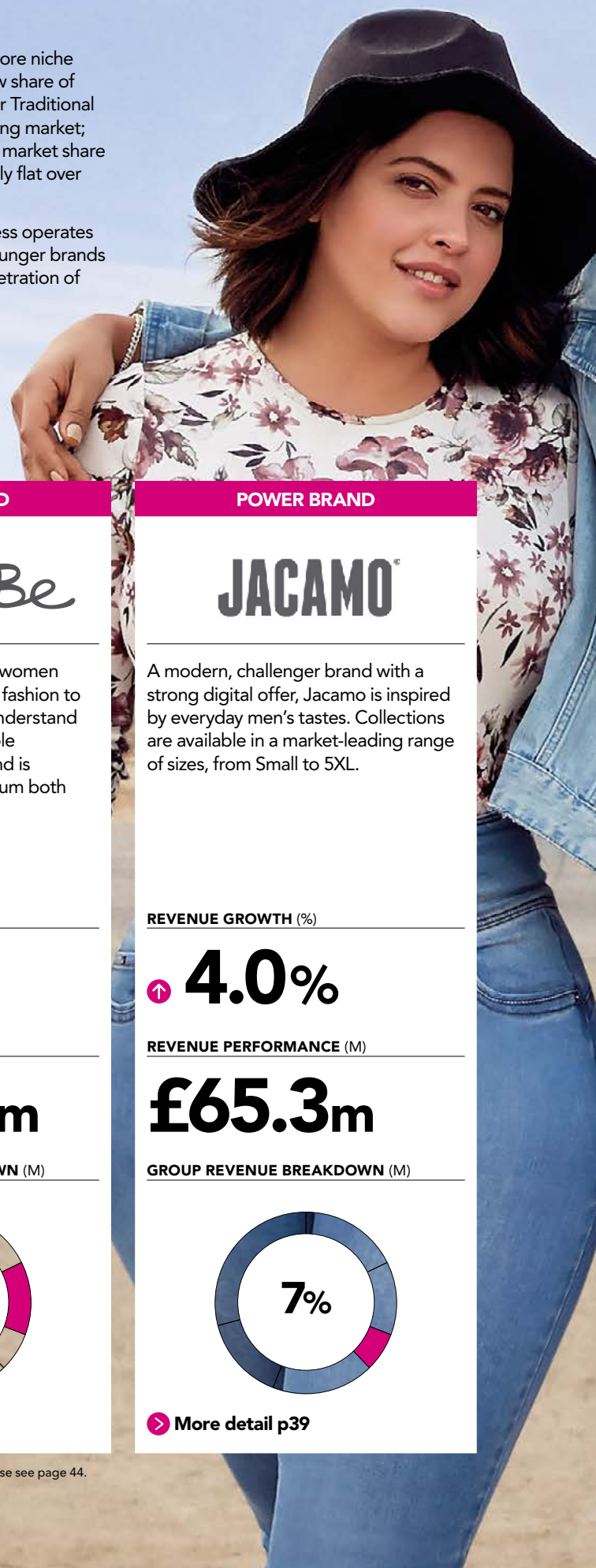
What we do

We are structured in a matrix approach, buying by product category and marketing by brand. This allows us to run a portfolio of brands effectively and efficiently. All of our brands sell a wide range of clothing and homewares products.

Our three Power Brands are our growth engines; here we aim to gain new customers and grow market share. Our Secondary Brands are also in growing

markets, however they are more niche and we therefore aim to grow share of existing customer spend. Our Traditional Segment is in a slowly declining market; our objective here is to grow market share and hold this segment broadly flat over the medium term.

Our Financial Services business operates across all brands, with the younger brands typically having a higher penetration of sales sold through credit.



POWER BRAND

JDWILLIAMS

An online department store, offering style for 50-plus customers and their families, with ranges for women, men, home and kids. We create unique silhouettes, rather than scaling patterns; we use real bodies, rather than static mannequins; and we design to fit – a unique, age appropriate point of view for our consumer.

REVENUE GROWTH (%)

↑ **4.7%**

REVENUE PERFORMANCE (M)

£158.3m

GROUP REVENUE BREAKDOWN (M)

18%

➤ **More detail p38**

POWER BRAND

SimplyBe

Simply Be has empowered women for over a decade, bringing fashion to all, regardless of size. We understand shape and create fashionable collections that fit. The brand is gaining significant momentum both at home and in the USA.

REVENUE GROWTH (%)

↑ **9.9%**

REVENUE PERFORMANCE (M)

£114.2m

GROUP REVENUE BREAKDOWN (M)

13%

➤ **More detail p39**

POWER BRAND

JACAMO[®]

A modern, challenger brand with a strong digital offer, Jacamo is inspired by everyday men's tastes. Collections are available in a market-leading range of sizes, from Small to 5XL.

REVENUE GROWTH (%)

↑ **4.0%**

REVENUE PERFORMANCE (M)

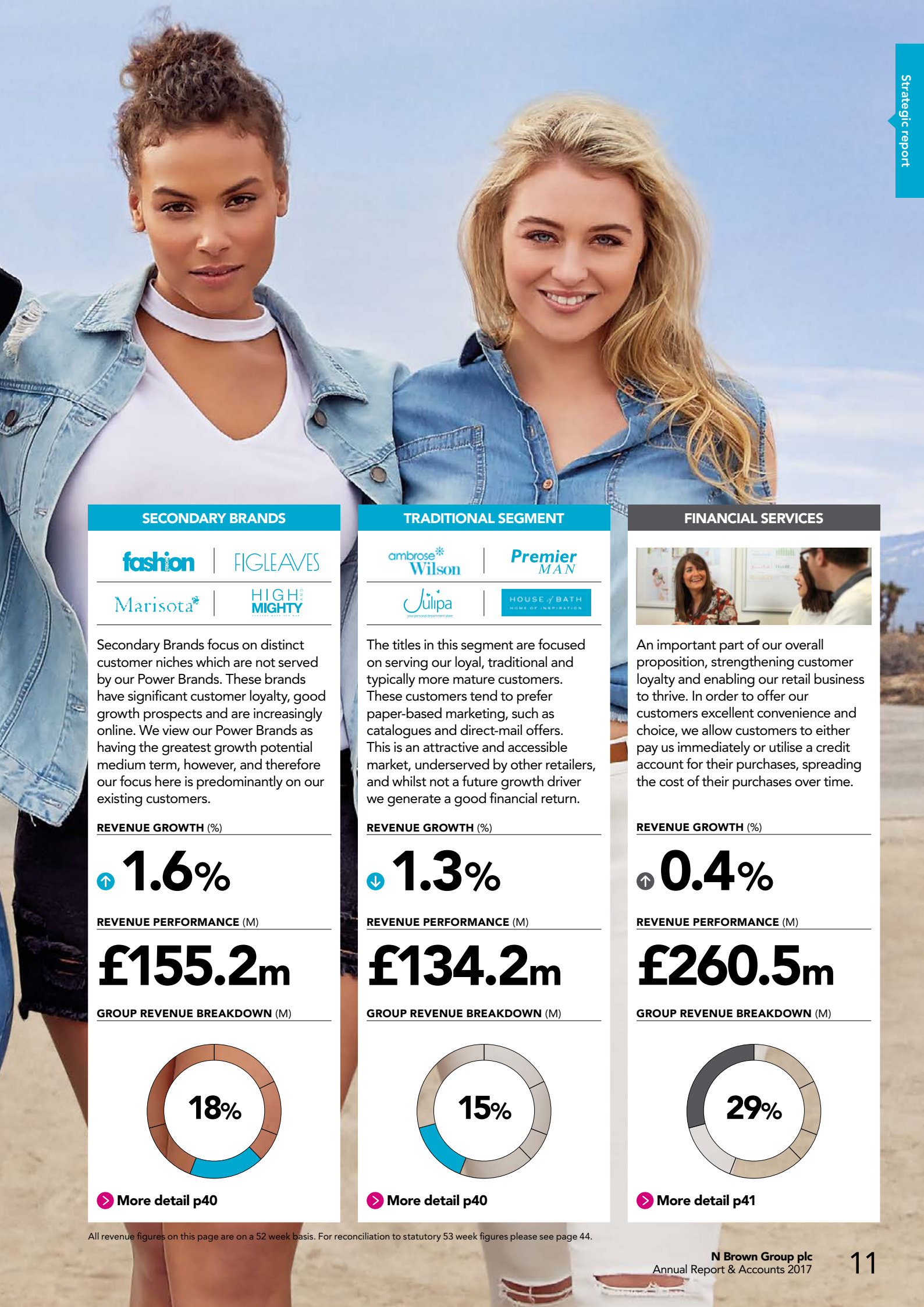
£65.3m

GROUP REVENUE BREAKDOWN (M)

7%

➤ **More detail p39**

All revenue figures on this page are on a 52 week basis. For reconciliation to statutory 53 week figures please see page 44.



SECONDARY BRANDS

fashion | FIGLEAVES

Marisota* | HIGH MIGHTY

Secondary Brands focus on distinct customer niches which are not served by our Power Brands. These brands have significant customer loyalty, good growth prospects and are increasingly online. We view our Power Brands as having the greatest growth potential medium term, however, and therefore our focus here is predominantly on our existing customers.

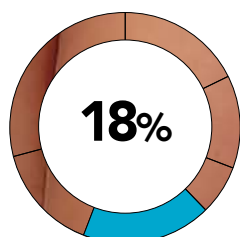
REVENUE GROWTH (%)

↑ **1.6%**

REVENUE PERFORMANCE (M)

£155.2m

GROUP REVENUE BREAKDOWN (M)



➤ More detail p40

TRADITIONAL SEGMENT

ambrose Wilson | Premier MAN

Julipa | HOUSE OF BATH

The titles in this segment are focused on serving our loyal, traditional and typically more mature customers. These customers tend to prefer paper-based marketing, such as catalogues and direct-mail offers. This is an attractive and accessible market, underserved by other retailers, and whilst not a future growth driver we generate a good financial return.

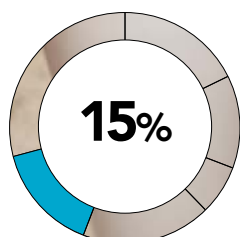
REVENUE GROWTH (%)

↓ **1.3%**

REVENUE PERFORMANCE (M)

£134.2m

GROUP REVENUE BREAKDOWN (M)



➤ More detail p40

FINANCIAL SERVICES



An important part of our overall proposition, strengthening customer loyalty and enabling our retail business to thrive. In order to offer our customers excellent convenience and choice, we allow customers to either pay us immediately or utilise a credit account for their purchases, spreading the cost of their purchases over time.

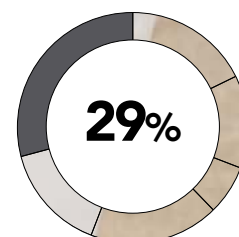
REVENUE GROWTH (%)

↑ **0.4%**

REVENUE PERFORMANCE (M)

£260.5m

GROUP REVENUE BREAKDOWN (M)



➤ More detail p41

All revenue figures on this page are on a 52 week basis. For reconciliation to statutory 53 week figures please see page 44.

A year of encouraging progress



“The transformative changes we have made over the past few years have started to deliver results, as we benefit from our new-found trading agility.”

Andrew Higginson
Chairman

This year saw the first benefits come through from the material changes to people, processes and systems we have made to the business. After a challenging first half, the Board is pleased with the trading momentum seen in the second half, with the Group outperforming the wider market over the key peak trading period.

I continue to be impressed by the sheer quantum of change that has occurred in the business over the past few years. Whilst the process of transformation has not been without its challenges, the business is now in a much stronger position, with a far more sustainable model for the future.

In September we gained our full FCA authorisation. This was an important milestone for the Group and marked the successful end to a lengthy and thorough process.

This coming year will be another important one for the Group. We remain on track to complete the final stages of our systems programme by Summer 2018 although, as has been the case throughout the programme, our first priority is risk minimisation, not speed of delivery at any cost.

£887.7m

Revenue (52 week basis)

£88.3m

Adjusted operating profit
(52 week basis)

Progress made in 2017

Overall online penetration of 69%, up 4ppts, with 77% of new customers now coming to us online.

Active customer accounts +0.7% to 4.30m; within this, Power Brands active customer accounts 2.17m, up 1.2%.

Received our highest ever customer satisfaction score and are now ranked number two across the UK retail sector.

Ladieswear revenue up 4.2% over the year, and 10.4% in the second half.

Gained our full FCA authorisation in September 2016. The authorisation was granted unconditionally.

We continue to innovate and improve our ways of working to ensure we continually put the customer at the centre of everything we do. We have a strong business, with a loyal customer base and good growth prospects.

Dividend

Whilst continuing to invest in the business to secure our future growth, we also continue to recognise the importance of cash returns to our shareholders. We intend to pay a final dividend of 8.56p this year, taking the total dividend to 14.23p – unchanged from last year.

Board composition

In October I was pleased to welcome Richard Moross to the Board as a Non-Executive Director. Richard is the founder and CEO of Moo.com and brings significant expertise in digital retailing and technology.

Following her appointment to the board of Newell Brands Inc in the USA, Fiona Laird has indicated her intention to step down from the Board as soon as a suitable replacement has been found. External consultants have been engaged and an announcement will be made in due course.

Revenue figures are on a 52 week basis as explained on page 44. Please see pages 26 to 29 for KPI definitions.

Corporate Governance

The Board is committed to developing and applying high standards of corporate governance both in the management of its business and in its accountability to stakeholders as a whole.

Angela Spindler

Chief Executive

Andrew Higginson

Non-Executive Chairman

Craig Lovelace

Chief Financial Officer

Ivan Fallon

Non-Executive Director

Lord Alliance of Manchester CBE

Non-Executive Director

Ron McMillan

Non-Executive Director

Fiona Laird

Non-Executive Director

Richard Moross

Non-Executive Director

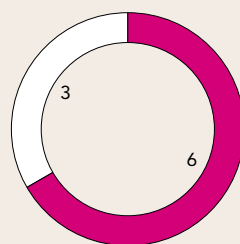
Lesley Jones

Non-Executive Director

Theresa Casey

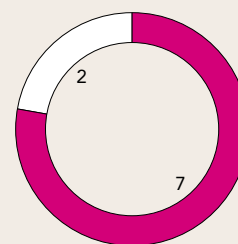
Company Secretary

BOARD DIVERSITY



● Male
○ Female

BOARD COMPOSITION



● Non-Executive Directors
○ Executive Directors

After 23 years' service, Ivan Fallon has indicated his intention to retire and he will therefore not be seeking re-election to the Board at this year's AGM. The Board and I would like to thank Ivan for his outstanding contribution over many years and to wish him well for the future.

Outlook

The past year has seen unprecedented changes in the macro-economic landscape which remains challenging for retail. This manifests itself in our cost prices through inflation, particularly in fuel, our product costs as a result of exchange rate changes, and the disposable income of our customers. Against this backdrop we remain vigilant over our core costs and efficiencies.

Consumers globally continue to move their spending online, and our online capabilities and lack of a large store estate mean that we are at an advantage here. We must not become complacent, however, but instead we must continually innovate and improve our capabilities and customer offering.

I would like to express my thanks to all stakeholders in the business, and in particular our brilliant colleagues, for all their passion, commitment and hard work throughout the year.

Andrew Higginson
Chairman

Maintaining the pace in a challenging market

Global trends

With an uncertain global economic backdrop, the retail market not only faces the same uncertainties but also the knock-on effect of rising input costs and fragile consumer confidence. Coupled with an increasingly competitive retail market, the ability to act with agility and continue to innovate will be key to our success.

UK demographic

The UK has an ageing population, with ONS figures showing a significant rise of the 65+ population, by 21%, over the past ten years. With people also becoming larger, as evidenced by rising obesity levels, our size and age inclusive approach are important differentiators which benefit from these population trends.

Financial services – consumer credit

We see UK consumers continuing to participate in higher levels of unsecured credit, a supportive backdrop given our many years of experience in this sector. We continue to monitor consumers' demand for payment innovations and ensure that we incorporate FinTech developments when suitable.



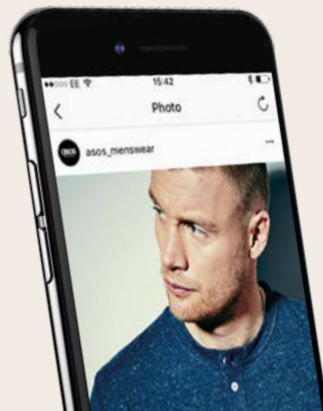
Macro-economic trends

The global economic backdrop is uncertain, with recent volatility, particularly in the percentage drop in sterling following the EU referendum.



Retail trends

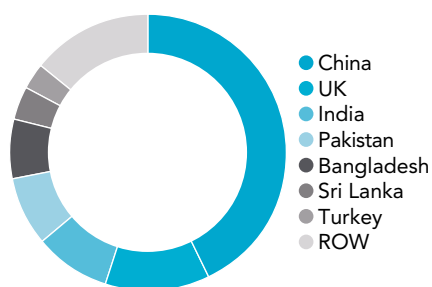
Consumers are increasingly shifting spend away from retail purchases and towards leisure activities.



Online trends

Shopping globally is increasingly online; the BRC estimates that over 20% of all non-food retail spending now takes place online.

SOURCING BREAKDOWN



Strategy

➤ More detail p20

Key performance indicators

➤ More detail p26

Trends

The uncertainty following the referendum has led to consumer confidence at lower levels than in the past few years. We expect shoppers to continue to remain cautious this year.

The depreciation of sterling since the EU referendum means that FX rates represent a significant input cost headwind. Inflation is also expected to increase this year, putting further pressure on our costs.

How we are responding

- We hedge our dollar purchases exposure, allowing us to delay the impact of a weaker sterling rate, and giving us more certainty over input costs.
- We aim to mitigate input costs and inflation as much as possible, working closely with our suppliers and moving supply nearer to the UK in some cases.

Opportunities for growth

We are planning to absorb or mitigate input cost increases, as opposed to passing these on to our customers, as we believe that this stance will allow us to gain further market share and underpin future sustainable profitable growth. Our international business provides a small natural hedge which we aim to grow in the future.

Trends

Over the last 12 months there has been a shift in spending patterns away from the clothing and footwear sector and into the hospitality and entertainment sectors. Against this backdrop we work hard to grow loyalty and offer our customers a great choice of products. Within the retail sector itself, health and beauty tops the sector as the fastest growing according to the BRC.

How we are responding

- Widening share of basket by continually improving both our homewares and our health and beauty offering.
- Continuing to invest in great value products.
- Continuing to invest in our financial services offering, to allow customers to spread the cost of their purchases over time.

Opportunities for growth

Our customer loyalty rates continue to be strong, and we work hard to ensure our customers have a great shopping experience with us. Our new Financial Services system will allow us to offer customers a greater range of products, which should help us to increase share of spending and generate incremental income.

Trends

Online penetration is predicted to grow from 15.7% in 2017 to 18.4% in 2022, with the clothing and footwear sector set to grow from 25.6% of online retail share in 2017 to 29.4% in 2022 according to the latest figures from GlobalData. We are in a strong position to benefit from this trend given our online exposure and our lack of a significant store estate.

How we are responding

- Continuing to innovate and win share online.
- Our new web platform will further improve our online trading agility.
- Continuous improvements to customer experience, for example through personalisation and app development.

Opportunities for growth

As an online retailer, we will continue to make improvements to win more share online and to further improve the customer experience.

Creating customer value

Inputs

1 Brand portfolio

We operate a trusted family of retail brands, focused on fashion that fits. Our primary growth drivers are our Power Brands – JD Williams, Simply Be and Jacamo. We sell ladieswear, menswear, footwear, homewares and gifting across all our brands.

- 3 Power Brands
- Secondary Brands
- Traditional Segment

2 Engaged customer base

Strengthening customer loyalty and gaining new customers is crucial for sustainable growth. We put the customer at the centre of every decision we make.

3 N Brown people

Without our people and their relentless enthusiasm and passion we couldn't do what we do. They are our most important asset.

4 Systems and infrastructure

Our warehouse extension, now fully on stream, further improved our logistics capabilities and delivery proposition. Our systems investment project, called 'Fit 4 the Future', is still ongoing, with several important releases going live in the year. Going forward, ongoing development and investment in our systems and infrastructure will remain crucial in a constantly changing sector.

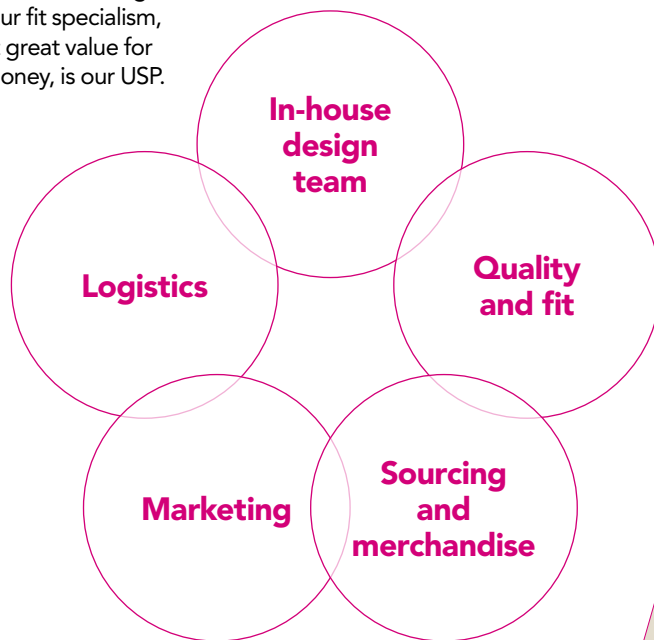


Core activities



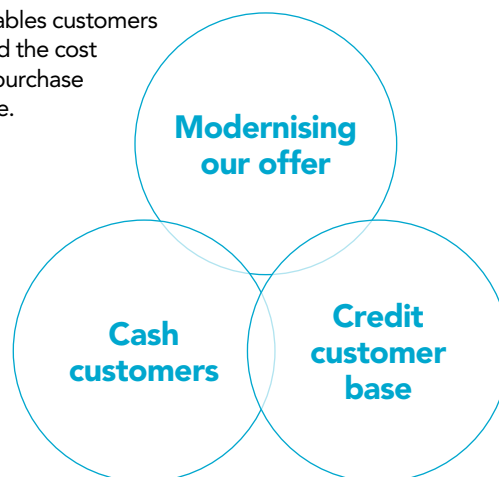
Retail products

Without great products we have nothing. Our fit specialism, at great value for money, is our USP.



Financial Services

Our Financial Services offer enables customers to spread the cost of their purchase over time.





GUSTO shapes our culture. GUSTO celebrates positive attitudes and behaviours. GUSTO is how we do things around here.

Glow with pride

We're proud to make great products that people love. Our clothes generate a feel-good factor – for our customers and for us.

Understanding is everything

Everything starts and ends with understanding and respecting the customer. They are our passion, their shopping habits and preferences our priority. They're why we exist, and why we succeed.

Saving makes sense

Waste is the enemy. We value simplicity and the saving of resources and time.

Togetherness is crucial

Teamwork triumphs in the end. There are few tasks and even fewer problems that can't be tackled successfully though togetherness, shared goals and collective effort.

Opportunity exists everywhere

There are always things to improve, chances to be seized and ideas to be unleashed. We take the opportunities to build a better business, and to build a better you.

Responsibility



We believe we should be a major force for good as well as a major force in fashion. It's a huge responsibility, and a purpose way beyond profit.



Outputs

1 Value back to shareholders

Our shareholders are very important to us, and we value the support and input they give us. We are focused on a progressive dividend policy.

2 Value back into business to drive future growth

We invest into our business to ensure that we can drive profitable, sustainable growth in the years ahead.

3 Customer satisfaction

We're proud to make great products that people love. Our clothes generate a feel-good factor for our customers.



Strategy

[➤ More detail p20](#)

Performance review

[➤ More detail p36](#)

Online trading agility



"We have transformed from a mail order business to an innovative, agile, online fashion retailer, supported by a modern Financial Services business. We are focused on driving the business forward, both in the UK and internationally, and I am confident in our future growth prospects."

Angela Spindler
Chief Executive

Introduction

I am pleased with the progress made this year, as we continue to build on our position as an agile, online fashion retailer. Ladieswear was a particular highlight, delivering the best performance for almost a decade as we gained significant market share. This was the result of changes made to design, buying, merchandising and sourcing over the past few years.

We continue to place customers at the heart of everything we do. During the year we further improved our delivery proposition, maintained our assertive price positioning and continued focus on customer loyalty. I am pleased to report that our work paid off, with our customer satisfaction score increasing further to 86.4%, the second highest customer satisfaction score in the UK retail sector.

We have a clear focus on our three fashion Power Brands – JD Williams, Simply Be and Jacamo – and revenue here increased by 6.3%, a good performance. We also

+10%Online revenue
(52 week basis)**+4.2%**Ladieswear revenue
(52 week basis)**Strategy**

➤ More detail p20

Key performance indicators

➤ More detail p26

Future opportunities**International**

We launched our new USA site in September. Through a series of post-launch releases we have now delivered the enhanced experience scoped for our customers, which gives us the foundations for our future international expansion. We recently announced the appointment of our first International Director, who will help us make the most of our significant growth opportunity, both in the USA and in other geographies.

Brand partnerships

We are increasingly partnering with other retailers in two ways. Firstly, we added over 100 new third party brands on our sites during the year, further broadening our customer offering. We have also started to sell capsule collections on other retailers' sites. These offer a complementary way of driving sales and awareness of our brands in a cost-effective manner. We will continue to look at other opportunities like this going forward.

successfully turned around the performance of our Traditional segment during the year, with revenue down in the first half but growing in the second.

Our online metrics remain strong, with new customers coming to us online exceeding 75% for the first time. 71% of our traffic now comes from a mobile device. Within this, smartphone sessions – the device of choice for UK consumers today – increased by 49% to account for 46% of all traffic.

Our performance in FY17 overall was in line with expectations. Spring Summer 2016 started poorly across the sector, but we improved performance as we progressed through the first half. The second half was stronger, with a good Autumn Winter season and two record-breaking weeks for the business over Cyber fortnight. This trend is visible in our profit performance, with Adjusted PBT down 19.8% in the first half and flat in the second.

Fit 4 the Future on track

- **First UK site with our new Financial Services system, High & Mighty, planned for launch in May 2017**
- **Programme completion on track for Summer 2018**
- **Continued focus on risk minimisation**

We are pleased with the progress we have made on our systems programme. To date, we have successfully introduced a new finance system, our new Merchandise system, Cybersource and PowerCurve, both important parts of our Credit release, our Simply Be Euro foundation site and, most recently, our new USA website.

The next release, which represents a major milestone in the programme, will be the High & Mighty website, which remains on track to replatform to Hybris in May. This release will also include the first go-live of our new Financial Services system. This sees a significant amount of core technical functionality delivered.

In line with the agile approach to running IT projects, we have then made an adaptation to the rollout plan compared to that previously communicated. Following the High & Mighty go-live we have now decided that Fashion World

will be migrated onto the new systems after peak trading 2017. Crucially, the pace of our development will be unchanged, and new releases will be added to the High & Mighty and USA sites on a monthly basis.

The benefits of this approach are that:

- It significantly reduces the commercial risks, as new technology developments going forward will all be tested in a live environment, including through peak trading, before the major brands are migrated
- It minimises the time we will be operating at scale in two different technology worlds

We plan to migrate all brands onto the new platform by the end of Summer 2018, as previously guided. The overall programme costs and benefits, and the timing of those benefits, are all unchanged.

Outlook

The fashion sector remains as competitive as ever. Added to this, the depreciation of sterling and the recent increase in inflation both represent significant input cost headwinds to our business. Against this backdrop, our significantly increased trading agility and in-season flexibility puts us in a much better position to be able to quickly react to changing market conditions, ensuring our product offer remains competitive.

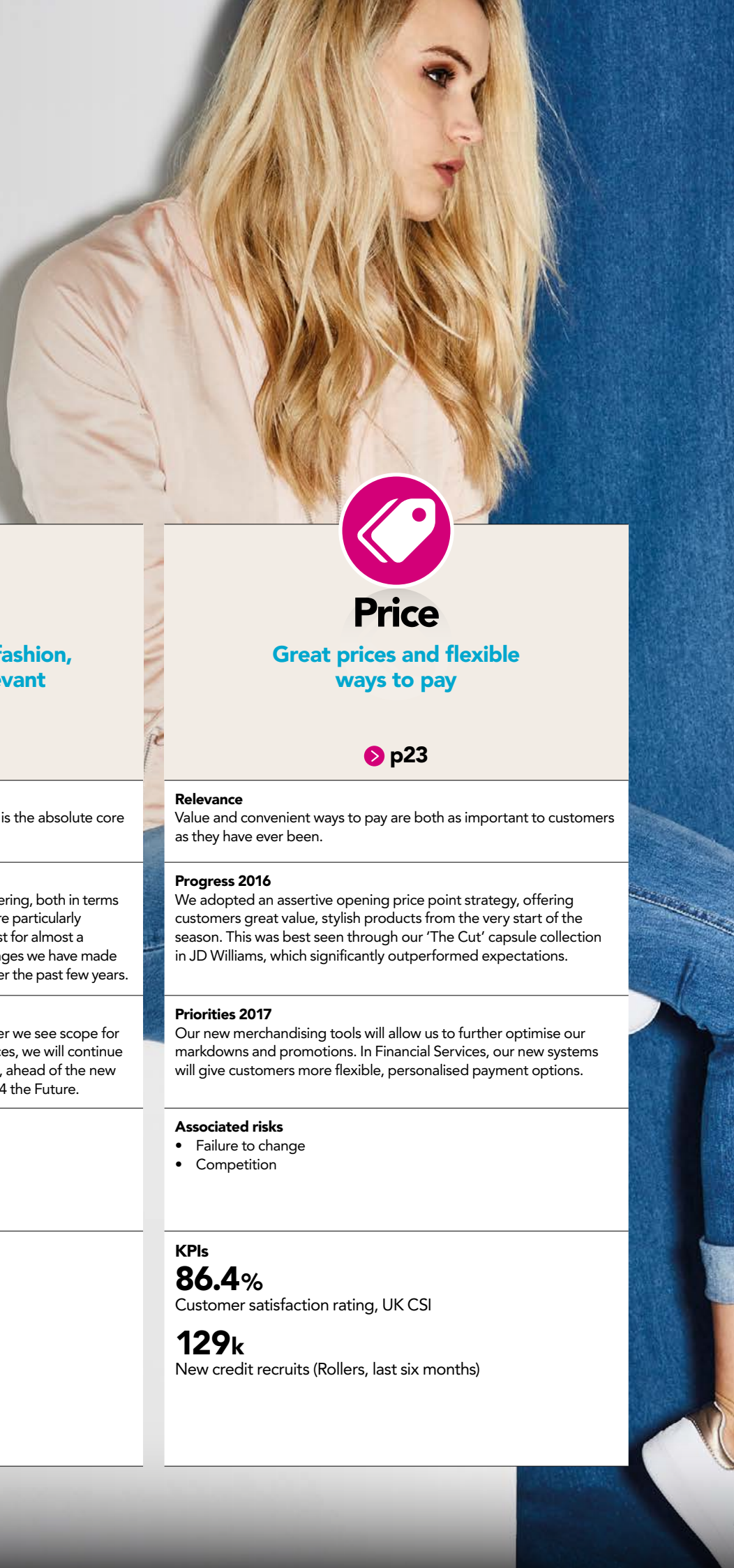
Our size and age agnostic attitude, our dedication to continuous improvement in the customer experience and our relentless focus on helping our customers look and feel amazing through our trusted family of fashion brands all put us in a strong position. We look to the future with confidence.



Angela Spindler
Chief Executive

KPIs and revenue figures are on 52 week basis unless otherwise stated.

Our four drivers



Product

Fantastic quality and fit fashion, home ranges, and relevant financial services

➤ p22

Relevance

Great product is the lifeblood of our business – it is the absolute core of what we do.

Progress 2016

We strive to continuously improve our product offering, both in terms of our retail and Financial Services products. We are particularly pleased with our Ladieswear performance, the best for almost a decade. This result was made possible by the changes we have made to buying, merchandising, sourcing and design over the past few years.

Priorities 2017

Menswear delivered a solid performance, however we see scope for further growth in this category. In Financial Services, we will continue our trial of lower interest rates for new customers, ahead of the new Financial Services system going live as part of Fit 4 the Future.

Associated risks

- Failure to change
- Competition
- Regulatory environment

KPIs

4.2%

Ladieswear market share, size 16+

1.5%

Menswear market share, chest size 44"+

26.8%

Group returns rate (rolling 12 months)



Price

Great prices and flexible ways to pay

➤ p23

Relevance

Value and convenient ways to pay are both as important to customers as they have ever been.

Progress 2016

We adopted an assertive opening price point strategy, offering customers great value, stylish products from the very start of the season. This was best seen through our 'The Cut' capsule collection in JD Williams, which significantly outperformed expectations.

Priorities 2017

Our new merchandising tools will allow us to further optimise our markdowns and promotions. In Financial Services, our new systems will give customers more flexible, personalised payment options.

Associated risks

- Failure to change
- Competition

KPIs

86.4%

Customer satisfaction rating, UK CSI

129k

New credit recruits (Rollers, last six months)

Our vision

To be the universally loved experts in fashion that fits.

Our mission

We'll do this by helping our customers look and feel amazing through our trusted family of fashion brands.



People

Obsessed with customers, enriched with data and powered by technology

➤ p24

Relevance

Without our people and their relentless enthusiasm and passion we couldn't do what we do. They are our most important asset.

Progress 2016

We continued to develop our internal talent and hire great new people to our business. We launched our online training hub and talent mapping tools. Our colleague satisfaction rating reached a record high.

Priorities 2017

We will launch our new intranet, which will further enable us to engage with colleagues throughout the business. We will continue to focus on developing our talent and rewarding achievement.

Associated risks

- People
- Competition

KPIs

86.4%

Customer satisfaction rating, UK CSI



Place

Whatever you want, wherever you are, whenever you want it, we make it easy

➤ p25

Relevance

Customers shop how and when they want, and it is our job to exceed their expectations.

Progress 2016

We moved to 10pm cut-off for next day delivery and over our busiest cyber fortnight ever our average delivery time was an entire day quicker than last year. Online, mobile continued to take share of traffic, now exceeding 70%. We also launched our new USA website, a key milestone.

Priorities 2017

We will launch our new web platform in the UK on our High & Mighty site. We will continue to improve our delivery offering, including the recent launch of our first delivery subscription offering, Jacamo Unlimited.

Associated risks

- Failure to change
- Competition
- People
- Cyber security

KPIs

69%

Online penetration

5.6%

Conversion rate

4.3m

Active customer accounts

KPIs on these pages are on a 52 week basis unless otherwise stated.

Transformation driving success in 2017



Product

Better by design

We have fundamentally changed our design, buying, sourcing and merchandising processes over the past three years and we are pleased to report that these changes are delivering results. Having previously relied solely on third party design agencies, we now have a 22-person in-house team, covering all product categories to ensure that our ranges are on-trend and flatter our customers, whatever their size or age. We have also introduced an in-house print team that creates signature prints for each season.

We have rationalised and consolidated our supply base, working closer with fewer suppliers. We have also increased sourcing closer to home to give us greater flexibility. These changes in our supply chain, together with process changes throughout the department, have enabled us to reduce lead times significantly. Our fastest lead time for a new product has improved from ten weeks two years ago to three weeks today. For repeat purchases, our fastest lead time is now seven days compared to seven weeks just two years ago. We have also reduced our average lead times by over 20% year on year.

We are now working on rolling out innovative digital fit techniques using 3D avatars. This will allow us to design, develop and fit our product samples on each individual size, tailoring the fit to take account of body shapes and sizes. These cutting-edge techniques will represent a further improvement to our already industry leading fit capabilities, as well as enabling us to deliver our products faster than ever before, both important drivers of customer loyalty.





Price

Assertive price points and great promotions

We typically benchmark our prices to the mid-market, aiming to offer a better quality product at a lower price than our mid-market competitors. In Autumn Winter we adopted a more assertive price strategy, further investing in prices to offer customers exceptional value. This was led by 'The Cut' collection in JD Williams, a collection of our best priced, current season clothes. Sales of these lines significantly exceeded our already ambitious expectations, with the range up 72% compared to similar lines in the prior period. A similar pricing strategy was adopted across our entire brand portfolio.

By ensuring that our initial price points were compelling, we reduced the proportion of lines sold on discount significantly. When we did offer promotions they represented exceptional value to our customers, with our cyber fortnight promotions and flash sales good examples of these.

We continued to increase our use of data analytics to make pricing and promotional decisions, for example we have implemented price elasticity algorithmic modelling for our end of season sales and will be rolling this out further in the coming year. Our new merchandising system went live in the Autumn, giving us the ability to plan our ranges across our brand portfolio in a quick and consistent way.



People

Digital talent

We continue to invest heavily in digital talent across the organisation, both in terms of attracting the best talent and developing our people. Working at N Brown is fast paced and exciting, with no day the same as another. As well as capabilities, we hire for attitude and passion.

Our digital centre of excellence continues to ensure that we stay ahead of the competition, covering areas such as personalisation, conversion rate optimisation, page load speeds and data analytics. Digital talent doesn't just cover marketing and IT, we also continue to innovate in areas such as quality control, product fit and specification and our HR processes and colleague engagement platforms.

During the year we partnered with seven digital start-ups through our innovation incubator JD Works. Over a ten week period these start-ups worked alongside us in our offices, helping us to accelerate our adoption of new ideas and technologies. These technologies included artificial intelligence, big data analytics, digitalised personal shopping and 3D virtual fitting.



Key performance indicators

➤ More detail p26

Risk management

➤ More detail p30

**Place**

A record breaking cyber fortnight

We had our best ever cyber fortnight, with record breaking revenue and profits. This was made possible by our recent warehouse extension, which doubled our through-put capacity – that is, our ability to get products through the warehouse and out for delivery to customers.

Our websites dealt with the highest level of traffic we've ever experienced, with sessions up 20% against the prior year, itself a record. Smartphone sessions were up 49% and accounted for 46% of traffic during the period. We sent 19 million animated emails, 22% more than the year before, and these drove a 48% increase in email demand.

Measuring progress against our strategy

Customers

ACTIVE CUSTOMER ACCOUNTS (m)

+0.7%

2016	4.27m
2017	4.30m

Relevance to strategy



Definition

The number of customer accounts which made a retail purchase in the last 12 months. The figures now include our USA customers. They continue to exclude Figleaves which has an independent management team.

Performance

Our active customer file increased by 0.7% to 4.30m during FY17. Our customer metrics improved through the year, with active customers down in the first half and then up mid single-digits in the second half, supported by strong new customer recruitment.

Outlook

We will continue to attract new customers to our business through our product offering, marketing campaigns and customer service proposition.

Risk

- Failure to change
- Competition
- People

POWER BRAND ACTIVE CUSTOMER ACCOUNTS (m)

+1.2%

2016	2.14m
2017	2.17m

Relevance to strategy



Definition

The number of Power Brand (JD Williams, Simply Be and Jacamo) customer accounts which made a retail purchase in the last 12 months. The figures now include our USA customers.

Performance

Again we saw an improving trend through the year. The key driver of this trend was the migration of the Fifty Plus title into the JD Williams brand (these customers are included within the JD Williams customer file); the customer file of the Fifty Plus title declined, as planned, during the migration process. If we exclude Fifty Plus customers, Power Brand active customers were up 9.9%.

Outlook

The migration of Fifty Plus will be completed by the start of the second half FY18, and this title should therefore cease to be a drag on customer metrics.

Risk

- Failure to change
- Competition
- People

GROWTH OF OUR MOST LOYAL CUSTOMERS (%)

+400bps

2016	-0.4%
2017	3.6%

Relevance to strategy



Definition

We define our most loyal customers as those who have purchased from us in each of the last four clothing seasons.

Performance

We are pleased to report that our most loyal customers increased by 3.6% year on year, a significant improvement from the 0.4% decline reported last year. The primary driver of the performance was the turnaround in our Traditional Segment.

Outlook

Further strengthening customer loyalty is a key business focus. We do this by continuously improving our product offering, service and delivery proposition.

Risk

- Failure to change
- Competition

CUSTOMER SATISFACTION RATING (%)

+180bps

2016	84.6%
2017	86.4%

Relevance to strategy



Definition

Our latest overall customer satisfaction score, as measured independently by the UK Customer Services Institute.

Performance

We were proud to receive a rating of 86.4% in the latest survey. We have also moved up one place in the UK retail sector, and now have the second-highest rating overall, behind only Amazon. Our score continues to be over 4ppts higher than the retail sector average.

Outlook

Customer satisfaction is driven by a wide range of factors, such as product quality and value, the delivery service and dealing with complaints. We talk to our customers every day to ensure we are doing the best job we possibly can.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

Product														
<p>LADIESWEAR MARKET SHARE SIZE 16+ (%)</p> <p>+80bps</p> <table border="1"> <tr> <td>2016</td> <td>3.4%</td> </tr> <tr> <td>2017</td> <td>4.2%</td> </tr> </table> <p>Relevance to strategy</p> <p> </p> <p>Definition Our market share in UK Ladieswear, in size 16 and higher. Market share is calculated using internal and Kantar data, and these figures relate to the 24 weeks ending 17 February 2017.</p> <p>Performance Ladieswear had its best performance for almost a decade, and this resulted in a very encouraging increase in market share. We saw market share gains across every customer age range. The performance is due to significant changes we have made to our design, buying and merchandising people and processes over the past few years.</p> <p>Outlook We expect the market backdrop to remain competitive. We will focus on further growing market share through continued improvements to our products, everyday great value and efficient promotions.</p> <p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition • People 	2016	3.4%	2017	4.2%	<p>MENSWEAR MARKET SHARE CHEST 44"+ (%)</p> <p>Flat</p> <table border="1"> <tr> <td>2016</td> <td>1.5%</td> </tr> <tr> <td>2017</td> <td>1.5%</td> </tr> </table> <p>Relevance to strategy</p> <p> </p> <p>Definition Our market share in UK Menswear, in chest size 44" and higher. Market share is calculated using internal and Kantar data, and these figures relate to the 24 weeks ending 17 February 2017.</p> <p>Performance Against an ongoing competitive market holding our share flat was a solid result, although our objective is to grow share over the medium term.</p> <p>Outlook We expect the market backdrop to remain competitive. We will focus on further growing market share through continued improvements to our products, everyday great value and efficient promotions.</p> <p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition • People 	2016	1.5%	2017	1.5%	<p>GROUP RETURNS RATE (ROLLING 12 MONTHS) (%)</p> <p>-70bps</p> <table border="1"> <tr> <td>2016</td> <td>27.4%</td> </tr> <tr> <td>2017</td> <td>26.8%</td> </tr> </table> <p>Relevance to strategy</p> <p>  </p> <p>Definition The amount, measured in value, of products which are returned to us by customers, over the last 12 months.</p> <p>Performance We saw another good performance in our returns rate, with the primary driver being the continued improvements in our product offering, including fit, quality and value for money. The ongoing increase in the proportion of cash customers also benefited the rate, as these customers naturally have a lower returns rate than credit account customers.</p> <p>Outlook Ladieswear has the highest returns rate by category, and the strong performance in the second half and as we ended the year is an ongoing headwind. Product improvements and new cash customers should continue to help this KPI.</p> <p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition 	2016	27.4%	2017	26.8%
2016	3.4%													
2017	4.2%													
2016	1.5%													
2017	1.5%													
2016	27.4%													
2017	26.8%													

Key to Strategic Drivers

 **Product**

 **Price**

 **People**

 **Place**

Online

ONLINE PENETRATION (%)

+4ppts

2016	65%
2017	69%

Relevance to strategy



Definition

The percentage of sales, excluding stores and International, which comes to us online. Our second largest channel is through our contact centre.

Performance

Online penetration is now almost 70%, with online revenue up 10% year on year. Some customers are unlikely to ever migrate online; we estimate that these account for roughly half of the non-online proportion. Whilst we are online-first in our approach, we are happy to serve customers in whichever way they would like to shop with us.

Outlook

We continue to invest in both our online platform and in hiring and developing digital talent. The online penetration of new customers is an important leading indicator for overall future penetration.

Risk

- Failure to change
- Competition
- People
- Cyber security

ONLINE PENETRATION OF NEW CUSTOMERS (%)

+5ppts

2016	72%
2017	77%

Relevance to strategy



Definition

The percentage of sales from new customers, excluding stores and International, which comes to us online.

Performance

This metric passed 75% for the first time, a key milestone. By brand, JD Williams saw the most significant increase, from 65% to 80%.

Outlook

We continue to target our new customer recruitment campaigns to focus primarily on online shoppers, and therefore we would expect this metric to continue to increase looking forwards.

Risk

- Failure to change
- Competition
- People
- Cyber security

CONVERSION RATE (%)

-20bps

2016	5.8%
2017	5.6%

Relevance to strategy



Definition

The percentage of website sessions which result in an order being placed.

Performance

At 5.6% our conversion rate remains significantly above the industry average. The decline was entirely due to the increasing share of mobile sessions, which naturally have a lower conversion rate than PCs. The conversion rate for smartphones and tablets each increased, by 8% and 3% respectively.

Outlook

The continued increase in share from mobiles represents a drag to the overall conversion rate. We are focused on increasing the conversion rate of each device type.

Risk

- Competition
- People
- Cyber security

TRAFFIC FROM MOBILE DEVICES (%)

+5ppts

2016	66%
2017	71%

Relevance to strategy



Definition

The percentage of our total online traffic which comes from either a smartphone or a tablet device.

Performance

Mobile devices include both smartphones and tablets; of these, smartphones are the device of choice, with web sessions here increasing by 49% to account for 46% of all traffic. This trend was even stronger for JD Williams, where smartphone sessions more than doubled compared to last year.

Outlook

We adopt a 'mobile first' approach to all of our digital improvements, and expect the trend of customers shopping more and more on their smartphones to continue. The launch of our first app during the year, together with further improvements to our mobile optimisation, should result in further progress in this metric this year.

Risk

- Competition
- People
- Cyber security

Financial Services

ARREARS RATE (>28 DAYS) (%)

-100bps

2016	10.9%
2017	9.9%

Relevance to strategy



Definition

Arrears over 28 days are defined as customer debts with two or more missed payments.

Performance

We saw a very strong performance in arrears rate, down 100bps year on year. This was driven by the improvement in the quality of our customer loan book, together with our ongoing efforts to proactively help customers manage their accounts.

Outlook

New customer recruitment typically results in an increase in arrears rate. Offsetting this, we expect the loan book quality to continue to be strong and we therefore expect a broadly flat rate over the coming year.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

PROVISION RATE (%)

-480bps

2016	15.6%
2017	10.8%

Relevance to strategy



Definition

Closing bad debt provision as a percentage of gross trade receivables.

Performance

Our provision rate improved significantly during the year. This was a result of two factors. Firstly, we benefitted from the sale of a small quantum of high risk payment arrangement debt, which we were able to sell for a slightly better rate than book value; given the risk profile of this debt the sale had a disproportionate impact on the provision rate. Secondly, the change reflects the continued improvement in the quality of the debt book.

Outlook

New customer recruitment typically results in an increase in the provisions rate. Offsetting this, we expect the loan book quality to continue to be strong and we therefore expect a broadly flat rate over the coming year.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

NEW CREDIT RECRUITS (ROLLERS)

-5%

2016	136,000
2017	129,000

Relevance to strategy



Definition

The number of new customers opening a credit account and rolling a balance in the last six months.

Performance

Although over the long term we aim to increase new credit rollers, the key enabler of this will be our new Financial Services products which are not yet fully live. During the year we nevertheless saw an improving trend, from -19% in the first half to -5% in the second half. For the year as a whole we added 249,000 new credit rollers.

Outlook

We started trialling lower interest rates for new customers in the run-up to peak. Whilst it is still too early to assess the full impacts of this trial, this is the first stage of our efforts to expand our Financial Services offering to enable us to grow our credit customer numbers.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

Key to Strategic Drivers



Product



Price



People



Place

Protecting the integrity of our business strategy

Risk management

The directors have overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatement, loss or failure. Equally no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces in order to give it reasonable

assurances regarding its operations and compliance with laws and regulations.

In order to ensure key business developments and emerging risks are appropriately factored into the risk management process, the Group's internal auditors facilitated two board level risk sessions in the year. The Chief Executive and Chief Financial Officer and head of internal audit, along with the operational directors identified, ranked and reviewed the key risks facing the business and appraised the structure of internal controls and identified current and proposed

activities to mitigate these risks.

The committee was provided with and discussed the outputs from this process which were used by internal audit as a key driver in developing the annual internal audit plan.

An enterprise wide mapping of activities across business functions was also undertaken by internal audit during the year to assess the level of risk within each activity. Output from this process has also been reflected in the annual audit plan.

Internal audit maintain the Group's Three Lines of Defence model which documents the internal and external sources of assurance provided across the business. The adequacy of coverage over corporate risks at operational, oversight and assurance lines of defence is reviewed bi-annually and the output from this process is reported to the Audit Committee and used to drive the content of the annual internal audit plan.

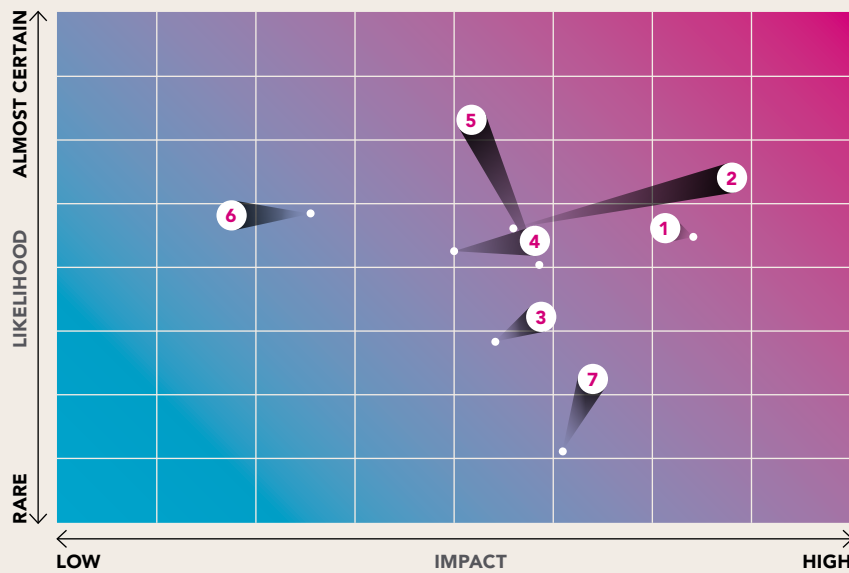
Appropriate responsibilities and accountabilities have been set to ensure that there is ownership of the actions required to mitigate risk across the business.

The Group compliance function monitors policy and regulatory requirements and plays a key role in the mitigation of key risks across the business. The function continues to develop and is well established in providing assurance over areas of significant regulatory risk such as Financial Services and Data Protection.

Risk committee

Operational management is asked to present on a cyclical basis on the progress of agreed actions against the major risks identified by the process. The output is shared with the Audit Committee and the full Board.

Principal risk rating matrix



Top principal risks	Key strategic priorities affected	Change in year
1. Failure to change	📈 📊 📉	➡
2. Taxation	N/A	⬆
3. Regulation	📈	⬆
4. Competition	📈 📊 📉	⬆
5. Cyber security	📊	⬆
6. People	📉	⬇
7. Business interruption	N/A	⬆

A continuous process for identifying risks



The Board believes that appropriate internal financial, operational and compliance controls are in place throughout the Group, the most significant of which have been specifically referred to in this report. The Group has a well-defined organisational structure, with clear lines of responsibility and explicit authority delegated to divisional boards and executive management. The Group also has a comprehensive financial reporting system with good communication of plans, budgets and monthly results to relevant levels of management and the Board.




The Group has complied, and continues to comply, with the provisions of the Code on internal controls. There is an on-going process in place for identifying, evaluating and managing the significant risks facing the Group that has been in place throughout the year and to the date of this report. The process has been reviewed by the Committee and the Board and accords with guidance appended to the Code.




The principal risks which the Group has identified, together with actions to mitigate those risks are set out overleaf.

Risk appetite

The Group's framework for managing its consideration of risk appetite forms part of the annual Risk Management Cycle and is used to drive and inform any actions undertaken in response to the principal risks identified by the Board. Within this framework, the Group's appetite for risk is defined with reference to the expectations of the Board for both commercial opportunity and internal control and is used to inform the Group's annual internal audit plan.

Identify, evaluate and manage risks facing the Group

KEY RISK Failure to change	DESCRIPTION The business does not recognise the need for change, is unsuccessful in delivering the best course of action or fails to execute chosen strategy.		
STRATEGIC DRIVERS 	POTENTIAL IMPACT ON BUSINESS The capacity of the Group to achieve desired change is necessary to remain competitive and maintain market position. The potential consequences of not achieving change goals include: Loss of competitive position, underachievement against growth targets, inefficient returns on investment and constrained ability to respond to market forces.	MITIGATION <ul style="list-style-type: none"> • Capitalise on agile trading capabilities to respond to in-season weather and macro-economic dynamics. • Customer Insights team ensures up to date information on customer trends and expectations. • Development of strategic online retail partnerships and alliances to accelerate growth in the UK and internationally. • Continued focus on removal of any barriers to loyalty through the development of the customer service experience. • Fit 4 the Future business transformation programme to enable new technological capabilities and competitiveness and drive on-line growth. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> • Delivered the USA element of the F4F business development programme. • Achieved a record Customer Satisfaction Index rating, now ranked second in the UK. • Ladieswear market share +80bps. • Record breaking performance over cyber fortnight.
CHANGE FROM LAST YEAR 			
ASSOCIATED KPIS 			





KEY RISK Competition	DESCRIPTION Failure to compete effectively through product and service propositions.		
STRATEGIC DRIVERS 	POTENTIAL IMPACT ON BUSINESS Competing effectively across the key areas of Product, Financial Services and Customer Services remains a key driver of customer recruitment and retention. Potential consequences of competition include: loss of market share, erosion of margins and a fall in customer satisfaction scores. Given the uncertain macro-economic backdrop, which particularly impacts on business through input cost price inflation as referenced on page 14 in the market review, remaining competitive is even more important in order to deliver business growth.	MITIGATION <ul style="list-style-type: none"> • New warehouse has increased next-day delivery availability. • Customer Insight team use the Customer Services Index to drive continuous improvement programme. • Benchmarking against competitor activity. • New suite of financial services products with our new credit platform. • Fit 4 the Future programme delivering new digital platform. • Capitalise on agile trading capabilities to respond to in-season weather and macro-economic dynamics. • Hedging of foreign exchange rate exposure to provide certainty over input costs. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> • Continued to broaden our product offering, particularly through the use of third party brands. • Successfully implemented our new merchandising tools, which enhanced our use of data analytics enabling us to price more efficiently and effectively.
CHANGE FROM LAST YEAR 			
ASSOCIATED KPIS 			



Key to KPIs



- 1 Active customer accounts
- 2 Power Brand active customer accounts
- 3 Growth of our most loyal customers
- 4 Customer satisfaction rating
- 5 Ladieswear market share size 16+
- 6 Menswear market share chest 44"+
- 7 Group returns rate


- 8 Online penetration
- 9 Online penetration of new customers
- 10 Conversion rate
- 11 Traffic from mobile devices
- 12 Arrears rate (>28 days)
- 13 Provision rate
- 14 New credit recruits (rollers)




Key to Strategic Drivers

-  **Product**
-  **Price**
-  **People**
-  **Place**

KEY RISK Regulatory environment	DESCRIPTION Failure to ensure the Group complies with existing and emerging UK and overseas legislation and regulation.		
STRATEGIC DRIVERS 	POTENTIAL IMPACT ON BUSINESS Recent and upcoming changes in regulation are a key consideration for the Group. Potential impacts arising from changes in regulation are: increased costs, erosion of margins and potential fines or reputational damage if response plans are not achieved.	MITIGATION <ul style="list-style-type: none"> Group employs specialists in relevant fields to provide expertise on regulatory matters. In-house Regulatory Compliance function. Dedicated approval committee reviewing and ratifying proposed changes with a regulatory impact. In-house Customer Service team specialising in the treatment of vulnerable customers. Pro-active engagement with the FCA and other regulatory bodies. Continued, active membership of the British Retail Consortium. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> Received full, unconditional authorisation from the FCA to conduct consumer credit activities. Significantly increased internal compliance resource during the year and established a Customer Conduct committee.
CHANGE FROM LAST YEAR 			
ASSOCIATED KPIS 4 12 13 14			

KEY RISK People	DESCRIPTION Over-reliance on key personnel and inability to recruit and retain required skill sets.		
STRATEGIC DRIVERS 	POTENTIAL IMPACT ON BUSINESS Recruitment and retention of high calibre employees is a key driver of business growth. Potential impacts arising from the management of employees include the loss of business knowledge, increased costs and inefficient return on investment.	MITIGATION <ul style="list-style-type: none"> Annual talent identification and reward review. Talent review highlights people risks and drives mitigating actions. Twice yearly employee engagement surveys. Benchmarking of reward packages and terms and conditions. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> Undertaken a twice yearly colleague engagement survey. The most recent score was our highest ever. Continued to improve our recruitment techniques to attract new talent to the business, including increased use of social platforms.
CHANGE FROM LAST YEAR 			
ASSOCIATED KPIS 1 2 4 5 6 8 9 10 11 12 13 14			

KEY RISK Taxation	DESCRIPTION Uncertainty over the outcome of legal cases with HMRC covering VAT and historic approach to Corporation Tax.		
STRATEGIC DRIVERS N/A	POTENTIAL IMPACT ON BUSINESS Current test cases for Corporate Tax and VAT partial exemption are ongoing. Potential impacts from unfavourable outcomes include increased VAT and Corporate tax charges and decreased future cash flows.	MITIGATION <ul style="list-style-type: none"> • Proactive engagement with HMRC. • The Group employs Leading Tax Counsel and other providers of external expertise. • Partial but not full provision against litigation outcomes. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> • Continued work on the tax case with leading advisors.
CHANGE FROM LAST YEAR 			
ASSOCIATED KPIS N/A			

KEY RISK Cyber security	DESCRIPTION Malicious activity leading to significant loss of data or disruption to trading and potentially impacting income, profitability, customers and Group reputation.		
STRATEGIC DRIVERS 	POTENTIAL IMPACT ON BUSINESS Increased online presence and reliance on digital systems raises the importance of cyber security to the Group. Forthcoming GDPR regulations increase the Group's focus in this area. Potential impacts on the business include:	MITIGATION <ul style="list-style-type: none"> • A Security Operation Centre monitors, manages and responds to cyber security attacks 24/7. • Fit 4 the Future programme is delivering new technology and methods of protection against cyber-attacks. • Group cyber security team design and implement security controls. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> • Continual review of customer data encryption and ongoing investment to ensure future resilience. • Implemented additional technology to prevent denial of service attacks and filter out web based attacks.
CHANGE FROM LAST YEAR 	• Loss of customer data. • Business interruption. • Potential fines or reputational damage if regulatory response plans are delayed or not adequate.		
ASSOCIATED KPIS 			

Key to KPIs

- 1 Active customer accounts
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- 8 Online penetration
- 9 Online penetration of new customers
- 10 Conversion rate
- 11 Traffic from mobile devices
- 12 Arrears rate (>28 days)
- 13 Provision rate
- 14 New credit recruits (rollers)


Key to Strategic Drivers

 **Product**

 **Price**

 **People**

 **Place**

KEY RISK Business interruption	DESCRIPTION A significant event impacts the ability of the business to continue trading.		
STRATEGIC DRIVERS N/A	POTENTIAL IMPACT ON BUSINESS Business interruption events are an ever present possibility for the Group. Potential impacts are broad ranging and include: <ul style="list-style-type: none"> • Short term disruption to trade and customer service. • Impact on revenue, margin or reputation. 	MITIGATION <ul style="list-style-type: none"> • The business continuity plan provides a framework to manage business interruptions. • Third party service provider Business Continuity plans. • Crisis management plans provide recovery objectives for key business areas. • Our systems programme includes further migration to cloud based systems which increases resilience. 	WHAT WE HAVE DONE IN 2016/17 <ul style="list-style-type: none"> • Crisis management and recovery plans are reviewed and updated bi-annually. • A full day simulation exercise took place with the Operating Board. The crisis management plan was updated with feedback from the exercise. • Crisis management was instigated to successfully resolve a flood at our main warehouse in November 2016.
CHANGE FROM LAST YEAR 			
ASSOCIATED KPIS 1			



Performance

RE

Our performance in detail:

“There were standout results from JD Williams and Simply Be, with all key brands showing an encouraging performance during the year.”

JD Williams

▲ 4.7%

Product revenue increase
(52 week basis)

Simply Be

▲ 9.9%

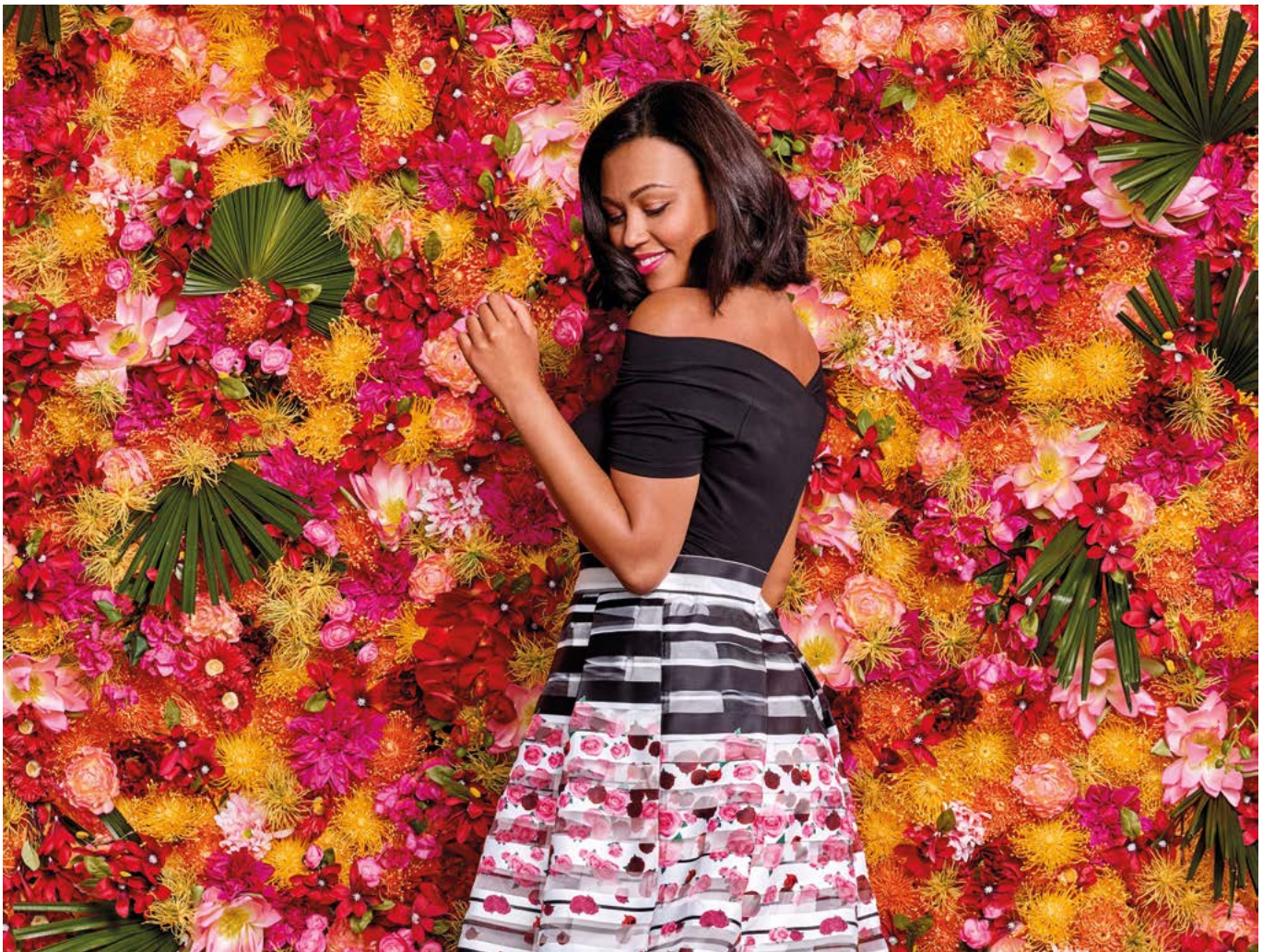
Product revenue increase
(52 week basis)

Jacamo

▲ 4.0%

Product revenue increase
(52 week basis)

view



JD Williams

Overall, JD Williams' product revenue was up 4.7%. Within this, the JD Williams brand was up 12%, and Fifty Plus, which is being migrated into JD Williams, was down 9%, as planned.

4.7%

Product revenue increase to £158.3m

JD Williams brand reported double-digit sales growth in both the first and second half

JD Williams online revenue was up 19% year on year

Smartphone sessions on JD Williams more than doubled year on year

'The Cut' range significantly outperformed expectations

Fifty Plus migration well on track

We are pleased with the performance of the JD Williams brand during the year, as our style proposition and age-agnostic attitude continue to resonate with customers, both existing and new.

We had particular success in the second half with our 'The Cut' range, a collection of our best priced, current season clothes, which further reinforced our value for money credentials. Sales of these lines significantly exceeded expectations, with sales up 72% versus comparable lines the previous year. Best-selling lines within the range included a £15 swing dress and a £18 tunic.

We continue to campaign against the lack of age diversity in the fashion industry. In September we launched 'The New F Word', a short film featuring nine inspirational women, all of whom have proved that 50 is an age to be celebrated. In February we staged a protest at London Fashion Week, together with five models all over the age of 45. Our campaign received significant press coverage and customer engagement.

We are in the process of migrating the Fifty Plus title into JD Williams; this is the final title to go through this process. In the first half, revenue from Fifty Plus was down 18% year on year, as we reduced marketing spend ahead of its migration. We then commenced the migration in Autumn Winter, resulting in revenue up 1% in the second half, in line with our expectations. The migration will be completed by the start of the second half of this coming financial year.

Simply Be

Simply Be continues to perform very strongly, winning new customers and strengthening loyalty with existing customers.

▲ **9.9%**

Product revenue increase to £114.2m

Simply Be active customers up 20% year on year

Simply Be Unique, our fast fashion sub-range, continues to outperform significantly

Launched first Simply Be shopping app in October

Campaigns resonating strongly and driving significant customer engagement

Simply Be had another strong year and we remain excited about its long term growth prospects, both in the UK and abroad.

Our fast fashion sub-range Simply Be Unique continues to outperform significantly, with demand up 67% in the second half, led by going out tops and our new under £30 party dress offer. Denim was a key category outperformer throughout the year, with jeans up 14% in the second half, led by our Shape and Sculpt jean collection.

In October we launched our first Simply Be shopping app. Performance to date has been encouraging, with good customer feedback and conversion rates. We will continually improve our app offering in the year ahead.

In March 2017 we launched our new SS17 campaign, We Are Curves, starring Iskra Lawrence, Denise Bidot and Marquita Pring. The campaign celebrates body shapes of all sizes and aims to show how true confidence comes from the perfect fit. The campaign received our highest-ever level of social engagement and the advert soundtrack was top of the Shazam charts.



Jacamo

A modern menswear brand inspired by everyday men's tastes, Jacamo continues to gain traction with customers.

▲ **4.0%**

Product revenue increase to £65.3m

Jacamo active customers grew double-digit year on year

Successful relaunch of own-brand Snowdonia

Jacamo Real Man Runway, a search to find an everyday guy to star in our next campaign

Launch of Jacamo Unlimited, a next day delivery subscription offer



Jacamo product revenue was up 4.0% to £65.3m, with revenue performance strengthening through the year. Active customers grew double-digit year on year, although spend per customer was lower due to the subdued market backdrop, particularly in the first half.

We saw strong product category performances in denim, following the launch of our new denim range, and sportswear, driven both by third party brands and the successful relaunch of our own-brand Snowdonia.

During the second half we launched our Real Man Runway, our search to find an everyday guy to star in our next campaign, whilst also helping to champion male diversity in the fashion industry. We received almost 500 entrants and our shortlist of 20 men as judged by a panel including brand ambassador Freddie Flintoff. The winner, Andy Caine from Leeds, will be the face of our AW17 campaign.

In late February 2017 we launched Jacamo Unlimited, offering customers unlimited next day delivery for a year for £9.95. Whilst early days, customer take up so far has been encouraging.

Revenue figures on these pages are for the 52 weeks ended 25 February 2017 vs 52 weeks ended 27 February 2016. See page 44.



Secondary Brands

Secondary Brands focus on distinct customer niches which are not served by our Power Brands. The largest brand here is Fashion World, which was also the strongest performer during the year.

▲ **1.6%**

Product revenue increase to £155.2m

Good performance in Fashion World, driven by increasing spend per customer

Launch of new Demandware web platform for Fingleaves in September

Appointment of new Fingleaves CEO in February 2017, with significant retail and online experience

Within our four Secondary Brands, Fashion World was the strongest performer, up mid single-digits year on year. This was driven by increased spend per customer, an encouraging trend.

Marisota, which is now predominantly used as a product brand focusing on fit solutions, saw a solid performance.

Fingleaves revenue was slightly down year on year. This was in line with expectations, as we slowed marketing spend during the launch of the new Demandware web platform at the start of Autumn Winter 2016. In February we were pleased to announce the appointment of Miriam Lahage as Fingleaves CEO. Miriam brings with her significant retail and online experience. The new management team will leverage the benefits of the new Demandware platform and we expect this to improve the performance of Fingleaves going forwards.

High and Mighty revenue was down year on year as we continued to transition the brand from a predominantly stores to an online model with 11 fewer stores compared to two years ago.

Traditional Segment

The actions we took successfully turned around the performance of our Traditional Segment during the year.

▼ **1.3%**

Product revenue decrease to £134.2m

Launch of new bespoke publications for customers

Reinvested back into key product categories, such as jersey, knitwear and nightwear

Improved cross-working across traditional titles, driving efficiencies and maximising profitability

Our Traditional Segment recorded revenue of £134.2m, down 1.3% year on year. This overall result masks a significantly improving trend as we progressed through the year, with revenue down 4.2% in the first half but up 1.6% in the second half, as the actions we took to address performance worked well.

These actions included a revamp of our marketing materials and the launch of new bespoke publications such as our 'Classic Detail' catalogue. We also improved the product range, in particular reinvesting back into our jersey, knitwear and nightwear offerings. By title, Julipa was a particular strength.

Looking forward, our strategy in Traditional remains unchanged, that is, to hold overall revenues broadly flat through gaining share in this declining market.

We believe that we have a competitive advantage due to our scale, customer loyalty and experience in serving these customers. Whilst it is not, therefore, a significant growth driver for our business, it remains very relevant to our overall portfolio and we continue to generate a good financial return from this segment.

International

USA

USA revenue was £15.5m, up 8.5% year on year (down 4.2% in constant currency terms). The operating loss was £1.3m, compared to £1.0m in FY16. As expected, performance in the second half was impacted by the launch of the new USA website. Through a series of post-launch releases we have now delivered the enhanced experience scoped for our customers, which gives us the foundations for our future international expansion.

The majority of our USA revenues are generated by the Simply Be brand, which continues to resonate very well with customers. Performance of the JD Williams brand, which we launched in the USA in March 2016, has so far been encouraging.

Ireland

Ireland delivered revenues of £15.9m, up 18.8% year on year, or 3.8% in constant currency terms. The operating profit was £3.3m, a significant improvement on the £0.8m delivered last year. This performance was driven by the improvements to our product offering.

Stores

The performance of our store estate continues to be impacted by weak industry footfall. As a consequence, we are not planning to open any new stores in the future. As with any store estate, performance by store varies. We continue to take actions to address underperforming stores and improve the overall profitability of the estate. For FY18, some significant rate increases for some of our stores represents a further cost headwind.

Overall, revenue from our store estate was £23.1m (FY16: £27.3m). As at the end of FY17 we had 23 stores open, split 15 dual Simply Be and Jacamo stores (FY16: 14), and eight High & Mighty stores (FY16: nine). The operating loss of our store estate was £2.0m (FY16: £0.8m loss).

Revenue figures on these pages are for the 52 weeks ended 25 February 2017 vs 52 weeks ended 27 February 2016. See page 44.

Financial Services

We drove a good performance in Financial Services, driven by a significant improvement in the quality of the customer loan book.

0.4%

Revenue increase to £260.5m

Within the revenue performance, interest payments were up and non-interest lines down, due to the continued improvement in the quality of the loan book

Strong performance in both credit arrears and provision rate

Received full FCA authorisation in September, a significant milestone

Launched a trial offering qualifying new customers a lower APR on our three Power Brands, with early results encouraging

Financial Services revenue was up 0.4% during the year. Within this, interest payments were up mid single-digit whilst non-interest lines were down low double-digit. The improvement in the quality of the loan book was reflected in the gross margin performance, which was up 110bps year on year to 55.7%.

We saw a strong performance in credit arrears and the provision rate, as discussed in the KPI section on page 29.

We continue to focus on growing two key customer bases – those who use their account (internally termed our 'rollers') and cash customers, who pay immediately on a credit or debit card. Cash customers generate attractive returns, and are important in terms of driving our growth, broadening our appeal and enabling us to gain economies of scale.

Looking forward, our intention over the long term is to increase the number of new credit rollers. The key enabler of this will be our new Financial Services system, which will be fully live across all brands by Summer 2018.

Ahead of our new credit systems going live, we have been running a trial offering qualifying new customers a lower APR on our three Power Brands, in order to test take-up rates and customer behaviour. To date, the trial has delivered encouraging results, with an increase in the proportion of new customers electing to open an account as opposed to paying in cash. The payment behaviour of these customers has also so far been in line with our expectations, however we need to allow more time to pass before we can fully judge the success of the trial.

Financial figures included on this page are for 52 weeks ended 25 February 2017 vs 52 weeks ended 27 February 2016. See page 44.

A good trading performance, driven by Ladieswear and our Power Brands



On a statutory 53 week basis Group revenue was £900.7m, with Product revenue of £635.9m and Financial Services revenue of £264.8m. On a 52 week basis Group revenue was +2.5% to £887.7m, with Product revenue +3.4% to £627.2m and Financial Services revenue +0.4% to £260.5m.

53 week year

As previously guided, this year we are reporting on the 53 weeks to 4th March 2017, with an extra week added to ensure that the year-end date stays close to the end of February. In order to provide a meaningful comparison with last year's 52 week period, all P&L financial movements included in this review are reported on a 52 week basis, excluding the 53rd week, unless otherwise stated.

Where applicable, the 53rd week's known result has been used as the basis for the adjustment to provide the 52 week results, although a degree of judgement has been applied in deriving certain operating costs in respect of the final week. Group revenue for the 53rd week was £13m whilst Group adjusted and statutory PBT was £2m, in line with expectations. A detailed comparison of the 53 weeks and 52 weeks results are shown in the table on page 44. All second half P&L financial movements relate to the 26 week period, excluding the 27th week, unless otherwise stated. All balance sheet figures are reported as at the year-end date and cash flow figures are for the 53 week period.

£337.8m

Power Brand product revenue

£627.2m

Product revenue

£260.5m

Financial Services revenue

£887.7m

Group revenue

Revenue performance

On a statutory 53 week basis Group revenue was £900.7m, with Product revenue of £635.9m and Financial Services revenue of £264.8m. On a 52 week basis Group revenue was +2.5% to £887.7m, with Product revenue +3.4% to £627.2m and Financial Services revenue +0.4% to £260.5m.

Revenue by brand for the 52 weeks is shown in the table above. A detailed discussion of performance by brand is contained within the performance review on pages 38 to 41.

Revenue performance for the 52 weeks by category is also shown in the table above. We have changed our revenue by category allocation, moving Accessories revenue from Ladieswear into the renamed Footwear & Accessories category. This reflects our approach to these categories, with Footwear and Accessories managed by the same team.

Revenue by brand

Product revenue, £m	52 weeks to 25 Feb 17	52 weeks to 27 Feb 16	Change
JD Williams	158.3	151.2	+4.7%
Simply Be	114.2	103.9	+9.9%
Jacamo	65.3	62.8	+4.0%
Power Brands	337.8	317.9	+6.3%
Secondary Brands	155.2	152.7	+1.6%
Traditional Segment	134.2	136.0	-1.3%
Product total	627.2	606.6	+3.4%
Financial Services	260.5	259.6	+0.4%

Revenue by category

Product revenue, £m	52 weeks to 25 Feb 17	52 weeks to 27 Feb 16	Change
Ladieswear	256.5	246.1	+4.2%
Menswear	85.8	82.0	+4.6%
Footwear & Accessories	69.0	68.5	+0.7%
Home & Gift	215.9	210.0	+2.8%
Product total	627.2	606.6	+3.4%

Product revenue by brand and category on a 53 week basis is shown in note 4 on page 101.

We are pleased to report 4.2% growth in Ladieswear revenue year on year. Our performance strengthened significantly as we went through the year. In the first half revenue was down 1.1% year on year, against a weak sector backdrop and impacted by the decline in our Traditional titles. In the second half we outperformed the market and delivered revenue growth of 10.4% year on year. Our Lingerie ranges, included within Ladieswear, also recorded a strong performance with revenue up high double-digit. We saw particular success with our new Figleaves Curve range sold through both Simply Be and JD Williams.

Menswear recorded consistent growth throughout the year, and for FY17 revenue was up 4.6% year on year. Footwear and Accessories revenue growth of 0.7% again masks a different performance by half, with revenue in the first half down 3.6% before recovering to +5.3% in the second half.

Home and Gift revenue was up 2.8%.

Our strategy in Home remains unchanged – we aim to recruit new customers to our Fashion offering, but then see customers also buying Homewares. Within Homewares we focus on categories which have higher gross margins and are more competitively differentiated, such as Furniture, Gifting, Home Textiles, Kitchen and Home Décor, and Outdoor Living. These categories overall grew by 6%, with double-digit growth rates recorded in Furniture and Outdoor Living as a result of us further improving and expanding our ranges.

Gross margin

Product cost of goods sold (COGS) were £284.1m, compared to £265.9m in FY16. Product gross margin was 54.7%, down 150bps year on year, in line with guidance. This was primarily a result of increased promotions against a challenging sector backdrop in the first half, together with headwinds from FX rates and our inventory clearance exercise. These factors were partially offset by a further increase in our buying-in margin and a small tailwind from mix.

Operating performance

£m	53 weeks to 4 March 17	52 weeks to 25 Feb 17	52 weeks to 27 Feb 16	52 weeks on 52 weeks change
Product revenue	635.9	627.2	606.6	+3.4%
Financial Services revenue	264.8	260.5	259.6	+0.4%
Group revenue²	900.7	887.7	866.2	+2.5%
Product gross profit	347.7	343.1	340.9	+0.6%
Product gross margin	54.7%	54.7%	56.2%	-150bps
Financial Services gross profit	147.5	145.2	141.7	+2.5%
Financial Services gross margin	55.7%	55.7%	54.6%	+110bps
Group gross profit³	495.2	488.3	482.6	+1.2%
Group gross margin %	55.0%	55.0%	55.7%	-70bps
Warehouse and fulfilment ⁴	(81.3)	(79.6)	(76.7)	+3.8%
Marketing and production ⁴	(165.4)	(162.5)	(161.7)	+0.5%
Admin and payroll ⁴	(130.6)	(130.3)	(122.6)	+6.3%
Adjusted ¹ EBITDA	117.9	115.9	121.6	-4.7%
Adjusted ¹ EBITDA margin	13.1%	13.1%	14.0%	-90bps
Depreciation and amortisation ⁴	(27.6)	(27.6)	(25.2)	+9.5%
Adjusted¹ operating profit	90.3	88.3	96.4	-8.4%
Adjusted ¹ operating margin	10.0%	9.9%	11.1%	-120bps
Net finance costs	(7.7)	(7.7)	(8.1)	-4.9%
Adjusted ¹ PBT	82.6	80.6	88.3	-8.7%
Exceptional items	(25.2)	(25.2)	(17.2)	-
Fair value adjustments to financial instruments	0.2	0.2	1.1	-
Statutory PBT	57.6	55.6	72.2	-23.0%

1 Before exceptionals costs and unrealised FX movement.

2 52 week revenue has been calculated by excluding the actual revenue recorded for the 53rd week.

3 52 week cost of sales has been approximated by applying the full year gross margin percentage to 52 week revenue.

4 Approximation of variable and semi-variable costs has been made on a time apportionment basis. Certain fixed costs such as audit fee and depreciation/amortisation are deemed to be incurred on an annual basis and as such are consistent with those costs recorded for the 53 week period.

Our gross bad debt charge was £110.9m (FY16: £110.3m). This bad debt charge, together with a small number of other Financial Services costs, resulted in a Financial Services gross margin of 55.7%, up 110bps year on year. This increase in gross margin is a result of the improvement in the quality of the customer loan book, together with the sale of some high risk payment arrangement debt at a slightly better rate than book value.

Warehouse and fulfilment costs increased by 3.8% to £79.6m, driven predominantly by volumes, which were up 6% year on year, together with further improvements to our delivery offering, partially offset by continued efficiencies.

Marketing costs were up 0.5% year on year. Admin and payroll costs increased by 6.3% to £130.3m, as we invested in digital talent, funded by the movement of some marketing costs.

Adjusted¹ EBITDA declined by 4.7% to £115.9m. Depreciation and amortisation increased by 9.5% to £27.6m, as a result of the investments we are making into the business. Overall, operating profit before exceptional items was £88.3m.

Net finance costs

Net finance costs were £7.7m, down 4.9% year on year, driven by lower funding costs on our securitisation facility.

FX sensitivity

For FY18 we expect our annual purchases, net of international revenues, to be c.\$125m, on which we have a hedging strategy in place, together with c.£130m, where we face indirect cost pressures due to the depreciation of sterling.

Looking at our dollar exposure specifically, for FY18, we have, to date, hedged 90% of our net purchases at a blended rate of \$/£1.27. At a rate of \$/£1.25, and before any mitigating actions, this would result in a c.£10m PBT headwind compared to FY17. Every 5 cents move from this rate in our unhedged position would result in a PBT sensitivity of c.£0.4m. For FY19 we have, to date, hedged 25% of our net purchases at a blended rate of \$/£1.27. At a rate of \$/£1.25, and before any mitigating actions, this would result in a c.£1m PBT headwind compared to FY18. Every 5 cents move from this rate in our unhedged position would result in a PBT sensitivity of c.£3.2m.

Importantly, a number of mitigating activities are underway, including supplier negotiations, fabric and production planning, markdown optimisation and our ongoing work on supplier consolidation.

Exceptional items

Exceptional costs totalled £25.2m. Within this, we incurred £22.9m related to Financial Services customer redress, £2.5m of external costs related to taxation matters and a credit of £0.2m relating to the closure of our clearance stores.

Taxation

The effective rate of Corporation Tax is 23.1% (FY16: 23.9%). The tax charge for the 53 week period was £13.3m (FY16: £17.3m) which meant that profit from continuing operations for the 53 weeks to 4 March 2017 was £44.3m (FY16: £54.9m).

Earnings per share

Earnings per share from continuing operations for the 53 week period were 15.67p (FY16: 19.45p). Adjusted earnings per share for the 53 week period from continuing operations were 22.74p (FY16: 24.02p).

Dividends

The Board recognises the importance of the dividend to shareholders and accordingly, is holding the final year dividend flat on last year, at 8.56p, taking the full year dividend to 14.23p (FY16: 14.23p), as we continue to invest in the business.

Balance sheet and cash flow

(53 weeks ending 4 March 2017 vs 52 weeks ended 27 February 2016)

Capital expenditure for the year was £41.4m (FY16: £58.7m). The majority of this investment was on our systems investment programme.

Inventory levels at the period end were up 3.9% to £105.5m (FY16: £101.5m). Within this overall level, we successfully disposed of a small amount of aged stock, as planned. The higher inventory level year on year is driven by the impact of changes in exchange rates; inventory units were down 4.5% year on year.

Gross trade receivables declined by 4.0% to £599.5m (FY16: £624.7m). The provision declined from £97.6m to £64.7m, largely driven by the sale of some high risk payment arrangement debt at a slightly better rate than book value, along with ongoing progress in reducing overall debtor risk. The majority of the balance of debtors written off relate to this debt sale. Outside of this, the risk profile of our customer loan book continues to improve.

The Group's defined benefit pension scheme has a surplus of £8.3m (FY16: £10.8m surplus).

Net cash generated from operations (excluding taxation) was £87.1m compared to £86.9m last year. After funding capital expenditure, finance costs, taxation and dividends, net debt was broadly flat at £290.9m (FY16: £289.7m), in line with our expectations. Gearing levels were flat at 61%.

FY18 guidance

We have provided the following guidance for FY18; this is subject to change.

Product gross margin -120bps to -20bps

Financial Services gross margin flat to +100bps

Group operating costs +3.5% to +5.5% (excluding depreciation and amortisation)

Depreciation and amortisation £29m to £30m

Net interest £8m to £9m

Tax rate c.20%

Capex of c.£40m

Net debt £300m to £320m

Exceptional costs of c.£3m, as a result of our ongoing tax disputes with HMRC



Craig Lovelace
Chief Financial Officer



Dear Shareholder

I am pleased to report on the progress we have made since the launch of our CSR Charter entitled 'Taking care of our world'.

The Committee has recognised the real synergy in embedding the CSR strategy fully into our commercial strategies. Through this we are living the GUSTO values that are so important to the business.

We continue to believe we can be a major force for good as well as a major force for fashion.

Fiona Laird
Chair of the CSR Committee

Corporate Social Responsibility

We are now commencing our new three year strategy.

Our strategy is designed to embrace the three CSR pillars: 'All People', 'One Planet' and 'Every Product'.

It aims to fully align our ethical policies with our commercial activities, achieving tangible results and benefits for all our stakeholders.

To find out more:

www.nbrown.co.uk/sustainability

All People
Dignity and respect
We want everyone who works for us, wherever they are, to be treated with fairness, dignity and respect. Because everything we achieve as a business, we achieve through people.

One Planet
Ways of working
We're determined to understand our effect on the world, and find better, smarter and more sustainable ways of working. To learn and to teach, to recycle, reuse and respect, wherever we are on our big beautiful planet.

Every Product
Responsible
That means partnering with suppliers who share our standards, working together to create ever more responsible, sustainable products that our customers can enjoy with confidence and with conscience.

**Taking care
of our**





PROGRESS IN 2017		PRIORITIES IN 2018
New dedicated ethical trading team.	✓	To successfully launch our improved People reward and re-banding scheme.
New targets set for GHG emissions, waste and water.	✓	To train staff in energy awareness.
Publication of our first Modern Slavery Statement.	✓	To further reduce risk in the supply chain by continuing our work on supplier transparency.

or

Three pillars, one passion

All People

Where people are concerned, so are we

Everything we achieve as a business is achieved through caring for our customers, our community and our people.

Our Customer Charter sets out our commitment to customers. We seek to establish enduring relationships for the mutual benefit of both customer and the company. In particular we recognise the importance of being a responsible lender. We continually monitor the experience of our customers in order to improve their experience and offer tailored products whilst being mindful of a customer's individual needs.

In 2016 we launched our Make a Difference Day, allowing colleagues to take a day out of work to volunteer within a charity of their choice. See page 49 for a case study.

We are very proud of our Manchester heritage and of our investment in jobs in the North West. This year we will be a sponsor of the Manchester International Festival 2017.

All businesses are required to pay the living wage. We are delighted to report we have applied the living wage to all colleagues regardless of age. Internationally, we are proud to be one of the founding members of the ACT (Action, Collaboration & Transformation Working Group) which promotes fair, living wages for individuals working in overseas factories making products for retailers.

We want to ensure our colleagues feel valued, motivated and informed, and are equipped to succeed. We regularly seek out the opinions of our people through our annual #Vibe Survey to ensure we are delivering on this important commitment.

One Planet

Protecting the earth begins with respecting it

We're determined to understand our effect on the world and find better, smarter and more sustainable ways of working. To learn and to teach, to recycle, reuse and respect, wherever we are on our big beautiful planet.

Over the last five years through the hard work of our colleagues, greater operational efficiencies and greater investment, we have achieved a 28%¹ reduction in greenhouse gas emissions per million pound turnover and aim to reduce this further.

Reducing packaging is one method we have used to achieve this. Lighter, smaller packages have meant a reduction in the number of HGVs on the road.

To further reduce emissions we are looking to extend the hours of operation at our logistic sites so that less transportation occurs during peak times.

We continue to be a 'zero to landfill' organisation.

Our progress does not stop here – new targets have been set to 2023.

Management of our electricity usage is a key objective and we now purchase 100% green electricity, supporting renewable sources.

We voluntarily report to both the Carbon Disclosure Project (CDP) and the Forestry Disclosure Project (FDP) and are pleased with our progress to date. In particular, our FDP score is an A minus which puts us in the 'leadership' category.

Further information on our emissions profile can be found on page 51.

¹ Reduction of GHG per turnover compared to the base year of 2007-8 for electricity, gas and diesel.

Every Product

Our products should make people feel as good as they look

The Group has been working closely with its suppliers over the last couple of years to improve customer experience and to promote responsible sourcing. This means partnering with suppliers who share our values and standards. By working together, we hope to create more responsible and sustainable products that our customers can enjoy with confidence.

Ethical trading is extremely important to N Brown Group, which is why a new team has been assembled to strengthen and drive through the core principles within the supply chain. The new team comprises a Head of Sourcing and Ethical Trading, an Ethical Trading Manager, a Regional Ethical Trading Manager based in Dhaka and an Ethical Trading Administrator.

Our continued focus has been to work closely with suppliers to promote responsible sourcing and ensure that the supply chain workers are treated with fairness, respect, and are safe at work.

We are one of the founding members of the Bangladesh Accord which in the four years of its existence has identified and improved conditions for thousands of workers across Bangladesh. Our commitment to safety in this is now further supplemented by inspections conducted by our own compliance manager in Dhaka.

We continue to improve supplier engagement by visiting key suppliers regularly.

For our UK and European suppliers we have set up a monthly 'Close to Home' Supplier day inviting suppliers into head office to showcase what they do and encouraging open dialogue.

For suppliers who are further afield we have implemented a strict supplier engagement 'Gatekeeper' process that will encompass a balanced scorecard review including factory compliance standards in line with the ETI base code.

For all suppliers there is an on boarding due diligence process and ongoing reviews to ensure factory compliance standards.

Make a Difference Day: Proud to work at N Brown



Operating Board supports Age UK

Leading by example was our executive team. Our CEO and five of the Operating Board Directors volunteered to work with Age UK. Age UK is the country's largest charity that helps older people make the most of later life.

The Operating Board chose to spend its MAD day at the Openshaw Resource Centre in Manchester. Funding from Age UK helps to support the Openshaw Resource Centre, which offers a stimulating and enjoyable day out for older people who would otherwise have to spend all day at home.

The Operating Board took part in a number of activities with its patrons, including decorating gingerbread men, games and bingo!

The Centre performs a vital function in enabling older people to avoid isolation, and in promoting social and physical wellbeing among the older population.

Over 70 colleagues have booked in nearly 500 hours to 'Go MAD', with hundreds more colleagues' eagerly discussing ways to volunteer and 'Make a Difference'.

Environment

Overview

As a worldwide, multi-channel retailer, we recognise that we have a responsibility to minimise the impact that our operations have on the environment. We have been working towards environmental targets for several years and our performance against these targets has been formally assessed this year. New targets have recently been set reflecting our efforts to continually improve our performance and the expectations of our customers, staff and investors.

Group-wide responsibility for sustainability is assigned to Ian Carr, Director of Logistics, who sits on the Operational Board of JD Williams and Company Limited and who reports to the Chief Executive Officer and, through him, to the Board of Directors.

For the past ten years, we have been actively working alongside our environmental partners, Envantage Ltd and Viridor Limited to boost our environmental performance and increase Group-wide environmental awareness, accountability and disclosure. We have strived to reduce our carbon emissions profile, water consumption and waste impact through ongoing investment into energy efficiency, efficient operations, waste management, water minimisation initiatives and investment into green energy.

Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is a voluntary, investor-led programme, requesting companies to respond to a range of carbon and energy management related questions, as well as providing full carbon footprint disclosure. Companies are scored and results are published annually. Since 2008, the Group has responded to the climate change questionnaire and our performance is shown in the table below.

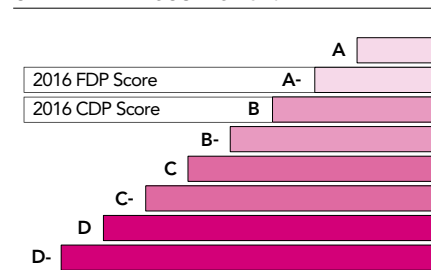
Year	CDP			FDP
	Disclosure Score	Performance Score	New Scoring	Score
2008	84	Not Scored	N/A	N/A
2009	75	Not Scored	N/A	N/A
2010	86	B	N/A	N/A
2011	77	C	N/A	N/A
2012	76	C	N/A	N/A
2013	75	B	N/A	N/A
2014	86	B	N/A	N/A
2015	93	C	N/A	B
2016	N/A	N/A	B	A-

In the last reporting year, a new scoring methodology was introduced which combined the previously separate disclosure and performance scores to provide one alphabetical score only (A to D-). In 2016, we achieved a score of B which is above the industry and sector average score (of C), placing us firmly in the 'Management' category.

We also report on the forests module of the CDP which encourages participants to look at how they procure and use forest commodities both directly and through the supply chain. As a direct consumer and onward retailer of forest products, we have a responsibility to ensure that our procurement is not at the expense of the future world's forests, but positively supports responsible forest management.

Our first submission to the Forestry Disclosure Project (FDP) was made in 2015 and a score of B was achieved. In 2016, we improved on this achieving a Leadership score of A- for the timber module which was above the sector average of B.

N BROWN GROUP CDP AND FDP SCORES 2016



- Leadership
- Management
- Awareness
- Disclosure

Emissions profile

Our Green House Gas (GHG) emissions inventory is calculated for the global Group¹ under the operational control approach, in accordance with the GHG Protocol and GHG emissions factors published by Department of Energy and Climate Change (DECC). The inventory is independently calculated by our partner carbon consultants Envantage Ltd.

Under GHG reporting guidelines, scope 1 and 2 emissions are the key mandatory areas to report, illustrating the environmental impact of the Group for activities which we have direct control over; ie operation of our sites and vehicles. As a responsible retailer, we have also taken steps to quantify as many optional scope 3 emission sources that relate to our operations.

The table and chart below illustrate our GHG emissions across all our reporting areas, for the global Group from 1 March 2016 to 28 February 2017 and the previous year.

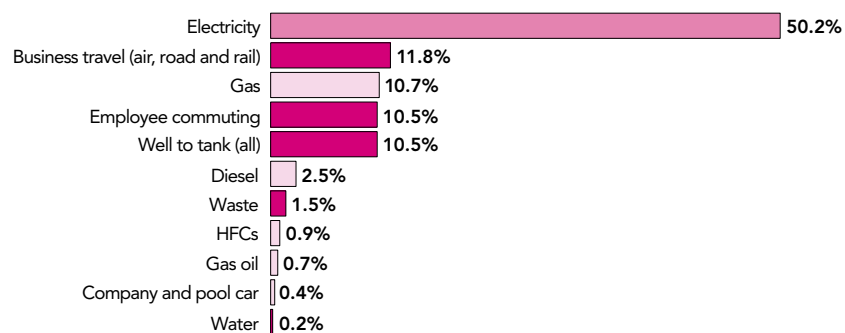
Scope	Source	Total GHG tCO ₂ e (tonnes of carbon dioxide equivalent)		% change
		2015 – 2016 (Previous year)	2016 – 2017 (Current year)	
Scope 1	Gas	1,475.7	1,656.6	+12%
	Diesel	533.4	393.0	-26%
	HFCs	51.5	146.4	+184%
	Gas oil	74.4	102.7	+38%
	Company and pool car	73.6	63.0	-14%
Scope 2	Electricity ²	8,411.0	7,737.1	-8%
Total scope 1 and 2		10,619.6	10,098.9	-5%
Scope 3	Water	29.5	31.7	+7%
	Employee commuting	1,713.9	1,621.4	-5%
	Business travel (air, road and rail)	1,604.8	1,827.4	+14%
	Waste	253.3	233.5	-8%
	Well to tank (all)	1,691.5	1,612.3	-5%
	Total		15,912.6	15,425.2
Outside scopes Biogenic element Diesel		17.2	9.1	-47%

1 Emissions figures detailed cover all active entities during the reporting year.

2 Emissions associated with electricity usage at the Bangladesh and Ireland office are reported in CO₂ rather than CO₂e. This is because overseas emissions factors are only available on a CO₂ basis.

N BROWN GROUP PLC EMISSIONS PROFILE 2016 – 2017

(tCO₂e)



○ Scope 1 ● Scope 2 ● Scope 3

Emissions change from previous year

We have reduced our Group GHG emissions by 3% compared to the previous reporting period. A breakdown of the reduction in emissions by source is shown in the chart to the right.

Relative performance using intensity ratios

As a growing organisation, evaluation of scope 1 and 2 emissions performance using intensity ratios allows a more meaningful comparison to be made between inventory periods. The table to the right shows the scope 1 and 2 GHG emissions in relation to both Group turnover (£million) and million items dispatched³. GHG emissions relating to Scope 1 and 2 sources have decreased considerably in terms of our relative performance against both turnover and items dispatched, as shown in the table and charts to the right.

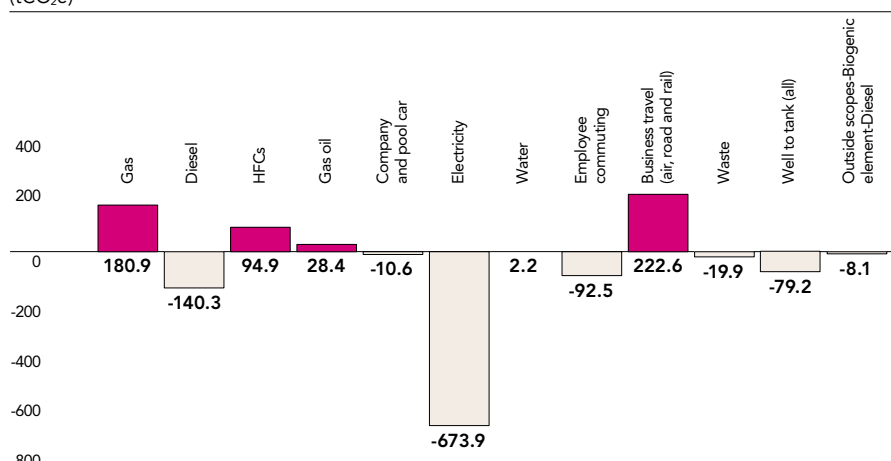
Market based electricity emissions

As well as making efforts to reduce emissions by reducing energy consumption, the Group are also committed to reducing emissions by purchasing energy from greener technologies and sources.

In January 2015, the Greenhouse Gas Protocol updated their Scope 2 reporting guidelines on how organisations report their emissions relating to purchased electricity, heat and steam. Companies shall now report two sets of Scope 2 emissions: one using a location based method and another using a market based method. This is termed 'dual reporting'.

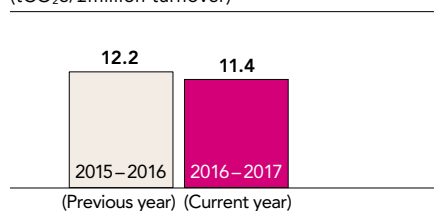
The location based method reflects the average emissions intensity of grids on which energy consumption occurs; the same way that electricity emissions have been reported historically. The market based method reflects the emissions for the energy that a company is purchasing, as supplies under different contracts emit different levels of greenhouse gases depending on the energy source or technology used. Our market based and location based electricity emissions are shown in the table to the right.

EMISSIONS CHANGE FROM PREVIOUS YEAR (tCO₂e)

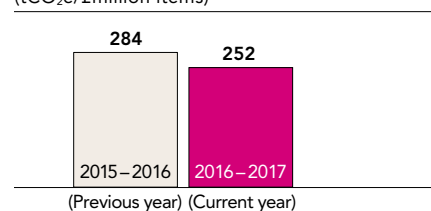


Intensity ratios	2015 – 2016 (Previous year)	2016 – 2017 (Current year)	% Change from previous year
Scope 1 & 2 GHG emissions tCO ₂ e/ Group turnover (£million)	12.2	11.4	-6%
Scope 1 & 2 GHG emissions tCO ₂ e/ million items dispatched	283.5	251.6	-11%

EMISSIONS AGAINST TURNOVER PREVIOUS YEAR AND CURRENT YEAR (tCO₂e/£million turnover)



EMISSIONS AGAINST ITEMS SHIPPED PREVIOUS YEAR AND CURRENT YEAR (tCO₂e/£million items)



Scope	Approach	Source	Total GHG tCO ₂		% change from previous year
			2015 – 2016 (Previous year)	2016 – 2017 (Current year)	
Scope 2	Location based	Electricity	8,411.0	7,737.1	-8%
	Market based	Electricity	6,934.5	4,703.5	-32%

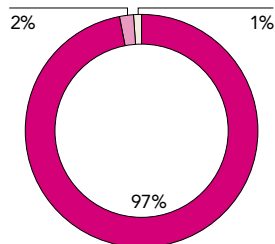
³ Financial figures and items shipped figures used for intensity ratios cover all active entities during the reporting year.

REGO backed green electricity

The Group have continued to purchase green electricity for all our UK sites⁴, and since November 2016 we have purchased 100% renewable electricity which is backed with REGO (Renewable Energy Guarantees of Origin) certificates. The REGO certificates provide confidence that we are purchasing energy which was generated from renewable sources as each megawatt-hour produced is evidence with a REGO. In accordance with the GHG Protocol, we are now able to report our REGO backed electricity as zero carbon. In addition to purchasing green electricity we have been generating our own green electricity via a solar PV array at our distribution centres since 2016.

We have a small number of sites outside the UK for which we are unable to purchase green electricity. We also operate several landlord managed sites and are not responsible for the procurement of electricity. Overall, 97% of the electricity for our directly controlled sites is from zero carbon and renewable sources⁵.

ELECTRICITY PROFILE FOR DIRECTLY CONTROLLED SITES (%)



- REGO green electricity
- Non-UK supplies
- Self generated solar

4 This excludes any UK sites where we do not have control over the purchase of the electricity used.
 5 This is based on a sample representative period of February 2017.

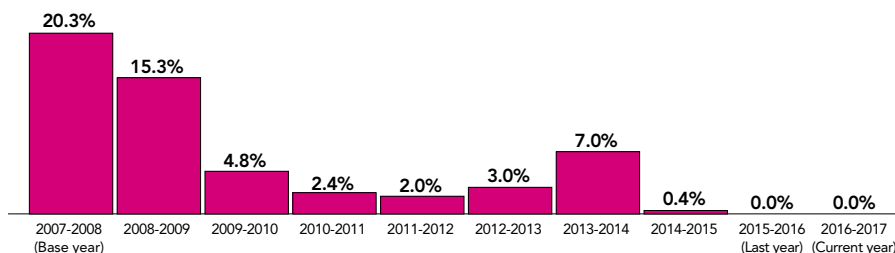
Performance against 2017 targets

Since 2010 the Group has been working towards three environmental targets focusing on waste, water and greenhouse gas emissions. The targets were set against a base year of 2007 – 2008, with a goal of them being met by 2017. Our performance against these targets has been reviewed and the results are outlined below.

Waste⁶

Achieve zero waste to landfill⁶ Target: zero waste to landfill Performance: zero waste to landfill	Most of our waste is generated from activities carried out at our head office and distribution sites. We recognise that we have a responsibility to manage our waste so that it has the least impact on the environment as possible. A key part of this is ensuring our waste does not end up in landfill. We have achieved our target of zero waste to landfill for the past two years by taking advantage of new, cleaner disposal technologies such as energy from waste and mechanical biological treatment.
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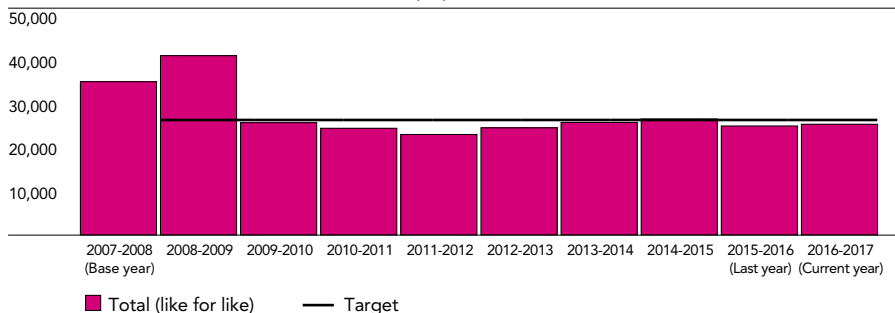
YEARLY PERCENTAGE OF WASTE SENT TO LANDFILL (%)



Water⁷

Reduce water consumption (m³) Target: 25% reduction Performance: 28% reduction	Despite experiencing a growth in operations, the Group has achieved a 28% reduction in the volume of water consumed at our main sites compared to the 2007 – 2008 base year, thus exceeding our target. Since this target was set, we have appointed water management consultancy, Cadantis to work alongside us to improve the management of our water consumption. We have also invested in water saving controls.
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WATER CONSUMPTION AGAINST TARGET (m³)

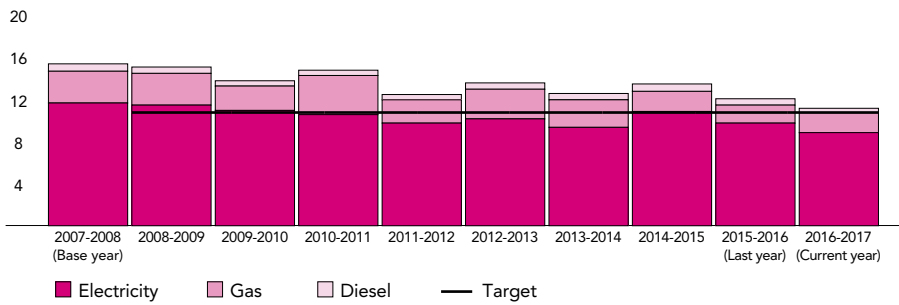


6 This target relates to the waste managed by the Group's main waste contract. This covers the head office, logistic sites, and some stores.
 7 This target relates to the head office, logistics sites, Fingleaves, and House of Bath.

Greenhouse gas emissions⁸

Reduce GHG emissions / £ turnover	Most of the Group’s direct (scope 1 and 2) greenhouse gas emissions are associated with electricity, natural gas and diesel (used for internal haulage) across our facilities and vehicles.
Target: 30% reduction	We almost achieved our relative emissions target and despite significant business growth, there has still been a reduction.
Performance: 28% reduction	Since our emissions target was set, we have had a shift in business strategy, with an increased focus towards the volume of items distributed from our warehouses. This change in direction has been accounted for in our new targets, which are detailed opposite.

RELATIVE GAS, DIESEL AND ELECTRICITY EMISSIONS – PERFORMANCE AGAINST TARGET
(GHG/£ million turnover)



⁸ This target relates to the Group’s key scope 1 and scope 2 greenhouse gas emissions: electricity gas and diesel.

New targets for 2017 – 2023

We have recently committed to new, Group-wide environmental targets. The targets have been carefully considered and account for our changing business strategy, making them relevant and challenging.

Having met our water reduction target, we consider that it is appropriate to shift our focus to another area of our operations: our haulage. Our haulage fleet is a key aspect of our operations that we have influence over in terms of reducing our environmental impact and we are keen to take on this challenge. As well as creating a new haulage focused target we have also expanded the scope of our emissions targets for our buildings.

Greenhouse gas emissions Buildings (offices and logistics sites)⁹

Target: Reduce GHG emissions (tCO₂e/items shipped)

Base year: 2012 – 2013

Target: 35% reduction

We aim to reduce our emissions from our offices and logistics sites in relation to the number of items we ship to our customers.

Separate targets have been set for our offices/logistics sites and retail stores to reflect the different energy drivers and energy intensities of the buildings, allowing for a more meaningful evaluation of how efficiently we are performing across our estate.

⁹ This target covers electricity, gas, hfc releases, and bulk fuels.

Greenhouse gas emissions Buildings (retail stores)¹⁰

Target: Reduce GHG emissions (tCO₂e/1,000 m²)

Base year: 2014 – 2015

Target 1: 20% reduction (Simply Be and Jacamo)

Target 2: 15% reduction (High & Mighty)

The Group is committed to reducing emissions and gaining a better understanding of the way energy is used across our portfolio of stores.

We have already taken a step towards meeting this target by voluntarily upgrading our non-automated electricity meters to automatic, half-hourly meters. The energy data will feed into a monitoring platform allowing detailed analysis to take place and for energy wastages to be highlighted, targeted, and eliminated.

Waste

Maintain zero waste to landfill

We are committed to maintain zero waste to landfill for the sites managed under our main waste contract. We are also keen to expand the scope of this contract, where possible, to cover more of our smaller offices and stores.

Transport¹¹

Target: increase km/litre fuel used

Base year: 2015 – 2016

Target: 14% improvement

Over the next five years we will track our fuel usage against the distance that our haulage fleet travels. Our vehicles will be monitored within four categories (split by vehicle type), allowing a detailed analysis of how efficiently we are transporting our goods.

Mandatory GHG reporting notes

The data disclosed is in conformance with the Companies Act 2006 (Strategic Report and Directors' Report Regulations). GHG emissions disclosed under the required reporting categories fall within the Group's consolidated financial statements. Scope 1 and 2 emissions have been calculated on a global scale where the Group has operation control using the GHG protocol. The quantified emissions are for the reporting year 1 March 2016 to 28 February 2017.

GHG emissions factors published by DECC for 2016 have been used to calculate GHG emissions.

Noted change in emissions for 2015 – 2016

- **Data accuracy:** Some data for the 2015-2016 inventory has been updated based on actual data or more accurate data for some sources.
- **Update in DECC emissions factors:** Emissions from the previous published report for the period 2015 – 2016 have been recalculated with the newly published factors for 2016, affecting the months of January and February 2016 (2016 factors were not available at time of publishing). This has resulted in a slight change in emissions compared to those originally reported.
- **Improved waste quantification:** Data relating to waste at the retail sites has been updated for 2015 – 2016 as waste audits were carried out this year, providing a more accurate indication of the emissions arising from waste disposal.

Data records

- **Natural gas and electricity:** Data is primarily calculated based on actual metered consumption from invoices or meter readings. Where actual metered data is not available, for example if energy is billed as part of a landlord service charge, energy consumption has been estimated using floor areas and published benchmarks. Some data has been estimated where quarterly bills have not yet been published.

- **Gas oil:** Fuel is used in stand by generators and onsite transport (forklifts etc). Data for onsite transport is calculated using actual fuel usage from invoices and internal records of gas oil deliveries. Generator fuel usage has been estimated using generator fuel demand per hour and activation information.
- **Diesel:** Data is calculated based on actual fuel consumption taken from invoices.
- **Company car:** Data is primarily calculated for the Group using data logged in our Concur system which records distance travelled, and vehicle information for each business travel expense claimed. Any company cars not logged on this system have been taken from independent mileage claim records.
- **HFC:** Refrigeration emissions have been calculated from the F-Gas register for applicable plant where provided. Where this is not possible, leakages have been estimated using DECC leakage tables. Emissions for plant not affected by this regulation (smaller systems) have been calculated using data provided by full service records. Where service records were not available for a very small number of shops, refrigeration losses have been estimated using DECC leakage tables. For a very small number of shops and the Bangladesh office, details of the systems were not known and therefore estimation of emissions has not been possible.

¹⁰ This target covers electricity and hfc releases.

¹¹ This target covers our haulage owned fleet only.

Setting a high standard of governance



My role is to ensure the Board operates effectively, is well managed, complies with the requirements of the Code and has the correct balance of diversity, skills and experience to execute the strategy set by the Board.

Andrew Higginson
Independent Non-Executive Chairman

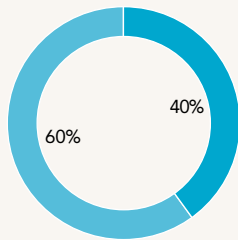
Dear Shareholder

The Board is committed to meeting a high standard of corporate governance and to comply with the principles in the UK Corporate Governance Code issued by the UK Financial Reporting Council in 2014 (the 'Code'). This Corporate Governance statement explains the key features of the Group's governance structure and how it complies with the Code.

Statement of Compliance with the Code

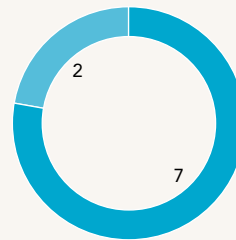
The Group applied the provisions of the Code and the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules throughout the year. The following paragraphs explain how the main principles of the Code have been applied. The Directors' Remuneration Report contains further details on pages 72 to 85. In addition, disclosures required by the Disclosure Guidance and Transparency Rules (rule 7.2.6) regarding share capital can be found on page 61.

EMPLOYEE DIVERSITY (%)



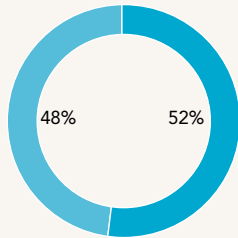
- Male 1,069
- Female 1,573

BOARD COMPOSITION



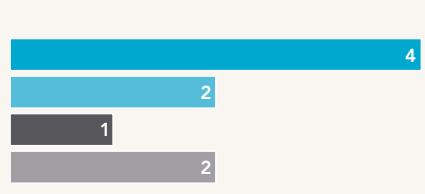
- Non-Executive Directors
- Executive Directors

SENIOR MANAGEMENT (%)



- Male 24
- Female 22

COMMITTEE MEETINGS DURING 2016/17



- Audit committee
- Remuneration committee
- Nomination and Governance committee
- CSR committee

Employee data as at 6 March 2017.

Committees of the Board



Audit Committee

Ron McMillan
(Chair)
Lesley Jones
Richard Moross¹

Activities

During the year the Committee considered, amongst other things, the Group's approach to and methodologies for provisioning bad and doubtful debt and inventory, the Group's exposure to corporate tax and VAT, the capitalisation of software costs, FCA compliance (including regulatory provisioning), internal controls and risk.

Outlook

The Committee will continue to exercise oversight over published financial information and the effectiveness of audit.

It will also review the implementation of Fit 4 the Future and the introduction of new Financial Services products.



Remuneration Committee

Fiona Laird
(Chair)
Ron McMillan
Richard Moross²

Activities

Key activities for the Committee included support and oversight of progress in relation to gender pay gap reporting and the introduction of the amended LTIP. The Committee also reviewed the remuneration packages of all executive Directors and senior executives and monitored the approval of the remuneration policy at the 2016 AGM.

Outlook

The Committee will build on the work completed so far in relation to gender pay gap reporting. It will continue to monitor the remuneration of Directors and senior executives to ensure they are appropriate.

Nomination and Governance Committee

Fiona Laird
(Chair)
Andrew Higginson
Lesley Jones
Ron McMillan

Activities

Our activities this year have included the appointment of Richard Moross, a Board evaluation exercise and a review of the composition and membership of the Committees in light of the current composition, skills, expertise and experience of the Board.

Outlook

The chairship of the Committee will move to Lesley Jones. In the forthcoming year the Committee will focus on Board development and succession planning in order to strengthen the Board further.

Together with our appointed consultants we will seek to appoint a suitably skilled and experienced Non-Executive Director to replace Fiona.

CSR Committee

Fiona Laird
(Chair)
Angela Spindler
(Chief Executive)
Theresa Casey
(General Counsel, Company Secretary and Group Head of CSR)
Ralph Tucker³
(Product Director)
Ian Carr³
(Logistics Director)
Tanya McCartney³
(Head of Culture, Talent and Policy)

Activities

We have agreed a new three year strategy and have a new ethical team in place to support this. Theresa Casey has taken on the role of Group Head of CSR and we have set up a cross divisional working group. Our CSR activities have been further aligned with our corporate activities to ensure we are living our GUSTO values in everything we do.

Outlook

Our focus for 2018 will be working towards the challenges we have set. We are also continuing to increase transparency in our supply chain, increasing our environmental commitments and preparing a revised Modern Slavery Statement to be released in October.

¹ Appointed 6 October 2016.
² Appointed 3 January 2017.
³ Appointed 13 April 2016.

BOARD OF DIRECTORS



Angela Spindler

Chief Executive

Appointed to the Board
2013

Relevant skills, qualifications and experience

Angela was appointed Chief Executive Officer in July 2013 and has over 30 years of consumer facing business experience and 20 years of retail experience. This includes roles at Coca Cola, Mars Inc, Asda, Debenhams and the Original Factory Shop. Angela studied at Manchester University.

Key strengths

Change management
Retail
Multi-channel retail
Strategy development
Management
Marketing
Business planning

External appointments

Angela currently serves as a Non-Executive Director of DIA, which is listed on the Madrid stock exchange.

Angela was a Non-Executive Director of Manchester Airport Group until 31 March 2016.

Meetings attended
8/8



Andrew Higginson

Independent
Non-Executive Chairman

Appointed to the Board
2012



Relevant skills, qualifications and experience

Andrew was appointed a Director in July 2012 and became Chairman in September 2012. Andrew spent over 20 years in executive retail roles, including positions with Laura Ashley Holdings, The Burton Group and Tesco.

Key strengths

Retail
Strategy
Finance
Board governance

External appointments

Andrew is currently the Chairman of WM Morrison Supermarkets PLC and ITC Luxury Travel. He is a Non-Executive Director of Woolworths Holdings Limited (South Africa).

Meetings attended
8/8



Craig Lovelace

Chief Financial Officer

Appointed to the Board
2015

Relevant skills, qualifications and experience

Appointed in May 2015. Formerly Group Chief Financial Officer for General Healthcare Group Ltd since 2011 and prior to this, held a number of senior UK and international finance roles at Regus Plc, Electronic Arts Inc and PwC. Craig is a fellow of the ICAEW.

Key strengths

Financial reporting
Financial strategy
Corporate finance
Restructuring
Tax and treasury
Business planning
Governance and compliance
Investor relations

External appointments

None.

Meetings attended
8/8



Lord Alliance of Manchester CBE

Non-Executive Director

Appointed to the Board
1968

Relevant skills, qualifications and experience

Appointed a Director and Chairman in 1968. Stood down as Chairman on 1 September 2012. Co-founder and former Chairman of Coats Viyella Plc. Lord Alliance holds numerous honorary doctorates including awards from Heriot-Watt University and the University of Manchester.

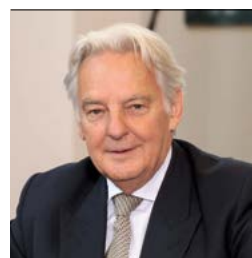
Key strengths

Detailed knowledge of N Brown
Retail

External appointments

Lord Alliance is also a director of a number of private companies, committees and trustee bodies. He was appointed a life peer in 2004.

Meetings attended
8/8



Ivan Fallon

Non-Executive Director

Appointed to the Board
1994

Relevant skills, qualifications and experience

Appointed a Director in 1994. Ivan was Chief Executive of Independent News & Media (UK) until March 2010 and a leading financial journalist.

Key strengths

Financial journalism
Management

External appointments

None.

Meetings attended
8/8



Ron McMillan

Independent Senior Non-Executive Director

Appointed to the Board
2013

A N R

Relevant skills, qualifications and experience

Appointed a Director on 1 April 2013. Ron is Senior Independent Director and Chairman of the Audit Committee.

Previously, he was the Deputy Chairman of PricewaterhouseCoopers in the Middle East and Northern Regional Chairman of the UK firm.

Key strengths

Finance
Financial reporting
Governance
Risk management

External appointments

Ron is also Chairman of the Audit Committee of B&M Value Retail SA, 888 Holdings Plc and SCS PLC.

Meetings attended
8/8



Fiona Laird

Independent Non-Executive Director

Appointed to the Board
2013

N R C

Relevant skills, qualifications and experience

Appointed a Director on 1 April 2013. Fiona is Chief Human Resources and Communications Officer for Newell Brands based in New Jersey, USA. Fiona previously served at Unilever as Senior Vice President of global Human Resources as well as in numerous other compensation and benefits, labour relations change management, communications and legal roles.

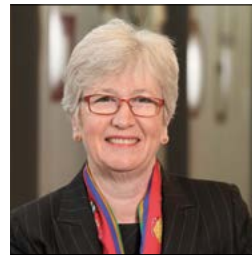
Key strengths

Human resources
Executive remuneration
Leadership development
Change management

External appointments

None

Meetings attended
8/8



Lesley Jones

Independent Non-Executive Director

Appointed to the Board
2014

A N

Relevant skills, qualifications and experience

Retired from executive life in January 2014 after 30 years in relationship and risk management at Citigroup and latterly as Chief Credit Officer for RBS Group Plc from 2008 until January 2014.

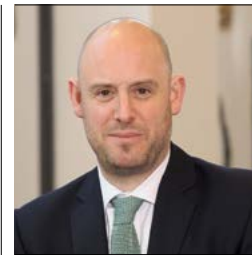
Key strengths

Finance
Governance
Risk management

External appointments

Lesley was appointed as Non-Executive Director and Board Risk Committee Chair at Close Brothers in December 2013.

Meetings attended
8/8



Richard Moross

Independent Non-Executive Director

Appointed to the Board
2016

A R

Relevant skills, qualifications and experience

As the CEO and founder of Moo.com Richard brings significant expertise in digital retailing and technology. Before founding MOO, Richard worked for the design company Imagination. Other past companies include sorted.com and the BBC.

Richard was awarded an MBE in 2015 for 'Services to Entrepreneurship'.

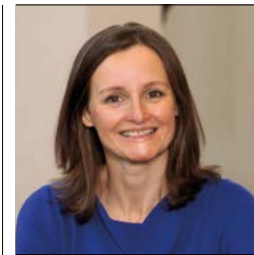
Key strengths

Digital retail
Technology
Change management
Entrepreneurship

External appointments

Richard served on the Board of Seedcamp and was a Non-Executive Director of Ladbrokes PLC between 2012 and 2016.

Meetings attended
3/3



Theresa Casey

General Counsel and Company Secretary

Appointed to the Board
2015

C

Relevant skills, qualifications and experience

Joined the Group in January 2015. Admitted as a solicitor in 1997, Theresa has held a number of legal and company secretarial roles in the financial services and retail sectors, including the Co-operative Bank, Shop Direct and Brown Shipley Private Bank.

Key strengths

Retail and financial services compliance
Retail and financial legal knowledge
Company secretarial practice

External appointments

None.

Meetings attended
8/8

Indicates member of the:

- A** Audit Committee
- N** Nomination and Governance Committee

- R** Remuneration Committee
- C** CSR Committee

■ Committee chair

Activities and results

The Directors have pleasure in presenting their Annual Report and audited financial statements for the year ended 4 March 2017. Some of the information required to be part of the Directors' Report can be found elsewhere in this document as detailed in the following paragraphs and is incorporated into this report by cross-reference.

Management Report

This Directors' Report, together with the Strategic Report set out on pages 1 to 55, form the Management Report for the purposes of DTR 4.1.5R.

Strategic Report

The Strategic Report sets out a review of the business of the Group during the year ended 4 March 2017 and the position of the Group at the end of that period to enable shareholders to assess how the Directors have performed their duty under section 172 of the Companies Act. The review also describes the principal risks and uncertainties facing the Group, provides a fair review of the Group's business at the end of the financial year and an indication of likely future developments in the business.

Risk management

The Board oversees the development of processes to manage risks appropriately. The Executive Directors and operating Board Directors implement and oversee risk management processes and report to the Board on them. The Board also identifies and reviews key business risks. Further detail can be found on pages 30 to 35.

UK Corporate Governance Code

As required by the UK Corporate Governance Code 2014 (the 'Code'), pages 16 to 17 provide an explanation of the basis on which the Group generates value and preserves it over the long term (its business model) and its strategy for delivering its objectives. The Corporate Governance Statement on pages 64 to 66 forms part of this Director's Report.

Results, dividends and reserves

The financial statements set out the Group's results for the year ended 4 March 2017 and are contained in pages 90 to 119.

An interim dividend of 5.67p per share (2016, 5.67p) was paid on the ordinary shares of the Group on 13 January 2017. The net cost of this dividend was £16.0m (2016, £16.0m).

The Directors recommend a final dividend of 8.56p per share (2016, 8.56p) for the year ended 4 March 2017, the net cost of which will be £24.2m (2016, £24.2m). The dividend will be paid on 4 August 2017.

Movements in reserves are shown in the Statement of Changes in Equity on page 93.

Composition of the Group

During the year there were no corporate acquisitions or disposals.

Share capital

Details of the Group's issued share capital are shown in note 24 on page 114.

The Group has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings of the Group. The ordinary shares are listed on the Official List and are traded on the London Stock Exchange.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation (except as set out below in the section entitled 'Voting Rights and Restrictions on Transfers'). No person has any special rights over the Group's share capital and all issued shares are fully paid.

Details of outstanding employee share options and the operation of the relevant schemes are shown in note 29 on pages 116 to 117. The Directors have no current plans to issue shares other than in connection with employee share options.

2017 annual general meeting

The annual general meeting will be held at 12:30pm on Tuesday, 18 July 2017.

The notice convening the annual general meeting will be sent to members by way of separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Directors

The biographies of the current Directors, are shown on pages 58 and 59. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code and the Companies Act.

At the 2017 annual general meeting all of the Directors will retire and will offer themselves for re-election with the exception of Ivan Fallon.

The Directors who served throughout the year in review were as follows:

Andrew Higginson	Non-Executive Chairman
Lord Alliance of Manchester CBE	Non-Executive Director
Angela Spindler	Chief Executive Officer
Craig Lovelace	Chief Financial Officer
Ivan Fallon	Non-Executive Director
Fiona Laird	Non-Executive Director
Simon Patterson	Non-Executive Director (resigned 13 April 2016)
Ron McMillan	Non-Executive Director
Lesley Jones	Non-Executive Director
Richard Moross	Non-Executive Director (appointed 6 October 2016)

Richard Moross joined the Board in October 2016 and shareholders are invited to ratify his appointment at the 2017 AGM.

Details of Directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on page 84 and are deemed to be incorporated into this report by cross-reference.

The powers of the Directors are described in the Board terms of reference and the Corporate Governance Statement on pages 64 to 66. The terms of reference for the Board and its Committees are available on the Group's website www.nbrown.co.uk

Other than a contract of service, no other Director had any interest in any disclosable contract or arrangements with the Group or any subsidiary Company either during or at the end of the year.

Directors' and officers' liabilities

The Company's Articles of Association provide that, in so far as the law permits, every Director of the Group or associated Company may be indemnified by the Company against liability. In accordance with section 236 of the Companies Act, qualifying third party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In addition, the Group maintains insurance for Directors and officers of the Group, indemnifying them against certain liabilities incurred by them whilst acting on behalf of the Group. Both the insurance and indemnities applied throughout the financial year ended 4 March 2017 and through to the date of this report.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Major shareholders

In addition to the Directors' shareholdings shown in the Remuneration Report on page 84 and in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, the following notifications had been received from holders of notifiable interests in the Group's issued share capital at 13 April 2017:

Shareholder	Holding share capital	% of issues
Nigel Alliance OBE	31,489,256	11.07
Invesco Perpetual Asset Management	28,760,449	10.11
UBS Global Asset Management	16,778,791	5.90

Governance

The Board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement on pages 64 to 66.

Corporate social responsibility and greenhouse gas emissions

Details on corporate social responsibility and greenhouse gas emissions have been set out on pages 46 to 55.

Charitable and political donations

During the year, the Group made charitable donations of £95,902 (2016, £13,315). No political donations have been made (2016, nil). No contributions have been made to non-EU political parties (2016, nil).

Auto-enrolment and Stakeholder pension

With effect from 1 November 2015, Zurich was appointed as provider for all qualifying employees. As at 31 May 2017 85.6% of all employees were members of a qualifying pension scheme with 1,140 employees being auto-enrolled as at the date of this report. At the date of this report the opt out rate is 4.1%.

Financial risk management, objectives and policies

The Group is exposed to certain financial risks, namely interest rate risk, currency risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 20 on page 110. The Group's risk management policies and procedures and the table of principal risks and mitigations can be found on pages 32 to 35.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Executive Directors' service contracts are terminable by the Group on giving 12 months' notice. There are no agreements between the Group and its Directors or employees that provide for additional compensation for loss of office or employment that occurs because of a takeover bid. No relevant events were reported in the year.

Significant contracts

The Group has a number of contractual arrangements with suppliers (both of goods and services) and occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the Group, individually none of them are essential to the business of the Group and do not require disclosure under section 417(5) (c) of the Companies Act.

Tax status

The Company is not a close Company within the meaning of the Corporation Tax Act 2010.

Independent auditor

The Group's independent auditors, KPMG LLP ('KPMG'), have indicated their willingness to continue in office and the Audit Committee has recommended that KPMG remain in office. A resolution to re-appoint the independent auditors will be proposed at the AGM.

The auditor's fees for both audit and non-audit work are given in the Audit Committee report on page 69.

Voting rights and restrictions on transfer of shares

None of the ordinary shares in the Group carry any special rights with regard to control of the Group. There are no restrictions on transfers of shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- pursuant to the Company's code for securities transactions whereby the Directors and designated employees require approval to deal in the Company's shares; and
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. The rights and obligations attaching to the Company's ordinary shares are set out in the Articles of Association.

Amendment of the Company's Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of shares separately. The Company currently only has one class of share.

Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Company's Articles of Association.

At the 2016 annual general meeting, the Directors were given the power to issue new shares up to a nominal amount of £10,442,189. This power will expire on the earlier of the conclusion of the 2017 annual general meeting or 18 July 2017. Accordingly, a resolution will be proposed at the 2017 annual general meeting to renew the Company's authority to issue new shares.

Directors were also given the power to issue new issue shares up to a further nominal amount of £10,442,189 in connection with an offer by way of a rights issue. This authority too will expire on the earlier of the conclusion of the 2017 annual general meeting or 18 July 2017, and a resolution will be proposed at the 2017 annual general meeting to renew it.

Approval was also given at the 2016 annual general meeting for a certain number of shares up to a maximum nominal value of £1,566,328 – to be allotted pursuant to the authority granted to Directors set out above without being covered by statutory pre-emption rights regime. As with the previously mentioned approvals, this authority too will expire on the earlier of the conclusion of the 2017 annual general meeting or 18 July 2017, and a resolution will be proposed at the 2017 annual general meeting to renew this authority.

As in previous years, authorisation for the Directors to buy back the Company's shares will not be sought at the 2017 annual general meeting.

Employee share schemes – rights of control

The trustees of the N Brown Group plc Employee Share Ownership Trust hold shares on trust for the benefit of the Executive Directors and employees of the Group. The shares held by the trust are used in connection with the Group's various share incentive plans. The trustees currently abstain from voting but have the power to vote for or against, or not at all, at their discretion in respect of any shares in the Company held in the trust. The trustees may, upon the recommendation of the Company, accept or reject any offer relating to the shares in any way they see fit, without incurring any liability and without being required to give reasons for their decision. In exercising their trustee powers the trustees may take all of the following matters into account:

- the long-term interests of beneficiaries;
- the interests of beneficiaries other than financial interests;
- the interests of beneficiaries in their capacity as employees or former employees or their dependants;
- the interests of persons (whether or not identified) who may become beneficiaries in the future; and
- considerations of a local, moral, ethical, environmental or social nature.

Going concern

The Directors have adopted the going concern basis in the financial statements and their opinion is explained on pages 98 and 99.

Viability statement

In accordance with provision C.2.2 of the Code, the Directors have assessed the longer term viability of the Group and can confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the three year period from approval of this Annual Report.

The Group uses a three year timescale to forecast its strategic plan on a rolling basis, as it is felt that a longer period would not produce a reliable result given the current pace of development both within the Group and the wider retail sector in which it operates. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Corporate Governance Report.

The strategy and associated principal risks underpin the Group's three year plan and scenario testing, which the Directors review at least annually. The three year plan makes certain assumptions about our core product and financial services growth drivers, margins and operating costs, together with the Group's cash flows, general liquidity and other key financial ratios. Although the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. The plan has been subjected to severe but plausible stress tests using four primary downside scenarios which have been derived as part of the Board's review of the Group's principal risks detailed in the Corporate Governance Report. They represent 'severe but plausible' circumstances that the Group could experience. The stress tests apply a range of sensitivities to our headline interest rate, bad debt levels, Group revenue sensitivities and current tax positions; reflecting the principal risks of the business, primarily through a reduction in the credit activities of the Group, a negative potential customer impact arising from increased LIBOR rates, potential trading restrictions dealing with the impact of a cyber attack and negative outcomes from a number of tax positions we are currently defending.

The three year plan review is solidly underpinned by the regular Board briefings provided by the Group's Operating Board and the discussion of any new strategies undertaken by the Board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to operationally deliver any new initiatives, to manage its working capital performance and the level of financial resources available to the Group. Implausible scenarios, such as multiple circumstances occurring at the same time are assumed to not occur. The Directors do not consider it plausible that any of the key risks would crystallise together in a way that would create a worst outcome over the three year assessment period. In the unlikely event of multiple risks occurring and having a particularly severe effect on the Group, all potential actions such as constraining capital spending and reducing payments to shareholders would be taken on a timely basis. Thus, the Directors believe it has the early warning mechanisms to identify the need for such actions and the ability to implement them on a timely basis if necessary.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards, 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 Group and parent Company and of their profit or loss for that period.

In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

By order of the Board



Theresa Casey LL.B (Hons) (Solicitor)
Company Secretary
9 May 2017

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report, taken together, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board



Craig Lovelace
Chief Financial Officer
9 May 2017

Introduction

This corporate governance statement explains the key features of the Group’s governance structure and how it complies with the UK Corporate Governance Code (the ‘Code’). This statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules (‘DTRs’). Except as specifically highlighted within this statement the Directors consider that the Group has throughout the year complied with the provisions of the Code.

Leadership

The Board comprises nine Directors of whom seven are Non-Executive including the Chairman. Of the seven Non-Executive Directors, Lord Alliance of Manchester and Ivan Fallon are not considered by the Board to be independent. Full biographical details of all Directors appear on pages 58 and 59.

The members of the Board are named below. The Board met eight times during the year. Directors’ attendance at Board meetings was as follows:

	Attendance
Andrew Higginson	8/8
Lord Alliance of Manchester CBE	8/8
Angela Spindler	8/8
Ivan Fallon	8/8
Fiona Laird	8/8
Simon Patterson (resigned April 2016)	1/1
Ron McMillan	8/8
Lesley Jones	8/8
Craig Lovelace	8/8
Richard Moross	3/3

Committees

The Board delegates authority to a number of Committees to deal with specific aspects of management and to maintain supervision over the internal control policies and procedures of the Group. These Committees meet regularly and have formal written terms of reference which are available for inspection on the Company’s website. The minutes of the meetings of these Committees are circulated to all Committee members in advance of the next Committee meeting, at which they are ratified. The following Committees of the Board have been established:

- an Audit Committee;
- a Remuneration Committee;
- a Nominations and Governance Committee; and
- a Corporate Social Responsibility Committee.

After each Committee meeting the Chairman of that Committee makes a formal report to the Board of Directors detailing the business carried out by the Committee and setting out its recommendations.

The Board is responsible for all major policy decisions and for determining the operational and strategic risks it is willing to take in achieving its objectives. The Board has, where necessary, delegated operational matters to its Committees and sub-Committees, and to its Executive and Operational Directors and senior officers. The Board is collectively responsible for providing effective leadership and promoting the success of the Group and works to a formal list of matters reserved for the Board (a copy of which is available on the Company’s website, www.nbrown.co.uk). Matters reserved for the Board include, amongst other things, decisions on business strategy, the approval of financial statements, the annual capital and operating expenditure plans, investment, treasury and dividend policies, governance issues, major capital projects, overseeing the Group’s risk control procedures, Board membership and the composition of its Committees and the Group’s ethical, social and environmental policies.

The Board governs through clearly mandated Committees, accompanied by robust monitoring and reporting systems.

Responsibilities

There is a clear division of responsibilities between the Chairman, Andrew Higginson, who is responsible for the effective operation of the Board and the Chief Executive, Angela Spindler, who is responsible for the Group’s operational performance. Equally there is a clear distinction between the Chair, the Senior Independent Director and the Non-Executive Directors. The table below summarises the position:

Chair	Leader of the Board. Responsible for Board effectiveness including agendas, Board composition and Board meetings.
CEO	Head of operational matters. Leader of the executive team.
SID	Point of contact for shareholders if required. Co-ordinator of NED only meetings.
NEDs	Provide constructive challenge and alternative views to the Board. Evaluate the performance of the Chair.

Board activities

Some of the key activities that the Board has covered over the past year are:

Strategy

- Development of a strategy tracker.
- Oversight of the Fit 4 the Future development.
- In depth reviews of strategy in key areas of the business such as logistics and retail.

Operational

- Reviewing a three year financial plan of the business.
- Assessing marketing return on investment.
- Focused updates on various areas of the business, such as retail stores and traditional brands.

Regulatory

- Oversight of the successful FCA application.
- Review of the tax and pensions provisions of the Company.
- Assessment of the viability statement, Group contingent liabilities, treasury policy and regulatory provisions.

Stakeholder issues

- Examining the results of a colleague engagement survey and talent mapping.
- Successfully recruiting Richard Moross as Non-Executive Director.
- Approving the Annual Report.

Governance

- Re-evaluating the Company’s risk management processes and risk appetite to ensure they are still appropriate.
- Reviewing the governance structure of the Company.
- Assessing the effectiveness of current governance arrangements for outsourcing.

The Chairman was considered independent at the time of his appointment.

The Board understands the need for Non-Executive Directors to be and remain independent of the management in order to be able to exercise proper oversight and effectively challenge the Executive Directors. The Non-Executive Directors who served during the financial year ended 4 March 2017 were:

- Andrew Higginson (Chairman);
- Lord Alliance of Manchester;
- Ivan Fallon;
- Fiona Laird;
- Simon Patterson (resigned April 2016)
- Richard Moross (appointed October 2016)
- Ron McMillan (Senior Independent Director); and
- Lesley Jones

A number of Non-Executive Director only meetings were held this year to allow NEDs to discuss matters without the Executive Directors present.

Day-to-day management of the Group's activities is delegated to the operational board, known as the Operating Board, on which Angela Spindler and Craig Lovelace sit as Chief Executive Officer and Chief Financial Officer respectively.

In November the members of the Board met with the Operating Board over a two day period to review the progress being made against, and the future development of, the Group's long-term rolling strategic plan.

Effectiveness

The Board considers that, throughout the year, at least half of the Board, excluding the Chairman, comprised independent Non-Executive Directors and that the composition of the Board had the necessary balance of executive and Non-Executive Directors to provide the requisite skills, experience, challenge and judgement appropriate for the requirements of the business and full Board effectiveness.

The composition of the Board sub Committees is regularly reviewed and has been refreshed part way through this year. Where appropriate, the Committees will invite others to attend.

The appointment of Richard Moross, our most recent Board appointment, further strengthens the digital skills and knowledge of the Board, thereby reflecting our digital first strategy.

Diversity

The Board recognises the importance of diversity, including gender, at all levels of the Company as well as on the Board. The Company is committed to equal opportunities and increasing diversity across our operations in terms of relevant skills, experience, ethnicity and gender. The Board now comprises six male Directors and three female Directors. The Board continues to consider how diversity can be enhanced through the Board and the senior management teams and across the Group generally, whilst ensuring that it appoints only the most appropriate candidates to the Board.

We currently have 33% female diversity at Board level and 30% on the Operating Board. This means we are already in line with the 33% target for 2020 set by the Davies report, and significantly higher than the current FTSE 250, who have achieved representation at 20.4%. We believe that gender representation makes good business sense, given that women make up over half of the UK population and almost 60% of our total workforce.

Strengthening our executive pipeline remains a priority for us and we continue to open up new opportunities for women in the business, working with head-hunters and agencies that can provide true gender diversification in their candidate bases.

To provide role models in the business and break the glass ceiling we are members of 'Women on Boards'. Our aim is to allow

development of Board Directors and to allow Directors to take up Non-Executive roles in other businesses where opportunities arise.

At the date of this report the gender split (male/female, senior management and entire workforce) is as per the table and diagram below:

Board appointments

All appointments to the Board follow a formal, rigorous and transparent process to ensure we are appointing the best possible candidate. Due regard is given to the needs of the Board in respect of skills, experience, independence and diversity. The appointment of Richard Moross was facilitated by external consultants MWM Consulting LLP.

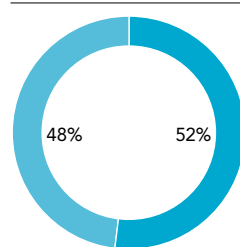
Appointments to the Board are made solely on merit based on the skills and experience offered by the candidate and required by the role. This ensures that all appointees have the best mix of skills and time to devote themselves effectively to the business of the Board and to discharge their duties to the best of their ability.

Prior to appointment to the Board all Directors are informed of the expected time commitment. At the time of writing there are no concerns that any of the current Directors will be unable to commit sufficient time to the role. We have evaluated the commitments of the Chairman and are satisfied he has sufficient time to devote to his role.

External appointments or other significant commitments of the Directors require the prior approval of the Board. Details of such external appointments can be found in the Directors' biographies set out on pages 58 and 59.

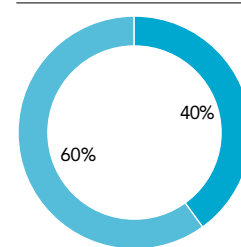
	Male		Female	
	Heads	% Split	Heads	% Split
Senior management	24	52%	22	48%
All employees	1069	40%	1573	60%

SENIOR MANAGEMENT (%)



- Male 24
- Female 22

EMPLOYEE DIVERSITY (%)



- Male 1,069
- Female 1,573

Employee data as at 6 March 2017.

The Articles of Association of the Company give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the Board at least annually. The Board has complied with these procedures during the year.

Board development

The Company Secretary provides an on-going programme of briefings for Directors covering legal and regulatory changes and developments relevant to the Group's activities and Director's areas of responsibility. The Company Secretary is also responsible for the induction of new Directors. New Directors are provided with a comprehensive pack of information (including terms of reference, information regarding the business and guidance on their roles and duties as Directors) and meetings/site visits with key employee contacts are arranged as appropriate. Inductions to the business for new Directors are designed to expose them to all areas of the Group's operations but with particular emphasis on each Director's area of expertise.

Non-Executive Directors meet with operational teams and the Operating Board and undertake site visits to ensure that they have the most up-to-date knowledge and understanding of the Company and its activities and to enable the broader population of the Group to benefit from the skills and experience of the Non-Executive Directors. All Board members are permitted to obtain independent professional advice in respect of their own fiduciary duties and obligations and have full and direct access to the Company Secretary, who is a qualified solicitor and who attends all Board and Committee meetings as Secretary.

The Chairman regularly reviews and agrees with each Director their training and development needs.

Board administration

Board papers include detailed management reports from the Chief Executive and the Chief Financial Officer, management accounts, broker analyses, compliance and regulatory briefings and bespoke reports. A comprehensive pack of papers is electronically circulated to each Director not less than seven days prior to each Board meeting. Budgetary performance and forecasts are reviewed and revised at each meeting. Outside of the meeting there is a regular flow of information between the Directors including the weekly dissemination of management information statistics.

Board evaluation

The Board, having carried out a performance evaluation, believes the performance of the Chairman and Directors, and their commitment to their respective roles, continues to be fully effective and the Board and its Committees continue to provide appropriate oversight and challenge.

In accordance with Main Principle B.6 of the Code an internal effectiveness review of the Board and its Committees was undertaken during the second half of the year by way of a tailored, high-level questionnaire which was distributed for the Directors to complete.

The responses to the evaluation of the Board and its Committees were reviewed with the Chairman and then considered by the Board. The overall view was that the Board remains effective, positive and cohesive and there has been progress in relation to the areas for improvement identified in the 2016 evaluation exercise. As with all evaluations an action plan has been agreed by the Chairman as a result of the evaluation and, based on this, the Board has agreed a set of objectives for 2017/18.

Beyond the annual evaluation, the performance of the Executive Directors is continuously monitored throughout the year by the Chairman and the senior Non-Executive Director.

Election of Directors

Pursuant to the Code, all Directors are required to retire and submit themselves for re-election annually. Accordingly, each of the Directors will retire at the forthcoming annual general meeting and offer themselves for reappointment at that meeting with the exception of Ivan Fallon who will not be seeking re-election.

All Non-Executive Directors serve on letters of appointment stipulating 3 year terms, apart from Ivan Fallon who remains on a three month rolling arrangement. All appointments are terminable, without compensation, on between three and six months' notice by either party and are subject to other early termination provisions without compensation, for example in the event a Director is not re-elected at the annual general meeting.

Accountability

The Directors have carried out a robust assessment of the principle risks facing the Company including those which would threaten its business model, future performance, solvency or liquidity. The Board monitors the Company's risk management and internal control systems and at least annually carries out a review of the effectiveness and reports on the review in the Annual Report.

The Audit Committee report on page 67 and the risk report on pages 30 to 35 set out the position of the Board on the risk to the Company, internal controls and its' prospects in relation to this.

Remuneration

The Directors' Remuneration Report setting out the remuneration policy and its implementation this financial year is on page 72 to 85.

No Director is involved in the approval of his or her own remuneration.

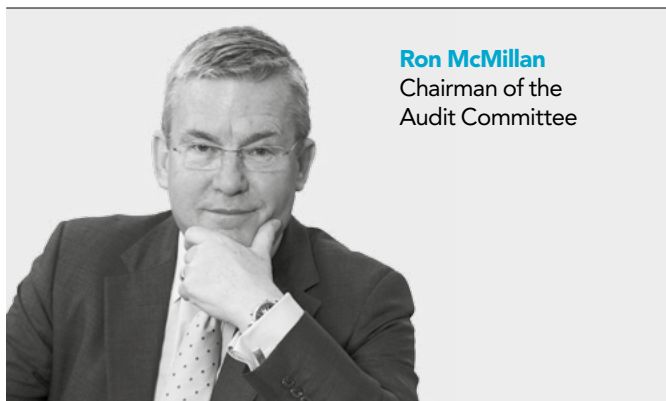
Details of Directors' contract terms are shown in the Remuneration Report on pages 77 and 79. In accordance with the Code, the Company has made the terms and conditions of appointment of the Non-Executive Directors available for inspection.

Relations with shareholders

The Board recognises the importance of good two way communications between the Company and shareholders. Accordingly, the Board welcomes the opportunity to discuss the contents of this report with shareholders at the N Brown Group AGM, details of which are to follow.

Other matters

The Audit Committee report and Strategic Report include additional information which forms part of the Corporate Governance Statement.



Ron McMillan
Chairman of the
Audit Committee

The Audit Committee

Member	No. of meetings
Ron McMillan (Chairman)	4/4
Lesley Jones	4/4
Fiona Laird (resigned 6 October 2016)	1/1
Richard Moross	1/1

The Committee met four times during the year and attendance was as follows:

Responsibilities

Reviewing the integrity of the financial statements, price sensitive financial releases and significant financial judgements and estimates relating thereto;

Monitoring the scope of work, quality, effectiveness and independence of the external auditors and approving their appointment and fees;

Monitoring and reviewing the independence and activities of the internal audit function;

Assisting the Board with the development and execution of a risk management strategy, risk policies and exposures and a risk register;

Keeping under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and

Making recommendations to the Board in relation to the appointment of the external auditor.

Dear Shareholder,

The Audit Committee acknowledges and embraces its role of protecting the interests of shareholders as regards the integrity of published financial information and the effectiveness of audit.

In so doing, the Committee exercises oversight of the Group's financial policies and reporting, monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements. The Committee satisfies itself that the disclosures in the financial statements about these estimates and judgements are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks.

In relation to risks and controls, the Committee ensures that these have been identified and that appropriate responsibilities and accountabilities have been set.

A key responsibility of the Committee is to review the scope of work undertaken by the internal and external auditors and to consider their effectiveness.

During the year, the Committee again oversaw the process used by the Board to assess the viability of the Group, the stress testing of key trading assumptions and the preparation of the viability statement which is set out on pages 62 to 63 in the Directors' Report.

The Committee has also considered the narrative at the front end of the Annual Report and believes that sufficient information has been provided to give shareholders a fair, balanced and understandable account of the Group's business.

Further information on the Committee's responsibilities and the manner in which they have been discharged is set out below.

I shall be available at the annual general meeting in July to answer any questions you may have on this report and would like to thank my colleagues on the Committee for their help and support during the year.

Ron McMillan
Chairman of the Audit Committee

Committee composition

The Committee comprises three members, each of whom is an independent Non-Executive Director. Two members constitute a quorum. The Committee requires the inclusion of one financially qualified member with recent and relevant financial experience. The Committee chair fulfils that requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and function of internal and external audit and the regulatory framework of the business. As reflected in the biographical details on pages 58 to 59, the Committee members have significant experience of working in or with companies in the retail, financial services and consumer goods sectors.

The members of the Committee during the year were:

- Ron McMillan (Chair)
- Lesley Jones
- Fiona Laird (resigned 6 October 2016)
- Richard Moross (appointed 6 October 2016)

Details of Committee meetings and attendances are set out on page 67 and the timing of Committee meetings is set to accommodate the dates of releases of financial information and the approval of scope of and reviews of outputs from work programmes executed by the internal and external auditors. In addition to scheduled meetings, the chairman of the Committee met with the CFO, the head of internal audit and the external auditors on a number of occasions during the year.

Although not members of the Committee, Angela Spindler as CEO, Craig Lovelace as CFO, the General Counsel and representatives from the internal and external auditors attend all meetings and, in addition, the Chairman of the Board regularly attends meetings.

Committee activities in 2016/17

In discharging its oversight of the matters referred to in the introductory letter to this report and as set out below, the Committee was assisted by management, the General Counsel and the internal and external auditors.

The recurring work of the Committee comprised:

- Consideration of the Annual Report and financial statements of the Group;
- Consideration of the interim results report and non-statutory financial statements of the Group for the half year;
- Consideration of the significant areas of accounting estimation or judgement;
- Consideration of the significant risks included in the Annual Report;
- Approval of the external auditors' terms of reference, audit plan and fees; and
- Approval of the internal audit plan.

The key matters considered by the Committee during the year include the following:

Regulatory environment

The Group is regulated by the FCA under a licence granted on 21 September 2016. Changes in laws and regulations impact the Group's business, sector and market and the Committee continues to review the outputs of work carried out by the Group's compliance function in order to satisfy itself that action is being taken to address the changes that are required to comply with the regulations. Provisions made for customer redress require significant levels of estimation and judgement. The Committee has considered the assumptions applied in recording such provisions, including the complaint volume, complaint

uphold rate and average redress rates and consider the provisions recorded to be appropriate. A priority for 2017 was the oversight of more flexible and personalised financial services products. These remain under development and the Committee will carry this priority into 2018.

Capitalisation of software development costs

The Group's Fit 4 the Future programme is ongoing and the Committee will continue to review the treatment of the significant software and project costs in order to satisfy itself that the Group's approach to capitalisation of these costs remains appropriate. In this regard, the Committee has been assisted by both internal and external audit.

Marketing costs

An objective for the Committee in 2017 was the review of marketing investment. This responsibility was assumed by the Board.

Bad and doubtful debts

The Group's methodology to determine provisions for bad and doubtful debts in its credit ledgers is both complex and judgemental. A significant part of the external audit is focused in this area and the Committee seeks assurance from the finance function and the auditors that the approach to provisioning is consistent year on year or, if not, that changes are being made to better reflect changing economic or commercial circumstances.

Tax exposures

The Group continues to have a number of open tax items with the tax authorities and the calculation of the Group's potential liabilities or assets in respect of these continues to involve a degree of estimation and judgement. The Board sets and oversees the Group's tax strategy including tax risk. In undertaking this task the Group uses its tax advisers (Deloitte) and legal counsel. During the year the Group's tax advisers have kept the Committee apprised of existing and emerging risks, and the Committee and the Board have considered the appropriateness of related tax provisions and assets and their disclosure in the Group's financial statements.

Inventory Valuation

Provision is made where the net realisable value of stock is estimated to be lower than the cost. The Committee recognises that there is an element of uncertainty in relation to the estimation of net realisable value but considers that, taking into account historical experience, likely future selling values and the availability of disposal channels, the provision is appropriate.

Internal controls

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatements, loss or failure. Equally, no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the Committee has helped the Board develop and maintain an approach to risk management which incorporates risk appetite, the framework within which risk is managed and the responsibilities and procedures pertaining to the application of the policy.

The Group is proactive in ensuring that corporate and operational risk are identified and managed. A corporate risk register is maintained which details:

1. The risks and impact they may have
2. Actions to mitigate
3. Risk scores to highlight the implications of occurrence
4. Ownership
5. Target dates for actions to mitigate

A description of the principal risks is set out on pages 30 to 35. The Board has confirmed that it has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, insolvency or liquidity.

The Board considers that the processes undertaken by the Committee are appropriately robust, effective and in compliance with the guidelines issued by the Financial Reporting Council. During the year, the Board has not been advised by the Committee, nor has it identified itself, any failings, frauds or weaknesses in internal control which it has determined to be material in the context of the financial statements.

The Committee continues to believe that appropriate controls are in place throughout the Group, that the Group has a well-defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also believes that the Company complies with the FRC guidance on risk management, internal control and related financial business reporting.

Going concern

The Committee considered the going concern position of the Group and the viability statement set out on page 62. In so doing, the Committee ensured that the assumptions underpinning forecasts were stress tested and that the factors which impact risks and uncertainties were properly considered.

Other activities

During the year, the Committee also received policy papers on anti-money laundering, anti-bribery and corruption, fraud and whistleblowing.

Reviewing the draft interim and Annual Reports

The Committee considered in particular the following:

- The accounting principals, policies and practices adopted and the adequacy of related disclosures in the reports;
- The significant accounting issues, estimates and judgements of management in relation to financial reporting;
- Whether any significant adjustments were required as a result of the audit;
- Compliance with statutory tax obligations and the Group's tax policy;
- Whether the information set out in the Strategic Report was balanced, comprehensive, clear and concise and covered both positive and negative aspects of performance; and
- Whether the use of 'alternative performance measures' observed IFRS measures.

Internal audit

The head of internal audit has a direct reporting line to the Committee and attends all Committee meetings. During the year, internal audit undertook a programme of work which was discussed with and agreed by both management and the Committee and which was designed to address both risk management and areas of potential financial loss. Internal audit also has established procedures within the business to ensure that new risks are identified, evaluated and managed and that necessary changes are made to the risk register.

During the year, the Committee received reports from internal audit on the following topics:

- Fit 4 the Future
- Outsourcing providers
- Stock audits
- Retail stores
- Employee expenses
- Business continuity plan
- PCI compliance
- FCA compliance
- Group imports
- Warehouse expansion project
- Risk management
- Fraud review

In relation to each of the above, internal audit made recommendations for improvements, the vast majority of which have been or are being implemented by management.

The Committee has evaluated the performance of internal audit and has concluded that it continues to provide helpful and constructive challenge to management and demonstrates a commercial and constructive view of the business.

External auditors

KPMG were appointed as external auditors on 14 July 2015. The partner who has been responsible for the audit since KPMG were appointed is Stuart Burdass, a partner in the Manchester office. The total fees paid to KPMG for the year ended 27 February 2017 were £430,000, of which £110,000 was in respect of non-audit services. Further details are set out in note 6 to the financial statements.

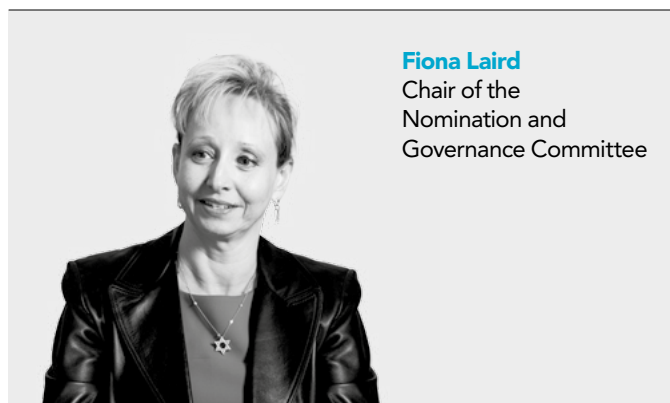
The Board's policy in relation to the auditors undertaking non-audit services is that they are subject to tender processes with the allocation of work being done on the basis of competence, cost effectiveness, regulatory requirements, potential conflicts of interest and knowledge of the Group's business. KPMG LLP has, during the year provided non-audit services in the form of pensions advisory work (a project which commenced before they were appointed as auditors). The Committee is satisfied that, in relation to these services, KPMG LLP has taken actions to ensure that any potential conflicts of interest are properly managed.

The Committee remains mindful of the attitude investors have towards the auditors performing non-audit services and the new legislation which is operative for accounting periods beginning on or after 17 June 2016. This new legislation introduces a permitted non-audit services fee cap of 70% of the average audit fee over a consecutive three year period. This cap will come into affect for the Group in the financial year ending February 2021.

The Committee has reviewed the performance of KPMG, a process which involved Committee members, the Chairman, the CEO, the CFO and senior members of the finance function and the General Counsel.

The overall conclusion of the process was that KPMG's work was thorough and professional and it was, therefore, the Committee's recommendation that the reappointment of KPMG be put to shareholders at the annual general meeting on 18 July 2017. Given that this was only the second year of KPMG's tenure as auditors, the Board has no present plans to consider an audit tender process.

The Committee reviewed the reports prepared by KPMG on key audit findings and the control environment, as well as the recommendations made by KPMG to improve processes and controls together with management's responses to those recommendations.



Fiona Laird
Chair of the
Nomination and
Governance Committee

The Nomination and Governance Committee

Member	No. of meetings
Fiona Laird (Chair)	1/1
Andrew Higginson	1/1
Lesley Jones	1/1
Ron McMillan	1/1
Simon Patterson (resigned 13 April 2016)	0/0

The Committee met on one occasion during the year and attendance was as above.

Responsibilities

Identifying and nominating candidates to fill Board vacancies having evaluated the balance of skills, knowledge and experience already on the Board and identified the capabilities required for a particular appointment;

Succession planning, taking into account the skills and expertise needed on the Board in the future;

Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes; and

Reviewing the leadership needs of the Group to ensure the continued ability of the organisation to compete effectively in the marketplace.

Priorities for 2018

Linking the long term strategy to succession planning.

Utilising the Board evaluation to develop succession planning and training for Board members.

Identifying and nominating a suitable candidate to replace Fiona Laird.

Dear Shareholder,

The objectives of the Committee are to ensure the Board comprises individuals possessing the requisite skills, knowledge and experience and to review and make recommendations to the Board to ensure that the Company's arrangements are consistent with best practice corporate governance standards.

The Nomination and Governance Committee was chaired by me throughout the year since the resignation of Simon Patterson on 13 April 2016. The other members of the Committee are currently Andrew Higginson, Lesley Jones and Ron McMillan.

The formal terms of reference for this Committee require it to make recommendations to the Board for appointments of Directors including, when appropriate, the Chair of the Board and also Directors of the Operating Board and other senior executive staff of the operating company. Where appropriate, the Chief Executive and Company Secretary are invited to attend meetings of the Committee.

During the year the Committee met on one occasion with full attendance by all members. Activities undertaken during the year included a review of the Committee's terms of reference, the company's succession planning, recruitment of a new Non-Executive Director and a Board evaluation.

The Committee evaluates Board candidates on merit, against objective criteria, taking into account the skills and experience required to perform the duties of the post with due regard to diversity and gender. Where appropriate, external search consultants are engaged.

This year we are delighted to have recruited Richard Moross in the position of independent Non-Executive Director. Richard brings with him specialist skills in digital retailing which I believe will be invaluable to the Board.

MWM Consulting LLP ('MWM') were appointed by the Committee as external agents to assist in the discharge of its duties and assisted the Committee with a comprehensive external candidate search and selection process to find a suitable replacement independent Director with the appropriate mix of skills and experience. MWM has no other connection with the Company.

As has been mentioned earlier in the Annual Report I will be resigning from the Committee and the Board as soon as a suitable replacement has been found.

Ivan Fallon will also be leaving the Board in July as he will not be seeking re-election at the 2017 AGM.

Consultants have been engaged to commence the process for my replacement. As Ivan Fallon is not considered independent no replacement for him will be sought.

The new Chair of the Nomination and Governance Committee, Lesley Jones, will report on this in more detail in the next Annual Report.

Fiona Laird
Chairman of the Nomination and Governance Committee



Fiona Laird
Chairman of the
CSR Committee

The CSR Committee

Member	No. of meetings
Fiona Laird (Chair)	2/2
Angela Spindler (Chief Executive Officer)	2/2
Theresa Casey (Company Secretary and Group head of CSR)	2/2
Andrew York (Ethical Trading Manager – resigned 1 April 2016)	1/1
Ralph Tucker (Product Director)	1/1
Ian Carr (Logistics Director)	1/1
Tanya McCartney (Head of Culture, Talent and Policy)	1/1

The committee met twice during the year and attendance was as above.

Responsibilities

Reviewing and making recommendations to the Board concerning matters of Group policy on all areas of Corporate Social Responsibility ('CSR');

Reviewing and reporting on how we look after our environment, source our products and work with the community and our employees; and

Updating shareholders or a wider audience as necessary on the work of the Committee.

Priorities for 2018

Introducing and overseeing the effectiveness of the new 3 year CSR strategy.

Overseeing the implementation of the Gender Pay Gap reporting.

Monitoring the delivery of ethical trading.

Dear Shareholder,

The Committee has enjoyed another busy and productive year.

We successfully launched the Group's CSR Charter in 2015 to highlight our passion for fair fashion, entitled 'Taking Care of Our World'. The Charter is designed to align with and implement our three CSR pillars of 'All People, One Planet, Every Product'. We are delighted to report that progress is in line with our expectations. Further detail on this is available in the CSR report on page 46.

The Committee's oversight of the Group's CSR activities has encouraged further alignment of our ethical policies with our commercial with tangible results and benefits.

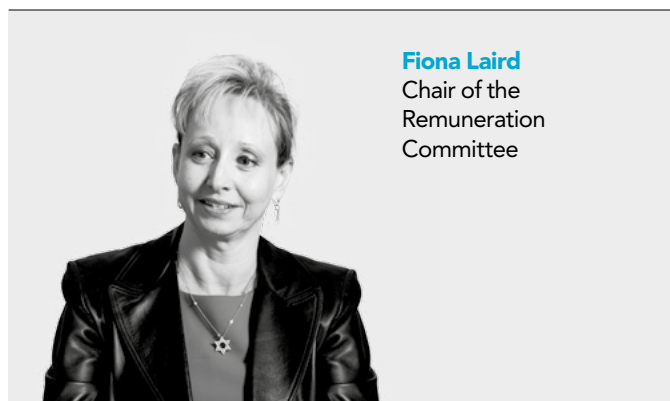
As is expected of a CSR Committee we continue to be involved in a wide range of issues touching every area of the business. Over the year the Committee has discussed modern slavery, charity engagement, anti-bribery and corruption, living wage and set new environmental targets amongst many others.

Our Modern Slavery statement was published in October and we intend to build on this year on year to further reduce the risk of slavery in our supply chain. The revised version of the statement will be released in October providing an update on the actions and initiatives we have in place to combat the risk of slavery in our supply chain.

This year we refreshed the membership of the Committee. In April 2016, we welcomed Ian Carr, Ralph Tucker and Tanya McCartney to report on Planet, Product and People respectively. In addition, Theresa Casey has been appointed the Group Head of CSR and oversees operational progress on CSR matters.

There will be further changes in the coming months and I wish the Committee the best of luck with their endeavours.

Fiona Laird
Chairman of the CSR Committee



Fiona Laird
Chair of the
Remuneration
Committee

The Committee twice during the year and attendance was as follows:

The Remuneration Committee

Member	No. of meetings
Fiona Laird (Chair)	2/2
Ron McMillan	2/2
Richard Moross	1/1

Responsibilities

Setting and reviewing the remuneration policy and determining the total individual remuneration package for all Executive Directors, the Company's Chairman and other designated senior executives;

Recommending and monitoring the level and structure of remuneration for senior management having regard to pay and employment conditions across the Group;

Approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes (in accordance with provisions of the Code);

Reviewing the design of all share incentive plans for approval by the Board and shareholders;

Overseeing any major changes in employee benefits structures throughout the Company or Group; and

Ensuring that the Company maintains contact as required with its principal shareholders about remuneration.

Priorities for 2018

The Committee will continue to foster a close relationship with shareholders in developing the remuneration policy;

The Committee will continue to monitor the remuneration of Directors and ensure it is appropriate; and

The Committee will oversee the implementation of new requirements in relation to gender pay gap reporting.

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for 2016/17 on behalf of the Board and to summarise the Remuneration Committee's main activities during the year.

This report contains the following parts:

- This 'Annual Statement', which identifies the key messages on remuneration for the year under review and explains the business context in which the Committee's major decisions during the period were taken;
- An 'Annual Report on Remuneration', which provides shareholders with details of the remuneration that was actually delivered to the Company's Directors during 2016/17. This final part of the report will be subject to an advisory vote at the forthcoming annual general meeting; and
- The 'Directors' Remuneration Policy' which was approved by shareholders at the 2016 AGM and is included in this reports for ease of reference.

The Group has undergone significant transformation and is keen to ensure that the incentive arrangements remain appropriate. The changes proposed last year were approved by shareholders at the 2016 AGM and have therefore been implemented during this financial year.

The Board believes that maintaining the highest standards of corporate governance is essential to protecting shareholder value; the alignment of remuneration with the forward looking business strategy is an integral part of this process. As such the Board fully debated and approved any payments or awards made to Directors to ensure that the incentive plans in place appropriately reward the delivery of our transformation plan whilst ensuring alignment with shareholders. We also consulted with our top ten shareholders and investor bodies on the change and took on board the feedback.

Remuneration outcomes for 2016/17

Annual bonus is paid 60% in cash and 40% deferred as a conditional award of shares that vest at the end of three years after the grant. The principal performance metric for the normal annual bonus was based on Group profit. The Committee determined that 43% of this element of the annual bonus targets had been met. The remainder of the normal annual bonus was based on meeting corporate and personal objectives and the Committee determined that 63.18% of salary was payable to the CEO and 54.53% of salary was payable to the Chief Financial Officer.

The Committee reviewed the EPS and TSR performance of the Company in respect of the 2014 Long Term Incentive Plan ('LTIP') award. The Company was ranked below median against its peers at the end of the three year performance period and did not meet the threshold EPS targets, as a result of which the award lapsed.

Upon her appointment the CEO was granted two one-off share awards as detailed in the 2013 Annual Report. Vesting of the first, over shares worth £520,000 at the time of grant, was subject to employment conditions over two years which were met in the prior year.

Vesting of the second award over shares worth £1,040,000 at the time of grant, was subject to the achievement of strategic objectives measured over a period of three years as detailed in our 2015 Annual Report, which were met in the year.

The Committee reviewed the salaries of the Executive Directors in April 2017 and determined that the CEO and the Chief Financial Officer's salaries should be increased by 2%, in line with the average increase received by the general workforce, with effect from 1 June 2017.

LTIP awards with a face value of 150% of salary in respect of Angela Spindler and 125% of salary in respect of Craig Lovelace were granted in July 2016. Vesting of these awards is subject to growth in adjusted EPS in excess of RPI (50% weighting), free cash flow (30%) and revenue (20%). In 2017 Angela Spindler and Craig Lovelace will again receive awards with a face value of 150% and 125% of salary respectively. The award will be granted in July 2017 and will be subject to the performance conditions set out above.

I will be available to answer any questions at the annual general meeting in July and very much hope that you will support the Annual Report on Remuneration at our forthcoming meeting.

I would like to thank all of my colleagues on the Remuneration Committee for all their hard work over the last year.

I am delighted with and proud of the progress the Committee has made during the last four years and I will be handing over the reins to my successor in due course.



Fiona Laird

Chair of the Remuneration Committee

Directors' Remuneration Policy

This report sets out the information required by Part 4 of the Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. The report also satisfies the relevant requirements of the Listing Rules of the Financial Conduct Authority, and describes how the Board has applied the principles and complied with the provisions relating to Directors' remuneration in the Code.

It summarises the Committee's remuneration policy for the Executive Directors which was approved by shareholders at the 2016 AGM and is binding for three years. The full Directors' Remuneration Policy, approved for three years from 2016 AGM, is shown on the following pages for ease of reference. Please note that the information shown has been updated to take account of the fact that policy is now approved and enacted rather than proposed.

The Committee's policy is designed to ensure that the main elements of the remuneration package are linked to the Company's annual and long-term strategy, are appropriate in quantum and capable of attracting, motivating and retaining Executive Directors. The policy aims to reward Executive Directors and senior Executives by offering them competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability and which do not encourage excessive risk taking.

In particular, the Committee strives to ensure that remuneration packages are:

- aligned with the Group's strategic plan;
- aligned with shareholders' interests;
- measured against stretching targets, both in absolute and relative terms;
- competitive and sufficiently flexible to support the recruitment needs of the business;
- paid in a combination of cash and shares; and
- linked to performance measured over annual and three-year performance periods.

Summary of components of Executive Directors' remuneration

The table below summarises the Committee's policy for the main components of remuneration.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Salary	<p>Reflects the performance of the individual, their skills and experience, and the responsibilities of the role.</p> <p>Provides an appropriate level of basic fixed income.</p>	<p>Reviewed annually, taking account of absolute Group profitability and performance against personal and corporate objectives.</p> <p>Set with reference to the levels of base salary for similar positions with comparable status, responsibility and skills in competitor organisations of comparable size and complexity, in particular those in the home shopping and retail market sectors.</p> <p>When reviewing salary increases the Committee takes into account the impact of any increase to base salaries on the total remuneration package.</p> <p>Any changes normally take effect from 1 June.</p>	<p>Salary increases will normally be in line with increases awarded to other employees of the Group.</p> <p>More significant increases may be awarded at the discretion of the Committee, for example: where there is a change in responsibilities or scope of the role; to reflect individual development and performance in the role (e.g. for recent hires); or in exceptional circumstances.</p>	<p>None, although overall individual performance is a factor considered when setting and reviewing salaries.</p>
Annual bonus	<p>Drives and rewards annual delivery of financial, corporate and personal goals.</p> <p>Annual performance targets are aligned to the long-term strategic KPIs of the Company and aimed at increasing shareholder value, whilst being prudent and safeguarding the future of the Company.</p> <p>Deferral provides alignment with shareholders and assists with retention.</p>	<p>Targets are reviewed annually to ensure that they are appropriate to the current market conditions, the long-term strategy of the Company and that they continue to remain stretching and challenging.</p> <p>Bonuses will be paid 60% in cash, with 40% deferred as a conditional award of shares.</p> <p>Vesting of future deferred shares is at the end of three years from the award of the bonus, subject to continued employment (save in 'good leaver' scenarios).</p> <p>The payment of any earned bonus remains ultimately at the discretion of the Committee.</p> <p>Executives may also be entitled to receive dividends equivalents on vested shares.</p>	<p>Chief Executive: up to 150% of base salary p.a.</p> <p>Other Executive Directors: up to 125% of base salary p.a.</p>	<p>A significant majority of the annual bonus will normally be determined by reference to performance against stretching Group profit measures.</p> <p>Additional targets linked to corporate performance and individual targets will be applied.</p> <p>Personal objectives will be measurable and linked to goals that are consistent with the Group's longer-term goals.</p> <p>Performance below threshold results in zero payment.</p> <p>Payment rises from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum, with 50% of the maximum normally payable for on-target performance.</p> <p>Includes a 'clawback' mechanism in the event of material misstatement of the Group's financial results or individual misconduct.</p>

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Long-term incentive plan 'LTIP'	Provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby aligning the interests of shareholders and Executives.	<p>Annual grants of performance shares which vest, subject to the Group's performance, measured over three years.</p> <p>Participation and all awards are subject to the discretions given to the Committee in the plan rules.</p> <p>Executives may also receive dividend equivalents on vested shares.</p> <p>The Committee retains the discretion to subject the LTIP awards to a holding period of up to two years post vesting.</p>	<p>Normal maximum of 150% of salary.</p> <p>Exceptional circumstances maximum of 200% of salary.</p>	<p>The performance conditions for awards granted from 2016/17 onwards will be split between growth in adjusted EPS in excess of RPI (50% of the award), free cash flow (30% of the award) and revenue (20% of the award). The Committee will have the discretion to change the weightings of measures, or use different measures for subsequent awards so that they are directly aligned with the Group's strategic objectives for each performance period.</p> <p>Targets are set by the Remuneration Committee prior to each grant and will be based on a sliding scale. For each measure, performance below threshold results in zero payment. Payment rises from 25% at threshold to 100% of the maximum opportunity at a maximum performance level.</p> <p>Includes a 'clawback' mechanism in the event of a material misstatement of the Group's financial results or individual misconduct.</p>
All-employee share schemes (SAYE and SIP)	All employees, including Executives, are able to acquire shares by participating in the Group's all-employee share plan at the discretion of the Committee.	The Group operates an HM Revenue & Customs approved savings related share option scheme for the benefit of Group employees provided that they have completed at least six months' service. Participation in the SIP may also be offered.	The plans are subject to statutory individual limits as amended from time-to-time or such lower limits as set by the Group.	These are broad based plans and are not subject to performance targets.
Pension	Provides retirement benefits that reward sustained contribution.	The Company operates a defined contribution plan and may also provide cash pension contributions or cash supplements in lieu.	Up to 15% of salary as a Company contribution to a defined contribution pension scheme and/or as a cash allowance.	N/A.
Other benefits	Provides a competitive package of benefits that assists with recruitment and retention.	<p>Main benefits currently include private medical insurance and a car allowance. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.</p> <p>Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p>	<p>Car and fuel allowance up to £20,000 per annum.</p> <p>Other benefits will be in line with market. The value of each benefit is based on the cost to the Company and is not predetermined.</p>	N/A.

Notes:

- A description of how the Company intends to implement the policy set out in this table for 2017/18 is set out in the Annual Report on Remuneration.
- The remuneration policy for the Executive Directors and other senior Executives is designed with regard to the policy for employees across the Group as a whole. However, there are some differences in the structure of the remuneration policy for senior Executives. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and senior executives, a greater emphasis tends to be placed on performance-related pay in the market.
- All-employee share plans do not have performance conditions. Executive Directors are eligible to participate in the SAYE and SIP on the same terms as other employees.
- Copies of the LTIP rules are available on request from the Company Secretary.
- LTIP awards granted prior to 2014 and LTIP awards prior to 2017 are subject to performance conditions described in the Annual Report on Remuneration.
- The Company also operates share ownership guidelines requiring Executive Directors to acquire and hold a specified level of shareholding. The current level of holding expected under the guidelines is described in the Annual Report on Remuneration.
- Awards may be structured as nil cost options, conditional awards of shares and may be delivered through a Joint Share Ownership Plan structure.

How employees' pay is taken into account

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. The Company's ability to meet growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. As a result, our employment policies, remuneration and benefit packages for employees are regularly reviewed. Whilst there are some differences in the structure of the remuneration policy, these reflect individuals' differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior Executives within the organisation.

Although the Committee does not consult directly with employees on Directors' pay, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for Directors' remuneration. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for Directors' pay.

Committee discretions

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans and to be consistent with market practice, the Committee will retain certain operational discretions. These include:

- selecting plan participants;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends);
- determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year.

If an event occurs which results in the Annual Bonus Plan, Deferred Share Bonus Plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

In approving the remuneration policy, authority is given to the Company to honour any commitments previously entered into with the current or former Directors in accordance with the relevant plan rules, where applicable. It is also part of this policy that the Company will honour payments or awards crystallising after the effective date of this policy but arising from commitments entered into at a time when the relevant individual was not a Director of the Company. Details of any payments to former Directors will be set out in the Annual Report on Remuneration.

Selection of performance metrics and targets

All incentives are subject to the individual review and scrutiny of the Committee, particularly in the case of share incentives, both at award and vesting to ensure that performance has been correctly adjudicated and to safeguard against excessive overall reward. Variable pay and remuneration is linked to both corporate and individual performance and is benchmarked to attract and retain the highest quality people.

The annual bonus is designed to thoroughly stretch the performance of the Executive and is linked to absolute growth in annual Group profit, the achievement of certain business targets and of personal objectives. These targets are reviewed and agreed by the Committee at the beginning of each financial year to ensure that they are appropriate to the current market conditions and the long-term strategy of the Company, and that they continue to remain stretching and challenging. The targets are linked to KPIs which are drawn from, and relate to, the achievement of 'milestones' contained in the Company's strategic long-term plan. This ensures they are aligned to the strategic objectives of the Company and designed to increase shareholder value, whilst being prudent and safeguarding the long-term future of the Company.

For 2017, the Committee has decided to maintain a condition based on growth in adjusted EPS, free cash flow and revenue measures for the LTIP. Adjusted EPS is considered appropriate as it is easily understood, is a key measure of financial performance and closely aligned to the Company's objective of driving profitable growth. The measure takes account of fair value adjustments to financial instruments (net of tax) as well as other non-recurring exceptional items such as unplanned investments in IT infrastructure, acquisitions and/or disposals. As the targets are set as a rate of growth in excess of RPI it also takes into account inflation. The free cash flow measure is defined as cash flow generated from operations excluding receivables and is seen as a key measure for N Brown to monitor the flows of cash in and out of the business as well as providing an assessment of underlying profitability. Revenue is a critical KPI for the business and management have clear line of sight over this measure and given that earnings measures make up the majority of the plan, there is an appropriate balance to encourage revenue growth whilst maintaining margin. The Committee retains the discretion to change the performance measures to reflect its strategy.

The Committee considers the Group's performance on environmental, social and governance ('ESG') issues when setting the remuneration of any Executive Director and is of the opinion that the incentive arrangements for senior managers do not raise ESG risks by inadvertently motivating irresponsible behaviour or the taking of undue risks with the business.

Shareholding guidelines

It is the Board's policy that Executive Directors build and retain a minimum shareholding in the Company. Under these guidelines the Chief Executive and the Chief Financial Officer are respectively required to hold Company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary, respectively, and to have met this guideline within five years of appointment.

Details of the current shareholdings of the Executive Directors are provided later in this report.

How shareholders' views are taken into account

The Committee considers shareholder feedback received regarding the Directors' Remuneration Report and guidance from shareholder representative bodies more generally. As appropriate, the Committee also seeks feedback from shareholders on specific matters. These views are key inputs when shaping remuneration policy.

In developing the changes proposed to the policy last year, the Committee engaged with its major shareholders and representative bodies and took their opinions into consideration.

Executive Directors' service agreements and termination policy

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of 12 months' notice.

The policy is that the Company does not make payments beyond its contractual obligations on termination. In addition, Executive Directors are expected to mitigate their loss or, within existing contractual constraints, accept phased payments. The Committee seeks to ensure that there are no unjustified payments for failure. Neither of the Executive Directors' contracts provides for liquidated damages. There are no special provisions contained in any of the Executive Directors' contracts that provide for longer periods of notice on a change of control of the Company. Furthermore, there are no special provisions providing for additional compensation on an Executive Director's cessation of employment with the Company. Where the Director may be entitled to pursue a legal claim, the Company will be entitled to negotiate settlement terms that the Committee considers to be in the best interests of the Company and to enter into a settlement agreement to effect the terms agreed under the service contract and any additional statutory or other claims. The Committee may pay reasonable outplacement and legal fees where considered appropriate.

Name	Date of contract	Potential termination payment
Angela Spindler	1 July 2013	12 months' salary and benefits
Craig Lovelace	6 January 2015	12 months' salary and benefits

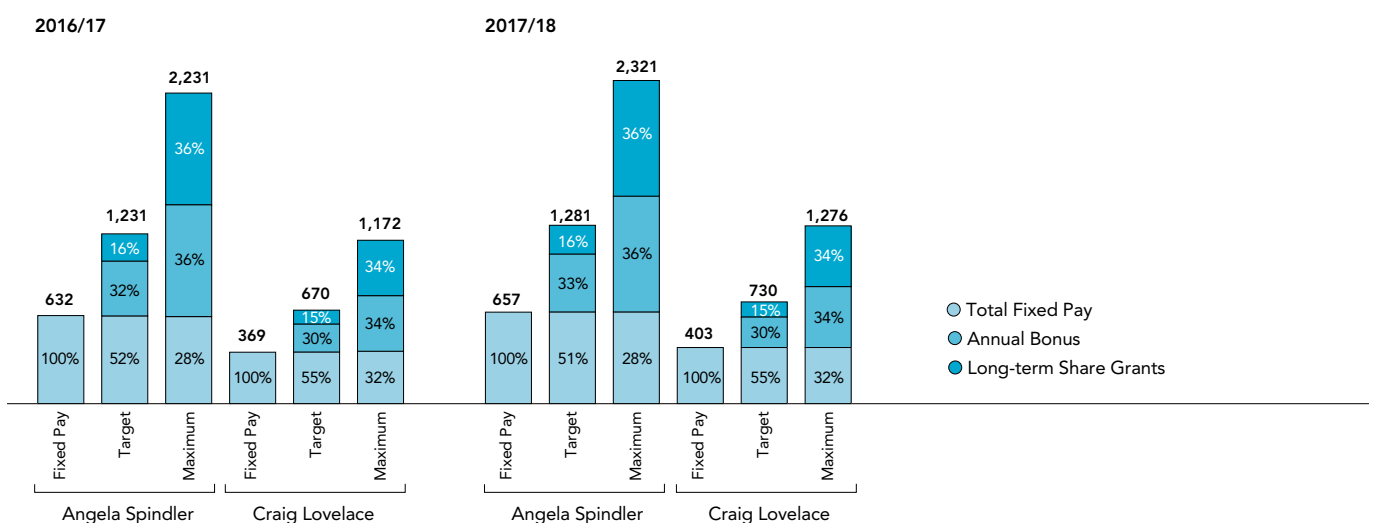
Assumptions:

- 1 Fixed pay = salary to be paid in year, benefits and pension provision.
- 2 On target = fixed pay plus target annual bonus (50% of the maximum) of 75% of salary for the Chief Executive and 62.5% of salary for the Chief Financial Officer plus target LTIP awards of 37.5% of salary for the Chief Executive and 31.25% for the Chief Financial Officer.
- 3 Maximum = fixed pay plus maximum annual bonus of 150% of salary for the Chief Executive and 125% for the Chief Financial Officer plus maximum LTIP awards of 150% of salary for the Chief Executive and 125% for the Chief Financial Officer.
- 4 Salary levels (on which other elements of the packages are calculated) are based on those effective from 1 March 2016 (£543,660 for the Chief Executive and £342,720 for the Chief Financial Officer).
- 5 The value of taxable benefits is based on an estimated cost of £19,000 in respect of the Chief Executive and £18,000 for the Chief Financial Officer and includes a car allowance and health insurance.
- 6 Pension provision is 15% of salary for the Chief Executive and 10% for the Chief Financial Officer.

Other than in certain 'good leaver' circumstances (including, but not limited to, redundancy, ill-health or retirement or on a change of control), no bonus would be payable unless the individual remains employed and is not under notice at the payment date. Any bonuses paid to a 'good leaver' would be based on an assessment of their individual and the Company's performance over the period, and normally pro-rated for the proportion of the bonus year worked.

Deferred bonus share awards will also normally lapse on cessation of employment, unless the Executive Director is deemed to be a 'good leaver' by the Committee. Awards will vest early on a change of control subject to the plan rules.

POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS (£'000)



With regards to long-term incentive awards, the LTIP rules provide that other than in certain 'good leaver' circumstances, awards lapse on cessation of employment. Where an individual is a 'good leaver', the Committee's policy for future LTIP awards will be to permit awards to remain outstanding until the end of the original performance period, when a pro-rata reduction will be made to take account of the proportion of the vesting period that elapsed prior to termination of employment, although the Committee has discretion to partly or completely disapply pro-rating in certain circumstances. On a change of control awards would vest, subject to the extent to which the performance conditions have been achieved and, normally, pro-rating for time. The Committee has discretion to determine 'good leaver' treatment. In doing so, it will take account of the reason for their departure and the performance of the individual.

For awards granted under the LTIP, awards lapse if cessation occurs during the financial year in which an award is granted. Thereafter awards held by good leavers may vest subject to performance without pro-rating. On a change of control existing awards would not be pro-rated.

Apart from service contracts, no Executive Director has any material interest in any contract with the Company or its subsidiaries.

Copies of Executive Directors' service contracts (and also Non-Executive Directors' letters of appointment) are available for inspection at the Company's registered office on application to the Company Secretary.

Recruitment of Executive Directors

Base salary levels will be set in accordance with the Company's remuneration policy, taking account of the Executive's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of above inflation increases to the desired salary positioning may be given over subsequent years subject to individual and Company performance.

Benefits and pension will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For an overseas appointment, the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits set out in the policy table). Assistance with relocation may be provided where appropriate. Tax equalisation may also be considered as may payment of the Executive's legal fees in connection with the appointment.

The variable pay opportunity will be in accordance with the Company's approved policy as detailed above. However, different performance measures and targets may be set for the first year in the case of the annual bonus and long-term incentives taking into account the responsibilities of the individual, and the point in the financial year at which they joined. A new employee may be granted normal annual share awards in the first year of employment in addition to any awards made with respect to prior employment being forfeited. Such awards would normally be made shortly following an appointment (assuming the Company is not in a close period).

If it is necessary to buy-out incentive pay, which would be forfeited by reason of leaving the previous employer, in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as it considers relevant. Existing arrangements may be bought out on terms that are no more favourable than the Committee considers is required to provide reasonable compensation to the incoming Director for the awards they will be losing. Existing plans will be used to the extent possible (subject to the exceptional limits contained in the plan rules), however, the Committee retains discretion to agree bespoke arrangements and, if required, to make use of the flexibility provided by the Listing Rules to make awards without prior shareholder approval when buying out existing entitlements. The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Policy for Non-Executive Directors

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Non-Executive Directors' and Chairman's fees	Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre Non-Executives.	<p>All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to Non-Executive Directors of similar companies.</p> <p>The Chairman is paid a single fee for all his responsibilities.</p> <p>The Non-Executives are paid a basic fee. The Chairs of Committee and Senior Independent Director receive additional fees to reflect their extra responsibilities.</p> <p>Non-Executive Directors may not participate in any of the Company's share incentive schemes or performance-based plans and are not eligible to join the Company's pension scheme.</p> <p>Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit and limited benefits relating to travel, accommodation, secretarial support and hospitality provided in relation to the performance of their duties.</p> <p>When reviewing fee levels, account is taken of market movements in Non-Executive Director fees, Board Committee responsibilities, ongoing time commitments, the general economic environment and the level of increases awarded to the wider workforce.</p> <p>In exceptional circumstances, additional fees may be paid where there is a substantial increase in the time commitment required of Non-Executive Directors.</p> <p>If there is a temporary yet material increase in the time commitment required of Non-Executive Directors, the Board may pay additional fees on a pro-rata basis to recognise the additional workload.</p>	N/A.	N/A.

Non-Executive Directors' letters of appointment

Non-Executive Directors are retained on letters of appointment. Other than the Chairman and Lord Alliance, whose letters of appointment provide for six months notice in the event of early termination, all Non-Executive appointments are on three-year rolling terms terminable upon three months' notice. All appointments are subject to successful re-election upon retirement at the annual general meeting. Termination carries no right to compensation other than that provided by general law.

Brief details of Non-Executive Directors' contracts are summarised below:

Name	Date of contract/ letter of appointment	Date current term commenced	Notice period
Lord Alliance of Manchester CBE	16 May 2007	10 April 2016	6 months
Ivan Fallon	1 October 1994	10 April 2016	3 months
Andrew Higginson	3 July 2012	3 July 2016	6 months
Fiona Laird	1 March 2013	1 April 2016	3 months
Simon Patterson (resigned 13 April 2016)	13 March 2013	N/A	3 months
Ronald McMillan	1 March 2013	1 April 2016	3 months
Lesley Jones	30 September 2014	1 October 2014	3 months
Richard Moross	13 September 2016	6 October 2016	3 months

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2017 annual general meeting. The information on pages 82 to 84 has been audited.

The Remuneration Committee and its advisers

Members of the Remuneration Committee

Name	From	To
Fiona Laird (Chair)	1 April 2013	To date
Ron McMillan	1 April 2013	To date
Richard Moross	3 January 2017	To date

General Counsel and Company Secretary, Theresa Casey, acts as secretary to the Committee and the Chief Executive, Angela Spindler, the Chair, Andrew Higginson, and a senior member of the People team, may also attend meetings by invitation. However, no Director played any part in discussion about his or her own remuneration.

The Committee members have no personal financial interest (other than as shareholders) in matters to be decided, no potential conflicts of interest arising from cross-Directorships and no day-to-day involvement in running the business and are considered by the Company to be independent. The Committee has formal written terms of reference which are available for shareholders to inspect and on the corporate website. The Committee met twice during the year. See page 72 for details of attendance.

Advisers

The Committee received advice from New Bridge Street (part of Aon plc). New Bridge Street was formally appointed by the Committee.

New Bridge Street is a signatory to the Remuneration Consultants' Group Code of Conduct, which sets out guidelines to ensure that its advice is independent and free from undue influence. The Group received no other services from New Bridge Street or any other part of the Aon group of companies, during the year. The fees paid to New Bridge Street in 2016/17 were £25,964 (2015/16: £40,512). The Committee reviews the performance and independence of its advisers on an annual basis and is satisfied that the advice received is objective and independent.

The advisers' terms of engagement are available on request from the Company Secretary.

Consideration of matters

The Remuneration Committee has considered a number of factors when determining the application of the Remuneration Policy including the average pay increases for the general workforce, market conditions and achievement of objectives.

Payments to past Directors and payments for loss of office

There have been no payments to past Directors or payments for loss of office during the year.

Application of the remuneration policy for 2017/18

Base salary

The Executive Directors' salaries were reviewed in April 2017. The salary increases take effect from 1 June 2017 for the CEO and CFO and are set out below. The salary increases are in line with the average received by the general workforce.

Name	Salary as at 1 October 2016	Salary as at 1 June 2017	Increase
Angela Spindler	£543,660	£554,533	2%
Craig Lovelace	£342,720	£349,574	2%

Fees for the Chairman and Non-Executive Directors

As detailed in the remuneration policy, the Group aims to set remuneration for Non-Executive Directors at a level which is sufficient to attract and retain Non-Executive Directors of the right calibre. Details of the fees are set out below:

	Fees as at 1 March 2016	Fees as at 1 June 2017	Increase
Chair's fees	£250,000	£250,000	0%
Other Non-Executive Directors' base fee	£47,000	£50,000	6.4% ¹
Senior Independent Non-Executive Director	£5,000	£5,000	0%
Chair of a Committee's fees	£5,000 – £8,000	£5,000 – £8,000	0%

¹ The Non-Executive Director salary has been reviewed this year and an increase of 6.4% has been made to reflect that no increases were made in the five years prior.

Annual bonus plan performance targets

The annual bonus plan for 2017/18 will be payable 60% in cash and 40% as an award of deferred shares. Deferred bonus shares will vest, subject to continued service, three years after award.

For 2017/18, the performance measures and weightings will be as follows:

Measure	As a percentage of maximum bonus opportunity	
	Angela Spindler	Craig Lovelace
Group profitability	70%	70%
Corporate objectives	20%	20%
Individual objectives	10%	10%

The personal objectives of the Executive Directors for 2017/18 are as follows:

Angela Spindler

- Deliver the Fit 4 the Future project to plan
- Develop and begin to execute accelerated growth plan for international business
- Secure and develop the financial services sector of the business

Craig Lovelace

- Develop further the strong relationships of support and trust with the CEO and Board members
- Ensure integrity of reporting internal and external numbers
- Continue to build upon improved city relationships and transparency
- Enhance reporting to provide more insightful financial information for commercial decision making
- Assess and address future skills capabilities in the finance function
- Continue to progress the Group's tax strategy and issue resolution

Long term incentive targets

Awards granted to the Executive Directors under the LTIP in 2017/18 will be subject to three metrics, namely growth in adjusted EPS, free cash flow and revenue. The performance targets are as follows:

	Percentage of each part of the award that will vest	Annual growth in adjusted EPS in excess of RPI over 3 financial years (50% of award)	Free cash flow (30% of award) is defined as cash flow generated from operations excluding receivables. Targets are cumulative over 3 financial years	Annual growth in total revenue over 3 financial years (20% of award)
Below threshold	0%	Less than RPI + 2.5%	Less than £370m	Less than 5% CAGR
Threshold	25%	At least RPI +2.5%	At least £370m	At least 5% CAGR
Maximum	100%	At least RPI + 9.0%	At least £450m	At least 10% CAGR

For performance that is between the threshold and maximum levels awards vest on a straight-line basis.

Directors' emoluments (Audited)

	Year	Salaries and fees ¹ £000's	Taxable benefits ² £000's	Bonus (cash and deferred shares) £000's	LTIP £000's	Pension £000's	Other ³ £000's	Total £000's
Executives (salaries)								
Angela Spindler	2016/17	544	19	343	–	82	385	1,373
	2015/16	533	18	152	–	80	–	783
Craig Lovelace	2016/17	342	18	187	–	34	–	581
	2015/16	258	14	56	–	26	9	363
Non-Executives (fees)								
Lord Alliance of Manchester CBE	2016/17	47	–	–	–	–	–	47
	2015/16	47	–	–	–	–	–	47
Andrew Higginson	2016/17	250	–	–	–	–	–	250
	2015/16	250	–	–	–	–	–	250
Ivan Fallon	2016/17	55	–	–	–	–	–	55
	2015/16	55	–	–	–	–	–	55
Richard Moross – appointed 6 October 2016	2016/17	19	–	–	–	–	–	19
	2015/16	–	–	–	–	–	–	–
Fiona Laird	2016/17	55	–	–	–	–	–	55
	2015/16	55	–	–	–	–	–	55
Simon Patterson – resigned 13 April 2016	2016/17	5	–	–	–	–	–	5
	2015/16	55	–	–	–	–	–	55
Ron McMillan	2016/17	60	–	–	–	–	–	60
	2015/16	60	–	–	–	–	–	60
Lesley Jones	2016/17	47	–	–	–	–	–	47
	2015/16	47	–	–	–	–	–	47

Notes:

- 1 Lord Alliance has waived his Non-Executive Director's fee. Craig Lovelace was appointed on 11 May 2015 and as such the 2015/16 figures reflect remuneration earned for the partial period.
- 2 Taxable benefits comprise private medical cover and car allowance.
- 3 Craig Lovelace received £9,434 in respect of relocation expenses. Angela Spindler received £385,000 due to the vesting of share awards as detailed on page 73 of this report.

Total pension entitlements (Audited)

Angela Spindler receives a cash supplement of 15% of salary in lieu of pension contributions.

Craig Lovelace is a member of the contributory defined contribution pension scheme ('scheme'). He receives contributions from the Company up to 10% salary with an amount up to his personal allowance being paid by the Company into the scheme and the balance being paid as cash in lieu of pension contribution. Contributions paid by the Company into the scheme during the year in respect of Craig Lovelace amounted to £25,677 (2016: £16,800).

Details of variable pay earned in the year
Annual bonus (Audited)

The table below gives details of Executive Directors' bonuses for 2016/17:

Director	Measure	Weighting (as a percentage of maximum bonus opportunity)	Performance required Threshold (0% payout)	Maximum (100% payout)	Actual Performance	Payout % of salary
Angela Spindler	Group profit	70%	£81.5m	£99.5m	£82.6m	45.15%
	Corporate objectives	20%			27.6%	8.28%
	Personal objectives	10%			65%	9.75%
Craig Lovelace	Group profit	70%	£81.5m	£99.5m	£82.6m	37.63%
	Corporate objectives	20%			27.6%	6.90%
	Personal objectives	10%			80%	10%

Notes:

- 1 The precise targets set for the corporate objectives are considered to be commercially sensitive.
- 2 Payouts determined on a straight line between threshold and maximum.
- 3 The personal objectives on which these figures are based, were disclosed on page 74 of the Annual Report and Accounts for 2016.
- 4 The corporate objectives are commercially sensitive. They include five measures that focus on various aspects of the business and are assessed objectively against measurable results.

Summary of awards granted in 2016/17 (Audited)

The table below provide details of the long-term incentive awards granted to Executive Directors during the year.

Executive	Type of award	% of condition	Salary	Face value	Number of shares	Share price at grant	Performance Period	Threshold target	Stretch target		
Angela Spindler	LTIP	50% EPS	150%	£815,489	472,063	172.75p	3yrs to end of financial year 2018/19	EPS: 25% vests if EPS growth compounded annually at least 2.5% above RPI	EPS: 100% vests if EPS growth compounded annually at least 9% above RPI		
		30% Free cash flow								Free cash flow: At least £370m	Free cash flow: At least £450m
		20% Revenue								Revenue: At least 5% CAGR	Revenue: At least 10% CAGR
Craig Lovelace	LTIP	50% EPS	125%	£419,998	243,125	172.75p	3yrs to end of financial year 2018/19	EPS: 25% vests if EPS growth compounded annually at least 2.5% more than RPI	EPS: 100% vests if EPS growth compounded annually at least 9% above RPI		
		30% Free cash flow								Free cash flow: At least £370m	Free cash flow: At least £450m
		20% Revenue								Revenue: At least 5% CAGR	Revenue: At least 10% CAGR

Note:

1 The awards are based on salaries at the date of grant.

Summary of awards (Audited)

The table below summarises each of the Executive Directors' long-term share awards and the changes that have taken place in the year.

Executive	28 February 2016	Awarded during the year	Lapsed during the year	Vested and exercised during the year	4 March 2017	Date granted	Type of award
Angela Spindler	220,338	–	–	(220,338)	–	Aug 2013	Recruitment
	151,834	–	(151,834)	–	–	Aug 2013	LTIP
	185,198	–	–	–	185,198	Aug 2014	LTIP
	238,087	–	–	–	238,087	Aug 2015	LTIP
	–	472,063	–	–	472,063	Aug 2016	LTIP
	–	12,790	–	–	12,790	June 2016	DSBP
Craig Lovelace	119,117	–	–	–	119,117	Aug 2015	LTIP
	–	4,731	–	–	4,731	June 2016	DSBP
	–	243,125	–	–	243,125	Aug 2016	LTIP

Summary of awards lapsed or vested in 2016/17 (Audited)

The table below provides details of the long-term incentive awards made to Executive Directors that lapsed to during the year.

Executive	Type of award	% of condition	Salary	Face value	Number of shares	Share price at grant	Performance Period	Threshold target	Stretch target	Actual performance	Vesting
Angela Spindler	LTIP	50% EPS	125%	£650,000	151,834	428.1p	EPS: 3 years to end of financial year 2015/16	EPS: 50% vests if EPS growth compounded annually greater than 5%	EPS: 100% vests if EPS growth compounded annually greater than 10%	EPS: not achieved	0%
		50% TSR					TSR: 3 years to June 2016	TSR: 25% vests at median performance	TSR: 100% vests at upper quartile	TSR: 15th out of 20	
	Recruitment	Strategic metrics	200%	£1,040,000	220,338	472.0p	3 years to July 2016	Targets are commercially sensitive	Targets are commercially sensitive	Targets achieved	100%

Directors' shareholdings (Audited)

It is the Board's policy that Executive Directors build up and retain a minimum shareholding in the Company. Under these guidelines the Chief Executive Officer and the Chief Financial Officer are expected to hold Company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary respectively and to have met this guideline within 5 years of appointment.

The beneficial interests of Directors who served during the year, together with those of their families, in the shares of the Company are as follows:

	Owned shares (Number of shares)				Other interests in shares			
	28 February 2016	4 March 2017	Value of shares counting towards guideline holding (as a 2016 % of salary)	Guideline met?	Outstanding awards subject to performance conditions	Outstanding awards not subject to performance condition	Outstanding share options	Total as at 4 March 2017
Angela Spindler	100,438	214,147	41%	N/A	895,348	12,740	–	1,122,235
Craig Lovelace	–	–	0%	N/A	362,242	4,731	–	366,973
Lord Alliance of Manchester CBE	95,047,966	95,047,966	N/A	N/A	–	–	–	95,047,966
Andrew Higginson	101,009	104,161	N/A	N/A	–	–	–	104,161
Ivan Fallon	11,425	11,425	N/A	N/A	–	–	–	11,425
Ron McMillan	–	–	N/A	N/A	–	–	–	–
Fiona Laird	–	–	N/A	N/A	–	–	–	–
Simon Patterson (resigned April 2016)	10,000	N/A	N/A	N/A	–	–	–	–
Lesley Jones	–	–	N/A	N/A	–	–	–	–
Richard Moross	–	–	N/A	N/A	–	–	–	–

The Directors' share interests shown above include shares held by members of the Director's family, as required by the Companies Act 2006.

There have been no changes to the Directors' interests in shares between 4 March and 30 April 2017.

Performance graph and table

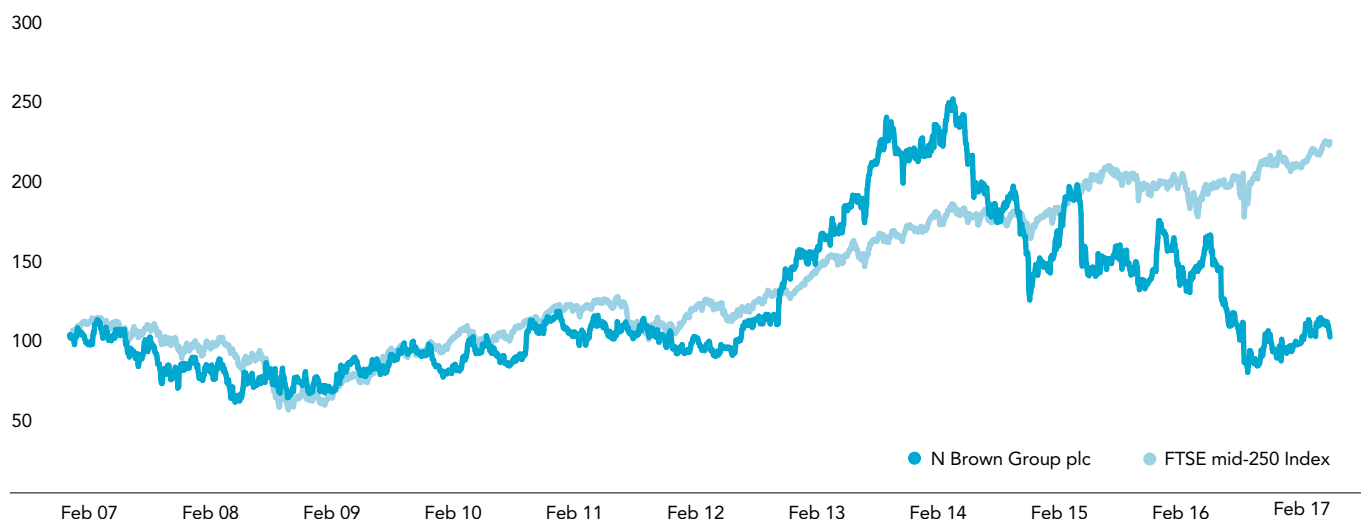
The graph shows the Company's ten year performance, measured by TSR, compared with the performance of the FTSE 250 Index, also measured by TSR. The Company was a member of this index throughout the 2016/17 financial year and accordingly it is felt to be the most appropriate comparator group for this purpose.

Analysis of Chief Executive's pay over 9 years

	Alan White					Angela Spindler			
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17
Total remuneration (£'000)	2,438	3,738	2,734	1,780	2,734	1,364	728	783	1,373
Annual bonus (% of maximum)	96.9%	90.6%	38.7%	71.4%	15.8%	83.2%	0%	27.9%	42.1%
Long term share vesting (% of maximum)	100%	100%	100%	100%	85%	N/A	N/A	N/A	N/A

TOTAL SHAREHOLDER RETURN PERFORMANCE: N BROWN VS FTSE 250

(rebased to 100)



Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any long term share awards and pension benefits receivable in the year) between the 2015/16 and 2016/17 financial years, compared to that of the average for all employees of the Group.

	% Change from 2015/16 to 2016/17		
	Salary	Benefits	Annual bonus
Chief Executive	+2.0%	5.6%	+126%
Average of other employees	+2.0%	nil	+173%

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends.

	2017	2016	% Change
Staff costs (£m)	69.3	71.3	-2.8%
Dividends (£m)	40.2	40.2	0%

The figures relate to amounts payable in respect of the relevant financial year.

Shareholder voting on the Directors' Remuneration Report at the 2016 annual general meeting

Annual Report on Remuneration

	Total number of votes	% of votes cast
For	186,409,339	92.82%
Against	1,121,425	0.56%
Total votes cast (excluding withheld votes)	187,530,764	93.38%
Votes withheld ¹	13,294,675	6.62%
Total votes cast (including withheld votes)	200,825,439	100%

¹ A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast 'for' and 'against' a resolution.

Shareholder voting on the Directors' Remuneration Policy at the 2016 annual general meeting

Directors' Remuneration Policy

	Total number of votes	% of votes cast
For	181,154,278	90.20
Against	17,796,528	8.86
Total votes cast (excluding withheld votes)	198,950,806	99.06
Votes withheld ¹	1,897,309	0.94
Total votes cast (including withheld votes)	200,848,115	100%

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 9 May 2017.

Signed on behalf of the Board on 9 May 2017.



Fiona Laird

Chair of the Remuneration Committee

Opinions and conclusions arising from our audit:

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of N Brown Group PLC for the 53 weeks ended 4 March 2017 set out on pages 90 to 126. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 4 March 2017 and of the group's profit for the 53 weeks then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Overview		Risks of material misstatement	vs 2016
Materiality: group financial statements as a whole	£3.6m (2016: £3.8m) (4.3% (2016: 4.3%) of normalised group profit before tax)	Recurring risks Allowance for doubtful debts	▼
Coverage	100% (2016: 100%) of group profit before tax	Tax provisions	▲
		Carrying value of software and development costs	◊
		Regulatory provisions	▲
		Carrying value of inventories	◊

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows (unchanged from 2016):

The Risk	Our response
<p>Allowance for doubtful debts £64.7m (2016: £97.6m)</p> <p>Risk vs 2016 ▼</p> <p>Refer to page 68 (Audit Committee Report), pages 97 and 99 (accounting policy), pages 108 to 109 (financial disclosures)</p> <p>The allowance for doubtful debts requires the Directors to assess which accounts are considered impaired and estimate the quantum of the associated impairment. This assessment is particularly judgmental in the case of customers in early arrears or under revised payment terms. A proportion of the Group's customers are subject to revised payment terms, in particular where interest has been temporarily waived, which makes the impact of this judgment more significant for N Brown.</p> <p>The Group has segmented the debtors book into accounts that are interest bearing and those that are not, which allows for a degree of granularity when applying the other key judgements, which are the probability of default and the timing and value of cash flows.</p> <p>To assess the probability of default, the Group estimates a customer's likelihood of entering default based upon the experience of customers with comparable characteristics such as arrears status and payment history. These estimates are inherently uncertain because they are reliant upon historical, non-predictive data and are impacted by the Group's segmentation of customers with comparable impairment characteristics.</p> <p>The expected loss on default of receivables is based on expected timing and value of cash flows which are estimated using historical cash receipts and write-offs incurred for customers with comparable arrears status and payment history, interest and fees charged and debt sale rates. These estimates are inherently uncertain because of the long-term nature of the cash receipts and the exposure of the portfolio to the credit performance of many individual customers.</p> <p>Due to the quantity of data involved in assessing all of these elements of the provision, it is a complex model for which the completeness and accuracy of data inputs and the accuracy of calculations are, in themselves, risks.</p>	<p>Our audit procedures included:</p> <p>We critically assessed the Group's definition of 'Objective evidence of impairment' of customer receivables against the requirements of the relevant accounting standards, including evidence of the Group's experience of customers with comparable characteristics.</p> <p>We compared the assumptions made in respect of the probabilities of default against our understanding of the Group as well as our knowledge of market counterparts, and consistency with the historical internal data available.</p> <p>We assessed and challenged the assumptions made in respect of timing and value of cash flows for all segments of the model (including customers in arrears and subject to revised payment terms) against historical internal data taking into account information from peers and knowledge of the industry.</p> <p>We obtained supporting evidence relating to the quantum of debt sales in the year and critically assessed if the debt sales supported management estimates for future cash flows and recoveries.</p> <p>We assessed the accuracy of the allowance for doubtful debts model, with assistance from our IT specialists, by reviewing the detail of the model, and compared the methodology used to our interpretation of the requirements of the relevant accounting standards. This included testing of the completeness and accuracy of data through testing a sample of customer data back to the source system.</p> <p>We also considered the adequacy of the Group's disclosures in relation to the allowance for doubtful debts for compliance with the relevant accounting policies.</p>

The Risk

Our response

Taxations Provisions

Risk vs 2016 ▲

Refer to page 68 (Audit Committee Report), pages 96 and 99 (accounting policy), page 104 (financial disclosures)

The outcome of a number of open VAT and corporation taxation positions, some of which are proceeding towards litigation, is uncertain and as such has required the Directors to make significant judgements and estimates in relation to the likely outcome of these tax issues and exposures. There is a risk that the judgements made by the Directors, and therefore the amounts recorded in the financial statements will differ from any final settlements agreed with HMRC. Given the significant value and judgmental nature of this provisioning, this is considered to be an area of significant audit risk.

Our audit procedures included, with assistance from our own tax specialists:

- Analysing and challenging the assumptions applied by the Directors' to determine tax provisions.
- Inspecting correspondence with HMRC and evaluating the Directors interpretation of this correspondence by forming our own expectations of the provisions required in the financial statements.

These assessments were based on our knowledge of the business and experience of the industry in which it operates, together with our knowledge and experience of the application of the relevant legislation by authorities and courts.

Specifically in relation to VAT, we inspected legal counsel opinion received by the Directors in relation to the Group's likelihood of success in each of the open VAT exposures and critically assessing whether amounts recorded in the financial statements were consistent with this legal opinion.

We also considered the adequacy of the Group's disclosures in relation to Taxation provisions for compliance with the relevant accounting policies.

Carrying value of software and development costs under the course of construction: £83.4m (2016: £51.2m)

Risk vs 2016 ◆

Refer to page 68 (Audit Committee Report), pages 95 and 99 (accounting policy), page 106 (financial disclosures).

The Group has incurred significant software and development project costs in the year in respect of the Fit 4 the Future project, a significant systems infrastructure programme. The Group capitalises both internal and external eligible costs to the extent that future economic benefits are expected to be generated by the project. This requires judgement as to whether the costs incurred are directly attributable and incremental, and that the development relates to technically feasible systems and websites. Given the significant value and judgemental nature of the classification of software and development assets, between operational and capital expenditure, this is considered to be an area of significant audit risk.

Furthermore, assets under the course of construction are not subject to amortisation and as such are required to be tested for impairment annually. Assessing recoverability of these assets is based on forecasting and discounting future cash flows, which are themselves inherently highly judgemental.

Our audit procedures included comparing a statistical sample of costs capitalised to external invoices or internal timesheets, determining the nature of the expenses to assess whether costs are appropriately capitalised, by reference to the recognition criteria of the applicable accounting standards.

With assistance from our own IT specialists, we challenged the group's assessment of the technical feasibility of the different project releases based on our discussions with key project leads and reviews of detailed business cases and project plans produced internally, outlining the proposed features and expected completion dates.

We challenged the group's assessment of impairment indicators based on our understanding of project progress and performance to date obtained from our other audit procedures.

We critically assessed the key inputs into the Group's cash flow forecasts, used as a basis for determining the Value in Use of the cash generating unit to which the asset was allocated, specifically revenue growth, cost reduction, discount rate and the timing and amount of capital expenditure. This assessment was performed with reference to Board-approved forecasts and knowledge gained from performing our other audit procedures including consideration of the accuracy of previous forecasts. We sensitised key inputs to the model to determine the likely impact on the value in use calculation.

We critically evaluated the discount rates used to discount the forecast cash flows by comparing the rates used to market data, and we performed our own sensitivity analysis of the impact on the impairment charge to changes in the rate used.

We evaluated the adequacy of the related disclosures in the Group financial statements.

	The Risk	Our response
<p>Regulatory Provisions £19.9m (2016: nil)</p> <p>Risk vs 2016 ▲</p> <p>Refer to page 68 (Audit Committee Report), pages 98 and 99 (accounting policy), page 114 (financial disclosures)</p>	<p>The Group's provision of credit services to customers mean that it operates within a regulated environment which requires the Group to comply with the requirements of the Financial Conduct Authority (FCA) and maintain FCA permissions.</p> <p>The requirement for FCA permissions includes the fair treatment of customers, protections for vulnerable customers and appropriate and clear disclosure of terms to customers. Where the group has identified areas of non-compliance with these regulations, provision is made for the expected cost of redressing customers. Such provisioning requires significant judgements to be made with respect to complaint volumes, the level of average redress and expected uphold rates. Given the significant value and judgemental nature of this provisioning, this is considered to be an area of significant audit risk.</p>	<p>Our audit procedures include the following:</p> <p>We have assessed the entity-wide governance processes for the identification of regulatory issues and areas of non-compliance.</p> <p>We have reviewed correspondence with the regulators and assessed customer complaints for indications of significant or non-identified areas of customer detriment that may require provision in the financial statements.</p> <p>We have assessed the areas of non-compliance and customer complaints identified and documented by the Group. Using our experience of the regulatory requirements and wider industry, we critically assessed the key inputs into the group's calculation of regulatory provisions, specifically we:</p> <ul style="list-style-type: none"> assessed the accuracy of the complaints register and the classification of complaints, by comparing data recorded to the supporting customer complaint. assessed the completeness of the complaints register and claims volume by comparing to customer correspondence and critically assessing claims volumes with respect to historical data compared average claim redress and uphold rates inputs to historical experience compared the forecast future claims profile to historical data, considering the accuracy of previous forecasting and market expectations. <p>We also considered the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of regulatory provisioning.</p>
<p>Carrying value of inventories: £105.5m (2016: £101.5m)</p> <p>Risk vs 2016 ◆</p> <p>Refer to page 68 (Audit Committee Report), pages 96 and 99 (accounting policy), page 108 (financial disclosures).</p>	<p>The Group has significant levels of inventory and a number of judgements and estimates are involved in valuing aged or slow moving inventories.</p> <p>Furthermore, the seasonal nature of a retail business and changes in customer preferences and spending patterns, primarily driven by the wider fashion industry, introduce uncertainty over the recoverability of inventories.</p> <p>Given the level of judgements and estimates involved this is considered to be a key audit risk.</p>	<p>Our audit procedures included comparing inventory levels, by season, to sales data to test whether slow moving and obsolete inventories had been appropriately identified. We considered sales of inventories during the year, in particular of inventory which has been held for greater than one year and clearance categories, and compared these sales to the Group's forecast sales plan at the period end date.</p> <p>We utilised data analytics to test the adequacy of inventory provision by comparing the recent selling price of inventory to the cost of the inventory as well as analysing the ageing of inventory items. We also considered whether the Group's accounting policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of inventory provisioning.</p>

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £3.6m (2016: £3.8m), determined with reference to a benchmark of group profit before tax, normalised to exclude this year's exceptional items as disclosed in note 7, of £25.2m, of which it represents 4.3% (2016: 4.3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m (2016: £0.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

All of the group's reporting components were subjected to audits for group reporting purposes, The audits were conducted by the Group audit team and covered 100% of Group revenue, Group profit before tax, and Group assets. Component materialities, which ranged from £0.1m to £3.0m were applied by the Group team, having regard to the mix of size and risk profile of the Group across the components (2016: audited as if it was a single aggregated set of financial information to group materiality of £3.8m).

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of Viability Statement on pages 62 to 63, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the group's continuing in operation over the 3 years to 2020; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you 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 and the part of the Directors' Remuneration Report to be audited 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.

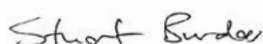
Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 62 to 63, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 56 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



Stuart Burdass (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
9 May 2017

CONSOLIDATED INCOME STATEMENT

	Note	53 weeks ended 4 March 2017			52 weeks ended 27 February 2016		
		Before exceptional items £m	Exceptional items (note 7) £m	Total £m	Before exceptional items £m	Exceptional items (note 7) £m	Total £m
Continuing operations							
Revenue	3	900.7	–	900.7	866.2	–	866.2
Operating profit	4,6	90.3	(25.2)	65.1	96.4	(17.2)	79.2
Finance costs	9	(7.7)	–	(7.7)	(8.1)	–	(8.1)
Profit before taxation and fair value adjustments to financial instruments		82.6	(25.2)	57.4	88.3	(17.2)	71.1
Fair value adjustments to financial instruments	19	0.2	–	0.2	1.1	–	1.1
Profit before taxation		82.8	(25.2)	57.6	89.4	(17.2)	72.2
Taxation	10	(18.3)	5.0	(13.3)	(20.7)	3.4	(17.3)
Profit for the year from continuing operations		64.5	(20.2)	44.3	68.7	(13.8)	54.9
Loss for the period from discontinued operations	5	–	–	–	(0.6)	–	(0.6)
Profit attributable to equity holders of the parent		64.5	(20.2)	44.3	68.1	(13.8)	54.3
Earnings per share from continuing operations							
Basic	12			15.67p			19.45p
Diluted				15.66p			19.43p
Earnings per share from continuing and discontinued operations							
Basic	12			15.67p			19.23p
Diluted				15.66p			19.22p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

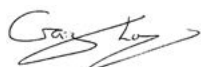
	Note	53 weeks ended 4 March 2017 £m	52 weeks ended 27 February 2016 £m
Profit for the period		44.3	54.3
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	30	(3.1)	12.5
Tax relating to items not reclassified	10	0.6	(2.5)
		(2.5)	10.0
Items that may be reclassified subsequently to profit or loss			
Exchange gain on translation of foreign operations		0.5	0.8
Total comprehensive income for the period attributable to equity holders of the parent		42.3	65.1

CONSOLIDATED BALANCE SHEET

	Note	As at 4 March 2017 £m	As at 27 February 2016 £m
Non-current assets			
Intangible assets	13	141.9	124.9
Property, plant and equipment	14	73.5	76.7
Retirement benefit surplus	30	8.3	10.8
Deferred tax assets	21	2.4	3.9
		226.1	216.3
Current assets			
Inventories	16	105.5	101.5
Trade and other receivables	17	575.4	553.4
Current tax asset		–	5.3
Derivative financial instruments	19	2.5	2.2
Cash and cash equivalents	26	64.1	45.3
		747.5	707.7
Total assets			
		973.6	924.0
Current liabilities			
Trade and other payables	22	(98.9)	(99.7)
Provisions	23	(15.6)	–
Current tax liability		(13.4)	–
		(127.9)	(99.7)
Net current assets			
		619.6	608.0
Non-current liabilities			
Bank loans	18	(355.0)	(335.0)
Provisions	23	(4.3)	–
Deferred tax liabilities	21	(8.2)	(13.3)
		(367.5)	(348.3)
Total liabilities			
		(495.4)	(448.0)
Net assets			
		478.2	476.0
Equity attributable to equity holders of the parent			
Share capital	24	31.3	31.3
Share premium account		11.0	11.0
Own shares	25	(0.1)	(0.2)
Foreign currency translation reserve		2.3	1.8
Retained earnings		433.7	432.1
Total equity			
		478.2	476.0

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 9 May 2017.

They were signed on its behalf by:



Craig Lovelace
CFO and Executive Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the 53 weeks ended 4 March 2017 £m	For the 52 weeks ended 27 February 2016 £m
Net cash from operating activities		89.0	64.5
Investing activities			
Purchases of property, plant and equipment		(3.7)	(12.1)
Purchases of intangible assets		(38.6)	(46.1)
Net cash used in investing activities		(42.3)	(58.2)
Financing activities			
Interest paid		(7.8)	(9.6)
Dividends paid		(40.2)	(40.2)
Increase in bank loans		20.0	48.0
Purchase of shares by ESOT		–	(0.4)
Proceeds on issue of shares held by ESOT		0.1	0.8
Net cash used in financing activities		(27.9)	(1.4)
Net increase in cash and cash equivalents		18.8	4.9
Cash and cash equivalents at beginning of period		45.3	40.4
Cash and cash equivalents at end of period	26	64.1	45.3

RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	For the 53 weeks ended 4 March 2017 £m	For the 52 weeks ended 27 February 2016 £m
Operating profit from continuing operations	65.1	79.2
Operating loss from discontinued operations	–	(0.7)
Adjustments for:		
Depreciation of property, plant and equipment	6.9	6.0
Loss on disposal of property, plant and equipment	–	0.7
Amortisation of intangible assets	20.7	19.2
Share option charge	0.5	2.2
Operating cash flows before movements in working capital	93.2	106.6
Increase in inventories	(4.0)	(6.7)
(Increase)/decrease in trade and other receivables	(21.6)	0.9
Decrease in trade and other payables	(0.2)	(12.2)
Increase in provisions	19.9	–
Pension obligation adjustment	(0.2)	(1.7)
Cash generated by operations	87.1	86.9
Taxation received/(paid)	1.9	(22.4)
Net cash from operating activities	89.0	64.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (note 24) £m	Share premium £m	Own shares (note 25) £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2016						
Balance as at 28 February 2015	31.3	11.0	(0.3)	1.0	407.0	450.0
Comprehensive income for the period						
Profit for the period	-	-	-	-	54.3	54.3
Other items of comprehensive income for the period	-	-	-	0.8	10.0	10.8
Total comprehensive income for the period	-	-	-	0.8	64.3	65.1
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(40.2)	(40.2)
Purchase of own shares by ESOT	-	-	(0.4)	-	-	(0.4)
Issue of own shares by ESOT	-	-	0.5	-	-	0.5
Adjustment to equity for share payments	-	-	-	-	0.3	0.3
Share option charge	-	-	-	-	2.2	2.2
Tax on items recognised directly in equity	-	-	-	-	(1.5)	(1.5)
Total contributions by and distributions to owners	-	-	0.1	-	(39.2)	(39.1)
Balance at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
Changes in equity for the 53 weeks ended 4 March 2017						
Balance as at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
Comprehensive income for the period						
Profit for the period	-	-	-	-	44.3	44.3
Other items of comprehensive income for the period	-	-	-	0.5	(2.5)	(2.0)
Total comprehensive income for the period	-	-	-	0.5	41.8	42.3
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(40.2)	(40.2)
Issue of own shares by ESOT	-	-	0.1	-	-	0.1
Share option charge	-	-	-	-	0.5	0.5
Tax on items recognised directly in equity	-	-	-	-	(0.5)	(0.5)
Total contributions by and distributions to owners	-	-	0.1	-	(40.2)	(40.1)
Balance at 4 March 2017	31.3	11.0	(0.1)	2.3	433.7	478.2

1 General information

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is listed in the Shareholder Information section on page 127 at the end of the report. The nature of the Group's operations and its principal activities are set out on page 60 of the Directors' Report.

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 in note 2.

The Group financial statements for the 53 weeks ended 4 March 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company has elected to prepare its parent company financial statements in accordance with IFRS 101, these are presented on pages 120 to 126.

The accounting policies have been applied consistently in the current and prior periods.

Adoption of new and revised standards

No standards have been adopted that affect the reported results or financial position.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9: Financial Instruments.
- IFRS 15: Revenue from Contracts with Customers.
- IFRS 16 Leases*
- Clarification and Measurement of Share Based Payment Transactions – Amendments to IFRS 2*
- Recognition of Deferred Tax assets for unrealised losses – Amendments to IAS 12*
- Clarifications to IFRS 15 Revenue from Contracts with Customers*

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments. Management are still assessing the impact on the financial statements of future periods.
- Management have made initial investigations but have not yet assessed the impact of the introduction of IFRS 15 and IFRS 16 on the financial statements of future periods.

Discontinued operations

Discontinued operations are those which management identify separately and where notice has been given that they are to be discontinued. As a result of notice being given regarding the closure of Gray & Osborn in 2015 as detailed in note 5, the prior year income statement excludes the results of Gray & Osborn under continuing activities.

* Not yet endorsed by the EU

2 Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The principal accounting policies adopted are set out as follows.

Accounting period

Throughout the accounts, the directors report and financial review, reference to 2017 means at 4 March 2017 or the 53 weeks then ended; reference to 2016 means at 27 February 2016 or the 52 weeks then ended unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the Saturday that falls closest to 28 February each year. The Employee Share Ownership Trust is also made up to a date coterminous with the financial period of the parent company.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Acquisition costs are expensed as incurred.

Goodwill

Goodwill arising on acquisition is recognised as an asset on the date control is acquired and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

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

Purchased goodwill arising on acquisitions before 1 March 1998 was charged against reserves in the year of acquisition in accordance with UK GAAP and has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

Product revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through our retail stores and trading websites, revenue is recognised when goods are despatched and the risks and rewards of ownership have transferred to the buyer. Sales returns in the period are recognised as a deduction to revenue as incurred. Provision is made for outstanding returns not yet made at the period end. Accumulated experience (including historical returns rates) is used to estimate and provide for such returns. The provision is recorded as a reduction in revenue with a corresponding entry to debtors (for credit sales) and accruals (for cash sales).

Financial services revenue includes interest, administrative charges and arrangement fees. Interest income is accrued on a time basis, 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 that asset's net carrying amount. Revenue from non-interest related financial income is recognised when the services have been performed.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment in value.

Depreciation is charged so as to write off the cost of assets to their estimated residual values, based on current prices at the balance sheet date, over their remaining useful lives, using the straight-line method. No depreciation is charged on freehold land. In this respect the following annual depreciation rates apply:

Land and Buildings

Freehold buildings	2%
Leasehold property and improvements	over the period of the lease

Fixtures and Equipment

Computer equipment	between 10% and 20%
Plant and machinery	between 5% and 20%
Fixtures and equipment	between 10% and 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Computer software development costs that generate economic benefits beyond one year are capitalised as intangible assets and amortised on a straight-line basis over a range of five to ten years. Assets under construction are not amortised but instead tested for impairment annually.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2 Accounting policies (continued)

Customer databases arising on acquisitions assessed under the requirements of IFRS 3 are amortised over their useful economic lives, which have been assessed as being five years.

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition. Brand names are individually assessed and are assumed to have an indefinite life and are not amortised, but are subject to annual impairment tests.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying value 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 in order 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories have been valued at the lower of cost and net realisable value. Provision is made based on the age of the inventory and management's estimates of future disposal strategies. Cost comprises direct materials and those overheads that have been incurred in bringing inventories to their present location and condition based on the standard costing method. Cost has been calculated on a first-in first-out basis. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. 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.

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group may enter into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Profits and losses on financial instruments are recognised in the income statement as they arise.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired based on specific customer patterns of behaviour which may be affected by external economic conditions.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment could include the Group's past experience of collecting payments and observable changes in national and local economic conditions that could correlate with a default event. For further details see note 17.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leasing

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease even where payments are not made on such a basis.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method.

Trade and other payables

Trade and other payables are recognised initially at fair value, are not interest bearing and are subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates relating to the purchase of overseas sourced products, and interest rates relating to the Group's debt. The Group uses foreign exchange forward contracts and interest rate swap contracts where appropriate to hedge these exposures. In accordance with its treasury policy, the Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Derivatives are stated at their fair value. The fair value of foreign currency derivatives contracts is their quoted market value at the balance sheet date.

Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The fair value of interest rate contracts is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

Changes in the fair value of currency derivative financial instruments are recognised in the income statement as they arise.

2 Accounting policies (continued)

Provisions

The Group recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. The Group has on-going discussions with HMRC in respect of a number of Corporation tax positions. Provisions are made in respect of these positions when management consider it probable that the position will be settled via payment to HMRC and it is possible to estimate reliably the amount of the obligation which will be settled. In determining whether a future economic outflow is probable the Group assesses all available information including the opinion of legal counsel where appropriate.

Provision is made for customer remediation when the Group has established that a present obligation exists in respect of financial services products sold in the past. The provision requires a significant level of estimation and judgement and the amounts provided depend on a number of different assumptions.

Provision is made for restructuring costs, including the costs of redundancy, when the Group has a constructive obligation to restructure. An obligation exists when the Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected by starting to implement the plan or by announcing its main features. If the Group has a contract that is onerous, it recognises the present obligation under the contract as a provision. An onerous contract is one where the unavoidable costs of meeting the Group's contractual obligations exceed the expected economic benefits. When the Group vacates a leasehold property, a provision is recognised for the unavoidable future costs under the lease less any expected economic benefits (such as rental income).

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. This is recognised as an employee expense with a corresponding increase in equity. Fair value is measured by monte - carlo for options subject to a market based performance condition and by use of a Black-Scholes model for all others. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Own shares held by ESOT

Transactions of the group-sponsored Employee Share Ownership Trust (ESOT) are included in the Group financial statements. The trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

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

The Group presents the first two components of defined benefit costs within operating expenses (see note 30) 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 9).

The retirement benefit asset/(obligation) recognised in the balance sheet represents the present value of the defined benefit asset/(obligation), as reduced by the fair value of scheme assets. Any asset resulting from this calculation is restricted to the past service cost plus the present value of available refunds and reductions in future contributions.

Supplier rebates

The Group enters into volume based rebate arrangements with suppliers. Rebates are calculated annually based on agreements in place, which stipulate an agreed percentage of purchase be granted as a rebate. Rebates are agreed with suppliers before they are recognised in the Income Statement, outstanding balances are recorded in accrued income.

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 and the principal risks and uncertainties relating to its business activities. These are set out within the Risk Management Report on pages 30 to 31.

The Group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the audited financial statements. These have been appraised in light of the current economic climate. As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk.

The Group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the Group will have sufficient headroom within its current loan facilities of £405m – which are committed until August 2020 – and its £20m revolving credit facility. After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence. Accordingly, they continue to adopt the going concern basis in the preparation of the Annual Report and Accounts.

Exceptional items

Exceptional items are those that are considered to be one off, non-recurring in nature and so material that the directors believe that they require separate disclosure to avoid distortion of underlying performance and should be separately presented on the face of the income statement.

Critical judgements and key sources of estimation uncertainty

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

Trade receivables

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates which, although based on the Group's historical experience of customer repayment patterns, remains inherently uncertain. Changes in the assumptions applied (including period of historical experience used to estimate customer repayment and the occurrence and frequency of future debt sales), could have a significant impact on the carrying value of trade receivables.

As a result this is continually assessed for relevance and adjusted appropriately. Further information is given in note 17.

Taxation

The Group has on-going discussions with HMRC in respect of a number of Corporation tax and VAT positions. The calculation of the Group's potential liabilities or assets in respect of these involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through legal processes. Issues can, and often do, take a number of years to resolve.

In respect of Corporation tax, as at 4 March 2017 the Group has provided a total of £3.6m (2016: £Nil) for potential tax future charges based upon the Group's best estimation and judgement and, where appropriate, legal counsels' opinion.

In respect of VAT, the Group has provided a total of £5.4m (2016: £5.4m) in respect of future payments which the Directors' have a reasonable expectation of making in settlement of these historical positions.

In addition and separate to the above positions, the Group continues to be in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is not possible to determine how the matter will be resolved. However within our year end VAT debtor is an asset of £36.0m (2016: £21.7m) which has arisen as a result of cash payments made under protective assessments raised by HMRC and the Group estimates that a further £10m could be paid under this assessment in the forthcoming year. Based on legal counsel's opinion, we believe that we will recover this amount in full from HMRC and we are engaged in legal process to do so.

The inherent uncertainty regarding the outcome of these positions means the eventual realisation could differ from the accounting estimates and therefore impact the Group's future results and cash flows. Based on the amounts reflected in the balance sheet as at 4 March 2017, the Directors estimate that the unfavourable settlement of these cases could result in a charge to the income statement of up to £43.3m (including the full write off of the VAT debtor noted above) and a cash payment to HMRC of up to £16.0m. The favourable settlement of these cases would result in a repayment of tax of up to £54.1m and an associated credit to the income statement of up to £29.0m.

Inventory

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values and disposal channels, and is consequently a source of estimation uncertainty.

Regulatory

The regulatory environment in which the Group operates is both complex and changing and the Group continues to review and develop its compliance with the requirements of the FCA. Provisions for customer remediation require significant levels of estimation and judgement. The amounts of provisions recognised depend on a number of different assumptions, such as, the volume of inbound complaints, the uphold rate of complaint volumes and the average redress amount paid. A summary of the impact of a reasonable change in these assumptions is set out in note 23.

Software development costs

Included within intangibles assets are significant software and development project costs in respect of the Group's transformation project, Fit 4 the Future. Costs are capitalised to the extent that future economic benefits are expected to be generated by the project, which requires judgement to be made as to whether the project will be completed successfully, will be technically feasible and whether sufficient revenue and profitability will be generated to recover the costs capitalised. If these criteria are not subsequently met, the asset would be subject to a future impairment charge which would impact the Group's results. This is consequently a source of estimation uncertainty.

3 Revenue

	2017 £m	2016 £m
An analysis of the Group's revenue is as follows:		
Continuing operations		
Sale of goods	635.9	606.6
Financial services	264.8	259.6
Revenue – continuing operations	900.7	866.2
Discontinued operations		
Subsidiary catalogue business	–	4.3
Revenue	900.7	870.5

4 Business segment

The Group has one reportable segment in accordance with IFRS 8 – Operating Segments, which is the Home Shopping segment. The Group's Board receives monthly financial information at this level and uses this information to monitor the performance of the Home Shopping segment, allocate resources and make operational decisions. Internal reporting focuses on the Group as a whole and does not identify individual segments. To increase transparency, the Group has included an additional voluntary disclosure analysing product revenue within the reportable segment, by brand categorisation and product type categorisation.

	2017 £m	2016 £m
Continuing operations		
Analysis of revenue – Home Shopping total	900.7	866.2
Product	635.9	606.6
Financial Services	264.8	259.6
Analysis of cost of sales – Home Shopping total	(405.5)	(383.6)
Product	(288.2)	(265.7)
Financial Services	(117.3)	(117.9)
Gross profit – total	495.2	482.6
Product gross margin	54.7%	56.2%
Financial Services gross margin	55.7%	54.6%
Warehouse and fulfilment costs	(81.3)	(76.7)
Marketing and production costs	(165.4)	(161.7)
Depreciation and amortisation costs	(27.6)	(25.2)
Other administration and payroll costs	(130.6)	(122.6)
Operating profit before exceptionals	90.3	96.4
Exceptional items (see note 7)	(25.2)	(17.2)
Segment result and operating profit – Home Shopping	65.1	79.2
Finance costs	(7.7)	(8.1)
Fair value adjustments to financial instruments	0.2	1.1
Profit before taxation	57.6	72.2

	2017 £m	2016 £m
Analysis of product revenue by brand		
JD Williams	160.5	151.2
Simply Be	115.8	103.9
Jacamo	66.2	62.8
Power Brands	342.5	317.9
Traditional segment	136.1	136.0
Secondary brands	157.3	152.7
Total product revenue – Home Shopping	635.9	606.6
Analysis of product revenue by category		
Ladieswear	260.0	246.1
Menswear	87.0	82.0
Footwear and accessories	70.0	68.5
Home and gift	218.9	210.0
Total product revenue – Home Shopping	635.9	606.6

We have reclassified accessories from ladieswear to footwear and accessories in 2017 and restated comparatives by £4.7m.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from international markets amounted to £35.8m (2016, £31.9m) and operating profits of £1.9m (2016, losses of £0.1m). Segment assets are located in the UK, Ireland and the US.

The analysis above is in respect of continuing operations.

For the purposes of monitoring segment performance, all assets and liabilities are allocated to the sole reportable segment, being Home Shopping. There are no impairments of goodwill, intangible assets or tangible assets in the current period (2016, £nil).

	2017 £m	2016 £m
Other information		
Capital additions	41.4	58.7
Capital disposals	–	(2.4)
Depreciation and amortisation	(27.6)	(25.2)
Balance sheet		
Total segment assets	973.6	924.0
Total segment liabilities	(495.4)	(448.0)
Segment net assets	478.2	476.0

5 Discontinued operations

Following a review of the business and its future profit potential, the Board decided in January 2015 to close the Gray & Osbourn catalogue business. The results of the discontinued operation, which have been included in the consolidated income and cashflow statement, were as follows:

	2017 £m	2016 £m
Revenue	–	4.3
Expenses	–	(5.0)
Profit before tax	–	(0.7)
Attributable tax credit	–	0.1
Net loss attributable to discontinued operations	–	(0.6)

There was no contribution to the Group's cash flows from the discontinued activity in the 53 weeks ended 4 March 2017 (2016, considered insignificant).

6 Profit for the period

	2017 £m	2016 £m
Profit for the period has been arrived at after charging:		
Net foreign exchange losses	3.6	1.5
Depreciation of property, plant and equipment	6.9	6.0
Loss on disposal	–	0.7
Amortisation of intangible assets	20.7	19.2
Cost of inventories recognised as expense	288.2	270.9
Staff costs	79.5	83.0
Auditor's remuneration for audit services	0.3	0.3
Doubtful debts recognised as an expense	113.5	110.3
Exceptional items (note 7)	25.2	17.2
Operating lease costs (note 28)	6.5	9.8

Amounts payable to KPMG LLP and their associates by the Group in respect of non-audit services were £0.1m (2016, 0.5m).

A more detailed analysis of auditor's remuneration is provided below:

	2017 £m	2016 £m
Audit of these Group financial statements	0.1	0.1
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	0.2	0.2
Audit-related assurance services	–	–
Tax advisory services	–	–
All other services	0.1	0.5
Total	0.4	0.8

Fees in relation to audit related assurance services totalled £36,000 (2016, £40,000).

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £15,000 (2016, £15,000).

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on page 64 and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditor.

7 Exceptional items

	2017 £m	2016 £m
Strategy costs	–	7.6
External costs related to taxation matters	2.5	1.6
Clearance store closure (credits)/costs	(0.2)	8.0
Financial services customer redress	22.9	–
	25.2	17.2

An exceptional charge of £22.9m was recognised during the period (2016, £nil) reflecting the costs incurred or expected to be incurred in respect of payments for historic financial services customer redress payments. Of the amount charged in the period the Group has made customer redress payments totalling £3.0m (2016, £nil). See note 23.

External costs related to taxation matters are in respect of on-going legal and professional fees which have been incurred as a result of the Group's on-going disputes with HMRC regarding a number of historical tax positions. Of the amount charged in the period the Group has made related cash payments of £1.9m (2016, £1.6m).

Following the closure of the Group's retail clearance stores in 2016 an exceptional cost of £8.0m was recognised in respect of stock write downs, onerous lease provisions and other related closure costs. Following the exit of the remaining store leases a credit of £0.2m has been recognised to reflect the final exit cost being below that originally anticipated.

Strategy costs incurred in 2016 related to Group re-organisation costs and outsourcing of IT maintenance.

8 Staff costs

	2017 Number	2016 Number
The average monthly number of employees (including Executive Directors) was:		
Distribution	1,146	1,091
Sales and administration	1,596	1,848
	2,742	2,939
	2017 £m	2016 £m
Their aggregate remuneration comprised		
Wages and salaries	69.3	71.3
Social security costs	5.8	6.5
Other pension costs (see note 30)	3.9	3.0
Share options costs (see note 29)	0.5	2.2
	79.5	83.0

Details of individual directors' remuneration is disclosed in the Directors' Remuneration Report on page 82.

9 Finance costs

	2017 £m	2016 £m
Interest on bank overdrafts and loans	8.1	8.0
Net pension finance (credit)/charge (see note 30)	(0.4)	0.1
	7.7	8.1

10 Tax

Recognised in the income statement	2017 £m	2016 £m
Current tax		
Charge for the period	12.7	13.6
Adjustments in respect of previous periods	4.1	(0.2)
	16.8	13.4
Deferred tax		
Origination and reversal of temporary timing differences	(1.5)	0.6
Reduction in rate	(0.3)	(1.2)
Adjustments in respect of previous periods	(1.7)	4.5
	(3.5)	3.9
Tax expense (continuing)	13.3	17.3
Tax from discontinued operations	–	(0.1)
Total tax expense	13.3	17.2

UK corporation tax is calculated at 20.0% (2016, 20.08%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the future current tax charge accordingly. The Group's deferred tax assets and liabilities as at 4 March 2017 have been calculated based upon the rates which will apply when those balances are expected to unwind.

The charge for the period can be reconciled to the profit per the income statement as follows:

	2017 £m	2016 £m
Profit before tax from continuing operations:	57.6	72.2
Tax at the UK corporation tax rate of 20.0% (2016, 20.08%)	11.5	14.5
Effect of change in deferred tax rate	(0.3)	(1.2)
Tax effect of expenses that are not deductible in determining taxable profit	0.3	0.4
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.6)	(0.7)
Tax effect of adjustments in respect of previous periods	2.4	4.3
Tax expense for the period	13.3	17.3

In addition to the amount charged to the income statement, tax movements recognised directly through equity were as follows:

	2017 £m	2016 £m
Tax recognised in other comprehensive income		
Deferred tax – remeasurement of retirement benefit obligations	(0.6)	2.5
Tax (credit)/charge in the statement of comprehensive income	(0.6)	2.5
Tax recognised in equity		
Current tax – share based payments	(0.1)	(0.2)
Deferred tax – share based payments	0.6	1.7
Tax charge in the statement of changes in equity	0.5	1.5

The Group has on-going discussions with HMRC in respect of a number of Corporation tax positions. The calculation of the Group's potential liabilities or assets in respect of these involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a legal process. Issues can, and often do, take a number of years to resolve.

In respect of Corporation tax, as at 4 March 2017 the Group has provided a total of £3.6m (2016: £Nil) for potential tax future charges based upon the Group's best estimation and judgement and, where appropriate, legal counsels opinion. Adjustments in respect of previous periods include current tax provisions made in respect of tax exposures (£2.4m) in addition to a reclassification between current and deferred tax in respect of tax deductions on software development costs (£1.7m).

11 Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 28 February 2016 of 8.56p (2015, 8.56p) per share	24.2	24.2
Interim dividend for the 53 weeks ended 4 March 2017 of 5.67p (2016, 5.67p) per share	16.0	16.0
	40.2	40.2
Proposed final dividend for the 53 weeks ended 4 March 2017 of 8.56p (2016, 8.56p) per share	24.2	24.2

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not yet been included as a liability in these financial statements.

12 Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period.

The adjusted earnings per share figures have also been calculated based on earnings before items that are one-off in nature, material by size and are considered to be distortive of the true underlying performance of the business (see note 7) and certain other fair value adjustments. These have been calculated to allow the shareholders to gain an understanding of the underlying trading performance of the Group. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares.

The calculations of the basic and diluted earnings per share is based on the following data:

Earnings	2017 £m	2016 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	44.3	54.3
Number of shares ('000s)	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	282,701	282,316
Effect of dilutive potential ordinary shares:		
Share options	252	245
Weighted average number of ordinary shares for the purposes of diluted earnings per share	282,953	282,561
Earnings from continuing operations	2017 £m	2016 £m
Net profit attributable to equity holders of the parent	44.3	54.3
Adjustments to exclude loss for the period from discontinued operations	-	0.6
Earnings from continuing operations for the purpose of basic earnings per share	44.3	54.9
Fair value adjustment to financial instruments (net of tax)	(0.2)	(0.9)
Exceptional items (net of tax)	20.2	13.8
Adjusted earnings for the purposes of adjusted earnings per share	64.3	67.8

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

Adjusted earnings per share from continuing operations	2017 Pence	2016 Pence
Basic	22.74	24.02
Diluted	22.72	23.99
From discontinued operations	2017 Pence	2016 Pence
Basic	-	(0.22)
Diluted	-	(0.21)

13 Intangible assets

	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
At 28 February 2015	16.9	210.9	1.9	229.7
Additions	–	45.8	–	45.8
At 27 February 2016	16.9	256.7	1.9	275.5
Additions	–	37.7	–	37.7
At 4 March 2017	16.9	294.4	1.9	313.2
Accumulated amortisation and impairment				
At 28 February 2015	8.0	121.5	1.9	131.4
Charge for the period	–	19.2	–	19.2
At 27 February 2016	8.0	140.7	1.9	150.6
Charge for the period	–	20.7	–	20.7
At 4 March 2017	8.0	161.4	1.9	171.3
Carrying amount				
At 4 March 2017	8.9	133.0	–	141.9
At 27 February 2016	8.9	116.0	–	124.9
At 28 February 2015	8.9	89.4	–	98.3

Assets in the course of construction included in intangible assets at the year end total £88.5m (2016, £55.3m), of which £83.4m relates to the Fit 4 the Future project (2016, £51.2m). No amortisation is charged on these assets. All software additions relate to internal usage. Borrowing costs of £1.3m (2016 £nil) have been capitalised in the period using the weighted average bank loan interest rate applied to the capitalised spend on Fit 4 the Future project. In addition the Group has spend of £16.7m (2016 £16.5m) that relates to Fit 4 the Future assets which are now in use and therefore being amortised.

As at 4 March 2017, the Group had entered into contractual commitments for the further development of intangible assets of £3.0m (2016: £3.4m) of which £1m (2016: £0.9m) is due to be paid within one year.

Impairment testing of software intangible assets

The Group is currently undertaking a systems transformation project, Fit 4 the Future. Elements of the project are not yet available for use and are not therefore being amortised. Where intangible assets are not being amortised management have tested for impairment with the recoverable amount being determined from value in use calculations.

The value in use calculations use cash flows based on budgets prepared by management covering a three year period. These budgets have regard to historic performance and knowledge of the current market, together with managements views on the future achievable growth and impact of the Fit 4 the Future project. Cash flows beyond this three year period are extrapolated using a long term growth rate to five years at which point a terminal value has been calculated based upon the long term growth rate and the Group's risk adjusted pre-tax discount rate.

Other than the detailed budgets, the key assumptions in the value in use calculations are the long-term growth rate and the risk adjusted pre-tax discount rate. The long-term growth rate has been determined with reference to forecast GDP growth which management believe is the most appropriate indicator of long-term growth rates that is available. The long-term growth rate used is purely for the impairment testing of intangible assets and brands under IAS 36 'Impairment of Assets' and does not reflect long-term planning assumptions used by the Group for investment proposals or for any other assessments. The pre-tax discount rate is based on the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made.

The value attributed to the key assumptions are as follows

- Long term growth rate : 1.9% (2016, 2.7%)
- Pre tax discount rate : 11.6% (2016, 8.0%)

The analysis performed indicates that no impairment is required. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in these key assumptions that would cause the carrying value to exceed the value in use.

Impairment testing of brand intangibles

The brand names arising from the acquisitions of High and Mighty, Slimma, Fingleaves, Diva and Dannimac are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows and are therefore subject to annual impairment tests with the recoverable amount being determined from the value in use calculations.

The value in use calculations use cash flows based on budgets prepared by management covering a three year period. These budgets have regard to historic performance and knowledge of the current market, together with management's views on the future achievable growth. Cash flows beyond this three year period are extrapolated using a long term growth rate to 5 years at which point a terminal value has been calculated based upon the long term growth rate and the Group's risk adjusted pre tax discount rate.

Other than the detailed budgets, the key assumptions in the value in use calculations are the long-term growth rate and the risk adjusted pre-tax discount rate which management have assumed to be 1.9% (2016, 2.7%) and 12.5% (2016, 8.0%) respectively.

The analysis performed indicates that no impairment is required. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in these key assumptions that would cause the carrying value to exceed the value in use.

14 Property, plant and equipment

	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
At 28 February 2015	53.2	124.4	177.6
Additions	–	12.9	12.9
Disposals	–	(2.4)	(2.4)
At 27 February 2016	53.2	134.9	188.1
Additions	–	3.7	3.7
Reclassification	5.9	(5.9)	–
At 4 March 2017	59.1	132.7	191.8
Accumulated depreciation and impairment			
At 28 February 2015	12.2	94.9	107.1
Charge for the period	0.9	5.1	6.0
Eliminated on disposals	–	(1.7)	(1.7)
At 27 February 2016	13.1	98.3	111.4
Charge for the period	1.1	5.8	6.9
Reclassification	–	–	–
At 4 March 2017	14.2	104.1	118.3
Carrying amount			
At 4 March 2017	44.9	28.6	73.5
At 27 February 2016	40.1	36.6	76.7
At 28 February 2015	41.0	29.5	70.5

Assets in the course of construction included in property, plant and equipment at the year end date total £0.3m (2016, £13.4m), and in land and buildings total £nil (2016, £7.0m). No depreciation has been charged on these assets.

At 4 March 2017, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016, £nil).

Assets previously categorised as Fixtures and Equipment totalling £5.9m have been reclassified as Land and Buildings in 2017 following finalisation of the Alliance Building capital spend analysis.

15 Subsidiaries

A list of all investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 34 to the Company's separate financial statements.

16 Inventories

	2017 £m	2016 £m
Finished goods	103.8	100.4
Sundry stocks	1.7	1.1
	105.5	101.5

A net charge of £1.1m (2016, £12.1m) has been made to the income statement in respect of written down inventories.

There was no inventory pledged as security for liabilities in the current or prior period.

Sundry stocks relate to spare parts for engineering repairs and packaging stocks.

17 Trade and other receivables

	2017 £m	2016 £m
Amount receivable for the sale of goods and services	599.5	624.7
Allowance for doubtful debts	(64.7)	(97.6)
Net trade receivables	534.8	527.1
Other debtors and prepayments	40.6	26.3
	575.4	553.4

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 217 days (2016, 222 days). Interest is charged at 58.7% (2016, 58.7%) on the outstanding balance. Provision for impairment of receivables is established when there is objective evidence that the Group will be unable to collect all amounts due. For customers who find themselves in financial difficulties, the Group may offer revised payment terms to support the customer, encouraging customer rehabilitation and thereby maximising long term returns. These revised terms may also include suspension of interest for a period of time. The cash collection rates on these accounts are therefore reduced and a provision is held for all receivables on renegotiated terms. Accounts not on renegotiated terms are also assessed and all accounts that reach the trigger point of 56 days past due are considered for provision.

The Group considers 56 days past due to be objective evidence of impairment for all accounts, not on renegotiated terms. All such accounts are subject to an individual impairment provision. All accounts that are not considered individually impaired are included in a collective provision to reflect impairment triggers that are incurred but not reported ('IBNR'). The group uses historic roll rates to measure the likelihood of receivables moving into a segment which is subject to individual impairment over a 6 month emergence period. This is then used to assess the level of provision needed in relation to these incurred but not reported ('IBNR') events.

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 remained stable.

Ageing of trade receivables	2017 £m			2016 £m		
	Trade receivables	Trade receivables on payment arrangements	Total trade receivables	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Current – not past due	444.2	53.0	497.2	406.6	94.2	500.8
0 – 28 days – past due	38.2	6.5	44.7	41.9	14.0	55.9
29 – 56 days – past due	18.7	2.5	21.2	20.8	5.0	25.8
57 – 84 days – past due	13.3	2.0	15.3	14.4	3.4	17.8
85 – 112 days – past due	9.1	1.6	10.7	10.2	2.6	12.8
Over 112 days – past due	8.1	2.3	10.4	8.5	3.1	11.6
Gross trade receivables	531.6	67.9	599.5	502.4	122.3	624.7
Allowance for doubtful debts	(30.8)	(33.9)	(64.7)	(32.4)	(65.2)	(97.6)
Net trade receivables	500.8	34.0	534.8	470.0	57.1	527.1

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £53.0m at 4 March 2017 (2016, £93.1m). Interest income recognised on trade receivables which have been impaired was £40.6m (2016, £41.7m).

	2017 £m	2016 £m
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	97.6	100.9
Amounts charged net to the income statement	113.5	110.3
Net amounts written off	(146.4)	(113.6)
Balance at the end of the period	64.7	97.6

The amounts written off in the period of £146.4m include the sale of impaired assets with a net book value of £29m. This sale has also been a material driver in the reduction in trade receivables on payments arrangements, from £122.3m to £67.9m as at 4 March 2017.

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.2 million (2016, 1.3 million) customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

'Other debtors and prepayments' includes a net VAT debtor, comprising the VAT liability which arises from day to day trading, together with amounts in relation to matters which are in dispute with HMRC. The Group continues to be in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is not possible to determine how the matter will be resolved. However, within our year end VAT debtor is an asset of £36.0m (2016, £21.7m) which has arisen as a result of cash payments made under protective assessments raised by HMRC. Based on legal counsel's opinion, we believe that we will recover this amount in full from HMRC and we are engaged in a legal process to do so.

Other debtors and prepayments do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset. The Group does not hold any collateral over these balances.

18 Bank overdraft and loans

	2017 £m	2016 £m
Bank loans	355.0	335.0
The borrowings are repayable as follows:		
Within one year	–	–
In the second year	–	–
In the third to fifth year	355.0	335.0
Amounts due for settlement after 12 months	355.0	335.0

All borrowings are held in sterling.

	2017 %	2016 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	2.0	2.0
Bank loans	2.1	2.4

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

- i. Bank overdrafts which are nil at the current and prior year ends are repayable on demand, unsecured and bear interest at a margin over bank base rates. The Group has a revolving credit facility of £20m (2016, £20m) which is undrawn at period end.
- ii. The Group has a bank loan of £270m (2016, £250m) secured by a charge over certain 'eligible' trade debtors (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility has a current limit of £280m for which finance costs are linked to US commercial paper rates which is committed until August 2020.

The Group also has unsecured bank loans of £85m (2016, £85m) drawn down under a medium term bank revolving credit facility, of £125 million, which is committed until August 2020.

- iii. All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group may use derivatives such as interest rate swaps where appropriate to manage this risk. None have been used in the current or prior year. Based on weighted average interest rates and the value of bank loans at 4 March 2017 the estimated future interest cost per annum until maturity would be £7.6m (2016, £7.9m).

18 Bank overdraft and loans (continued)

At 4 March 2017, the Group had available £50m (2016, £70m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to its undrawn overdraft facility of £20m (2016, £20m).

Note 20 summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period. The covenants inherent to these borrowing arrangements are closely monitored on a regular basis.

There is no material difference between the fair value and book value of the Group's borrowings.

19 Derivative financial instruments

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

	2017 £m	2016 £m
Notional amount – Sterling contract value	94.2	21.5
Fair value of asset recognised	2.5	2.2

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £0.2m (2016, credit of £1.1m) to income in the period.

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

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2016, same).

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

There were no transfers between Level 1 and Level 2 during the period (2016, same).

20 Financial instruments**Capital risk management**

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 18, cash and cash equivalents disclosed in note 26 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24 to 25 and the Statement of Changes in Equity.

Gearing ratio

The gearing ratio at the year end is as follows:

	2017 £m	2016 £m
Debt	355.0	335.0
Cash and cash equivalents	64.1	45.3
Net Debt	290.9	289.7
Equity	478.2	476.0
Gearing ratio	61%	61%

Debt is defined as long and short-term borrowings, as detailed in note 18.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management objectives

The financial risks facing the Group include currency risk, credit risk, liquidity 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.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

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. Group policy allows for these exposures to be hedged for up to three years ahead. At the balance sheet date, details of the notional value of outstanding US dollar forward foreign exchange contracts that the Group has committed to are as follows:

	2017 £m	2016 £m
Less than 6 months	32.6	17.5
6 to 12 months	47.4	4.0
12 to 18 months	14.2	–
	94.2	21.5

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.25 and 1.32.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017 £m	2016 £m	2017 £m	2016 £m
Euro	4.1	5.7	14.0	7.1
US dollar	15.5	13.7	–	–

Foreign currency sensitivity analysis

The following table details the Group's hypothetical sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax.

	Euro Currency Impact		US Dollar Currency Impact	
	2017 £m	2016 £m	2017 £m	2016 £m
Income statement				
Sterling strengthens by 10%	(0.5)	0.2	1.3	0.5
Sterling weakens by 10%	1.6	0.6	(1.8)	(2.4)

Categories of financial instruments

	2017 £m	2016 £m
Financial assets		
Cash and bank balances	64.1	45.3
Derivatives at fair value through profit and loss – held for trading	2.5	2.2
Loans and receivables	534.8	527.1
	601.4	574.6
Financial liabilities		
Derivatives at fair value through profit and loss – held for trading	–	–
Amortised cost	419.2	403.7
	419.2	403.7

20 Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk, as entities in the Group borrow funds at floating interest rates. Where appropriate, exposure to interest rate fluctuations on indebtedness is managed by using derivatives such as interest rate swaps.

Interest rate sensitivity analysis

If interest rates had increased by 0.5% and all other variables were held constant, the Group's profit before tax for the 53 weeks ended 4 March 2017 would have decreased by £1.8m (2016, £1.4m).

This sensitivity analysis has been determined based on exposure to interest rates at the balance sheet date and assuming the net debt outstanding at the year end date was outstanding for the whole year.

Credit risk management

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.

All customers who wish to trade on credit terms are subject to credit verification procedures, supplied by independent rating agencies which together with assessment against credit policy determines the terms and credit limit offered. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts as detailed in note 17.

While the group has a number of support options for customers in financial difficulty, the majority are subject to the revision of payment terms.

The concentration of credit risk is limited due to the customer base being large and unrelated.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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 18 is a description of additional undrawn 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 financial liabilities, including estimated interest payments:

	2017 Carrying Amount £m	2017 Contractual Cash flows £m	2017 1 year or less £m	2017 1 to <2 years £m	2017 2 to <5 years £m	2017 5 years and over £m
2017						
Non derivative financial liabilities						
Secured bank loans	(355.0)	(381.9)	(7.6)	(7.6)	(366.7)	–
Trade payables	(64.2)	(64.2)	(64.2)	–	–	–
Derivative financial (liabilities)/assets						
Forward exchange contracts						
Inflow	2.5	2.5	–	2.5	–	–
	(416.7)	(443.6)	(71.8)	(5.1)	(366.7)	–
	2016 Carrying Amount £m	2016 Contractual Cash flows £m	2016 1 year or less £m	2016 1 to <2 years £m	2016 2 to <5 years £m	2016 5 years and over £m
2016						
Non derivative financial liabilities						
Secured bank loans	(335.0)	(371.3)	(7.9)	(7.9)	(355.5)	–
Trade payables	(68.7)	(68.7)	(68.7)	–	–	–
Derivative financial (liabilities)/assets						
Forward exchange contracts						
Inflow	2.2	2.2	2.2	–	–	–
	(401.5)	(437.8)	(74.4)	(7.9)	(355.5)	–

Fair value of financial instruments

The fair value of each category of the Group's financial instruments are the same as their carrying value in the Group's balance sheet other than as noted below.

Trade Receivables

As discussed in note 17, where a customer finds themselves in financial difficulty, we may offer revised payment terms. This maximises long term returns to the business, but may not maximise the present value of the receivables.

The Group believes that the fair value of interest bearing receivables whether on a payment plan or not, is the same as their carrying value on the balance sheet, as interest rates are charged to reflect market rates.

For non interest bearing debt, fair value is estimated based on the recent sale prices of similar debt books.

The fair value of receivables is calculated to be £524.1m (2016: £553.4m). This is considered a IFRS 13 Level 3 valuation (2016: same) as the valuation relies on unobservable inputs.

Derivative financial instruments are recorded at fair value (IFRS 13: Level 2) as discussed in note 19. A Level 2 valuation uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices).

21 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Debtor impairment provision £m	Share based payments £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 28 February 2015	4.0	2.4	(7.2)	0.6	(1.1)	(1.3)
(Charge)/credit to income	(1.4)	0.4	(3.2)	–	0.3	(3.9)
Charge to equity	–	(1.7)	–	(2.5)	–	(4.2)
At 27 February 2016	2.6	1.1	(10.4)	(1.9)	(0.8)	(9.4)
(Charge)/credit to income	(1.0)	0.1	4.0	–	0.5	3.6
(Credit)/charge to equity	–	(0.6)	–	0.6	–	–
At 4 March 2017	1.6	0.6	(6.4)	(1.3)	(0.3)	(5.8)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £m	2016 £m
Deferred tax assets	2.4	3.9
Deferred tax liabilities	(8.2)	(13.3)
	(5.8)	(9.4)

At the balance sheet date, the Group has unused tax losses of £0.1m (2016, £0.1m) and capital losses of £3.2m (2016, £3.2m) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams within the relevant subsidiary.

22 Trade and other payables

	2017 £m	2016 £m
Trade payables	64.2	68.7
Other creditors	0.1	0.4
Accruals and deferred income	34.6	30.6
	98.9	99.7

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days (2016, 25 days).

The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

23 Provisions

	Customer redress £m	Total £m
Balance as at 27 February 2016	–	–
Provisions made during the period	22.9	22.9
Provisions used during the period	(3.0)	(3.0)
Provisions reversed during the period	–	–
Balance as at 4 March 2017	19.9	19.9
Non-current	4.3	4.3
Current	15.6	15.6
Balance as at 4 March 2017	19.9	19.9

The provisions for customer redress relates to the Group's expected liabilities in respect of payments for historic financial services customer redress. The provision made is firstly in respect of recompensing certain customers due to an error in our previous calculation for redress and, secondly, our estimate of the likely future costs arising from complaints relating to financial services products sold in the past.

As at 4 March 2017 the Group holds a provision of £19.9m of which £0.8m is in respect of administration expenses. There are still a number of uncertainties as to the eventual customer redress costs, in particular the total number of claims and the cost per claim, however the Directors believe that the amounts provided at the period end, based on historical and forecasted claim rates and amounts, along with known legal and regulatory obligations, appropriately reflect the expected cost to the Group.

The principal sensitivities in the customer redress calculation are: customer claim volume, uphold rates (which reflects the number of customer claims which result in redress) and average redress amount.

	2017 £m
+/- 10% in customer claims volumes	+/- 0.7
+/- 5% in uphold rate	+/- 0.5
+/- 10% in average redress amount	+/- 0.7

24 Share capital

	2017 Number	2016 Number	2017 £m	2016 £m
Allotted, called-up and fully paid				
Ordinary shares of 111/19p each				
At 4 March 2017 and 27 February 2016	283,429,454	283,429,454	31.3	31.3

The Company has one class of ordinary shares which carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

25 Own shares

	2017 £m	2016 £m
Balance at 27 February 2016	0.2	0.3
Additions	–	0.4
Issue of own shares on exercise of share options	(0.1)	(0.5)
Balance at 4 March 2017	0.1	0.2

The own shares reserve represents the cost of shares in N Brown Group plc held by the N Brown Group plc Employee Share Ownership Trust to satisfy options under the Group's various share benefit schemes (see note 29).

At 4 March 2017 the employee trusts held 635,022 shares in the company (2016, 897,018).

26 Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

A breakdown of significant cash and cash equivalent balances by currency is as follows:

	2017 £m	2016 £m
Sterling	61.2	44.9
Euro	7.4	1.8
US Dollar	(4.5)	(1.4)
	64.1	45.3

27 Contingent liabilities

Parent company bank overdrafts which at 4 March 2017 amounted to £27.2m (2016, £13.0m) have been guaranteed by certain subsidiary undertakings.

28 Operating lease arrangements

	2017 £m	2016 £m
Minimum lease payments under operating leases recognised as an expense for the period	6.5	9.8

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2017 £m	2016 £m
Within one year	7.5	7.8
In the second to fifth years inclusive	14.3	15.9
After five years	2.2	2.6
	24.0	26.3

Operating lease payments represent rentals payable by the Group for certain buildings, plant and equipment and motor vehicles.

The Group's operating leases include stores, certain buildings, plant and equipment and vehicles. These have varying terms, restrictions and renewal rights. The commercial terms of the Group's operating leases vary, however they commonly include either market rent review or an index linked rent review. The timing of when rent reviews take place differs for each lease.

29 Equity settled share based payments

The Directors' Remuneration Report on pages 72 to 85 contains details of management and sharesave options/awards offered to employees of the Group.

Details of the share options/awards outstanding during the period are as follows:

	Option price in pence	Exercise period	Number of shares 2017	Number of shares 2016
Option scheme				
2010 Savings related scheme	189 – 420	August 2016 – February 2022	1,049,859	1,139,126
2010 Executive scheme	nil – 459	May 2009 – August 2024	220,429	776,000
Unapproved executive scheme	211 – 459	May 2009 – August 2024	90,107	719,077
Long-term incentive scheme awards				
July 2013	–	July 2016 – December 2016	–	579,981
August 2013	–	August 2016 – February 2017	–	151,834
August 2014	–	August 2017 – July 2024	623,527	872,955
June 2015	–	June 2018 – June 2025	895,427	1,098,723
August 2016	–	August 2019 – August 2026	2,619,067	–
Deferred annual bonus scheme awards				
May 2014	–	May 2016 – November 2016	–	32,559
May 2015	–	May 2017 – November 2017	1,562	1,562
May 2016	–	May 2018 – November 2018	41,335	–

Movements in share options are summarised as follows:

	2017		2016	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	2,634,203	3.20	4,139,570	2.80
Granted during the period	543,146	2.18	527,372	2.98
Forfeited during the period	(1,531,647)	3.72	(1,398,491)	2.73
Exercised during the period	(285,307)	0.51	(634,248)	1.46
Outstanding at the end of the period	1,360,395	2.78	2,634,203	3.20
Exercisable at the end of the period	151,597	2.51	349,820	2.51

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 225 pence (2016, 331 pence). The options outstanding at 4 March 2017 had a weighted average remaining contractual life of 3.5 years (2016, 4.4 years). The aggregate estimated fair values of options granted in the period is £309,128 (2016, £629,348).

Movements in management share awards are summarised as follows:

	2017		2016	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	2,737,614	–	2,618,071	–
Granted during the period	2,696,993	–	1,100,285	–
Forfeited during the period	(1,253,689)	–	(953,150)	–
Exercised during the period	–	–	(27,592)	–
Outstanding at the end of the period	4,180,918	–	2,737,614	–
Exercisable at the end of the period	–	–	–	–

The awards outstanding at 4 March 2017 had a weighted average remaining contractual life of 8.8 years (2016, 6.7 years). The aggregate estimated fair values of options granted in the period is £4,369,877 (2016, £2,421,892).

The fair value of management and sharesave options/awards granted is calculated at the date of grant using a Black–Scholes option pricing model. The inputs into the Black–Scholes model are as follows:

	2017	2016
Weighted average share price at date of grant (pence)	189	339
Weighted average exercise price (pence)	37	97
Expected volatility (%)	29.2 – 35.0	27.7 – 34.2
Expected life (years)	2.5 – 5.5	2.5 – 5.5
Risk-free rate (%)	0.1	0.9
Dividend yield (%)	4.0	4.2

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period equivalent to the expected life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £0.5m and £2.2m related to equity-settled share based payment transactions in 2017 and 2016 respectively.

30 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees.

The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £3.9m (2016, £3.0m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 4 March 2017, contributions of £0.1m (2016, £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Group operates a defined benefit scheme, the N Brown Group Pension Fund. Under the scheme, the employees are entitled to retirement benefits based on final pensionable earnings and was closed to new members from 31 January 2002. On 29 February 2016 the scheme was closed to future accrual. A past service credit in respect of this closure was recognised in 2016, as the Company was both committed to the change, and had the right to apply the change by the balance sheet date. No other post-retirement benefits are provided. The scheme is a funded scheme and operates under UK trust law and the trust is a separate legal entity from the Group. The scheme is governed by a board of trustees. The trustees are required by law to act in the best interests of scheme members and are responsible for setting certain policies (eg investment funding) together with the Group. The scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and investment risk.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by an independent qualified actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The principal actuarial assumptions used in determining the Group's net retirement benefit obligations at the balance sheet date were as follows:

	2017	2016
Discount rate	2.65%	3.90%
Future pension increases	2.3%	2.15%
Inflation – Retail Price Index	3.4%	3.15%
Inflation – Consumer Price Index	2.4%	2.15%
Life expectancy at age 65 (years)		
Pensioner aged 65	23.4	24.6
Non-pensioner aged 45	25.2	26.7

30 Retirement benefit schemes (continued)

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2017 £m	2016 £m
Current service cost	–	2.3
Past service credit	–	(2.4)
Net interest (credit)/cost	(0.4)	0.1
Profit recognised in the income statement	(0.4)	–

The actual return on scheme assets was £30.1m (2016, £3.7m).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	2017 £m	2016 £m
Present value of defined benefit obligations	(135.2)	(108.1)
Fair value of scheme assets	143.5	118.9
Surplus in the scheme and asset recognised in the balance sheet	8.3	10.8

The amount included in the statement of comprehensive income.

	2017 £m	2016 £m
Remeasurement (loss)/gain	(28.7)	12.9
Return on scheme assets	25.6	(0.4)
(Loss)/gain recognised in the statement of comprehensive income	(3.1)	12.5

The surplus reflects the economic benefit at the balance sheet date, that the Group would be entitled to, through refund, in the event the scheme was wound up.

Movements in the present value of defined benefit obligations were as follows:

	2017 £m	2016 £m
At 27 February 2016	108.1	120.8
Current service cost	–	2.3
Past service cost/(credit)	–	(2.4)
Interest cost	4.1	4.2
Remeasurement (gain)/loss		
a. Effect of changes in financial assumptions	42.2	(10.1)
b. Effect of experience adjustments	(13.5)	(2.8)
Benefits paid	(5.7)	(3.9)
At 4 March 2017	135.2	108.1

Movements in the fair value of the scheme assets were as follows:

	2017 £m	2016 £m
At 27 February 2016	118.9	117.5
Interest income	4.5	4.1
Return on scheme assets excluding interest income	25.6	(0.4)
Contributions from sponsoring companies	0.2	1.6
Benefits paid	(5.7)	(3.9)
At 4 March 2017	143.5	118.9

The analysis of the scheme assets at the balance sheet date was as follows:

	2017		2016	
	£m	%	£m	%
Equities	38.1	26.6	33.8	28.4
Fixed-interest government bonds	16.5	11.5	14.8	12.4
Index-linked government bonds	40.2	28.0	29.1	24.5
Corporate Bonds	14.7	10.2	14.6	12.3
Property	2.4	1.7	2.2	1.9
Growth fixed income	16.9	11.8	13.2	11.1
Alternatives	13.5	9.4	10.9	9.2
Cash and cash equivalents	1.2	0.8	0.3	0.2
	143.5	100.0	118.9	100.0

All assets had a quoted market price (2016, all). Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, inflation and life expectancy.

- An increase of 0.25% in the discount rate used would decrease the defined benefit obligation by £7.4m (2016, £5.8m).
- An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £6.0m (2016, £4.4m).
- An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £4.2m (2016, £2.2m)

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows under the scheme, it does provide an approximation to the sensitivity of the assumptions shown. No changes have been made to the method and assumptions used in this analysis from those used in the previous period.

The scheme is funded by the Group and current employee members. Funding the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Group.

Whilst no commitment has been made as at the balance sheet date, the Group expects to contribute £0.3m (2016, £0.2m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 4 March 2017 is approximately 24 years (2016, 24 years).

The defined benefit obligation at 4 March 2017 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2016, 0%)
- Deferred members: 70% (2016, 68%)
- Pensioner members; 30% (2016, 32%)

All benefits are vested at 4 March 2017 (unchanged from 27 February 2016).

31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of remuneration paid to the Group's key management personnel are given on page 82 of the Directors' Remuneration Report.

COMPANY BALANCE SHEET

	Note	As at 4 March 2017 £m	As at 27 February 2016 £m
Fixed assets			
Investments	34	366.5	366.0
Current assets			
Debtors	35	73.2	58.8
Cash and cash equivalents		–	0.1
		73.2	58.9
Creditors			
Amounts falling due within one year	36	(212.7)	(199.5)
Net current liabilities		(139.5)	(140.6)
Total assets less current liabilities		227.0	225.4
Non current liabilities			
Bank loans	37	(85.0)	(85.0)
Net assets		142.0	140.4
Capital and reserves			
Called-up share capital	38	31.3	31.3
Share premium account		11.0	11.0
Own shares		(0.1)	(0.2)
Profit and loss account		99.8	98.3
Shareholders' funds		142.0	140.4

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 9 May 2017.

They were signed on its behalf by:



Craig Lovelace
CFO and Executive Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital (note 38) £m	Share premium £m	Own Shares £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2016					
Balance at 28 February 2015	31.3	11.0	(0.3)	94.3	136.3
Comprehensive income for the period					
Profit for the period	–	–	–	41.7	41.7
Other items of comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	41.7	41.7
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(40.2)	(40.2)
Purchase of own shares by ESOT	–	–	(0.4)	–	(0.4)
Issue of own shares by ESOT	–	–	0.5	–	0.5
Adjustment to equity for share payments	–	–	–	0.3	0.3
Share based payment charge	–	–	–	2.2	2.2
Total contributions by and distributions to owners	–	–	0.1	(37.7)	(37.6)
Balance at 27 February 2016	31.3	11.0	(0.2)	98.3	140.4
Changes in equity for the 53 weeks ended 4 March 2017					
Balance at 27 February 2016	31.3	11.0	(0.2)	98.3	140.4
Comprehensive income for the period					
Profit for the period	–	–	–	41.2	41.2
Total comprehensive income for the period	–	–	–	41.2	41.2
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(40.2)	(40.2)
Issue of own shares by ESOT	–	–	0.1	–	0.1
Share based payment charge	–	–	–	0.5	0.5
Total contributions by and distributions to owners	–	–	0.1	(39.7)	(39.6)
Balance at 4 March 2017	31.3	11.0	(0.1)	99.8	142.0

32 Significant accounting policies

Basis of accounting

N Brown Group plc ('the Company') is a company incorporated and domiciled in the UK. These financial statements present information about the Company as an individual undertaking and not about its Group. These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is the ultimate parent undertaking of the Group and also prepares consolidated financial statements. The consolidated financial statements of N Brown Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office address.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Company cashflow statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel

As the consolidated financial statements of N Brown Group plc include equivalent disclosures the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement
- Disclosures required by IFRS 7 Financial Instrument Disclosures

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest rate method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends

Dividends receivable are recognised when the Company's right to receive payment is established. Dividends payable to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents on the basis there is right to offset.

Own shares held by ESOT

Transactions of the Company-sponsored Employee Share Ownership Trust (ESOT) are treated as being those of the Company and are therefore reflected in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

33 Profit for the period

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period.

N Brown Group plc reported a profit after tax for the financial period ended 4 March 2017 of £41.2m (2016, profit £41.7m) which includes dividends received of £48.2m (2016, £49.0m).

The Non-Executive Directors' remuneration was £538,000 (2016, £569,000) and eight Non-Executive Directors were remunerated (2016, seven). The Executive Directors were remunerated by a subsidiary company in both years. Further details are provided on page 82 of the Directors' Remuneration Report.

The auditor's remuneration for audit services to the company of £15,000 (2016, £15,000) was borne by subsidiary undertakings.

34 Fixed asset investment

	2017 £m	2016 £m
Cost and net book value	366.5	366.0

The Company has investments in the following subsidiaries and joint ventures.

Company	Registered Office Address	Proportion held by the Group (%)
Aldrex Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Alexander Ross (Financial services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Ambrose Wilson Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Better Living Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Classic Combination Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Comfortably Yours Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Crescent Direct Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Cuss Contractors Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Dale House (Mail Order) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Daly Harvey Morfitt Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
DHM (Management Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
E Langfield & Co. Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Eunite Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Figleaves Global Trading Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Financial Services (Edinburgh) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
First Financial Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Gray & Osbourn Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Halwins Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hammond House Investments International Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hammond House Investments Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hartingdon House Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
HB Wainwright (Financial Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Heather Valley (Woollens) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hilton Mailing Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Holland & Heely Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
House of Stirling (Direct Mail) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
J.D. Williams & Co Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
J.D. Williams Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
J.D. Williams Merchandise Co Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
JDW Finance Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
JDW Malta Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
JDW Pension Trustees Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Langley House Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Mature Wisdom Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Melgold Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
NB Finance (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland	100
N Brown Pension Trustees Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Funding Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Group Quest Trustee Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Holdings Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown No. 2 Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
N Brown Property One Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Property Three Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Property Two Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100

Company	Registered Office Address	Proportion held by the Group (%)
NB Funding Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Guernsey UK	Griffin House, 40 Lever Street, Manchester M60 6ES	100
NB Holdings Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Insurance Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Malta No1 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta	100
NB Malta No2 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta	100
Nochester Holdings (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland	100
Odhams Leisure Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Oxendale & Company Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Oxendale & Co. Ltd (Eire Reg)	Woodford Business Park, Santry, Dublin 17, Ireland	100
Reliable Collections Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Sander & Kay Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Speciality Home Shopping (US) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Tagma Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
T-Bra Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
The Bury Boot & Shoe Co (1953) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
The Value Catalogue Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Vote It Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Whitfords (Bury) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Whitfords (Cosytred) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Whitfords (Textiles) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Wingmark Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100

35 Debtors

	2017 £m	2016 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	72.3	58.0
Prepayments and accrued income	0.9	0.8
	73.2	58.8

36 Creditors

	2017 £m	2016 £m
Amounts falling due within one year:		
Bank overdrafts (note 37)	27.2	13.0
Amounts owed to Group undertakings	184.7	186.0
Accruals and deferred income	0.8	0.5
	212.7	199.5

37 Bank loans and overdrafts

	2017 £m	2016 £m
Bank overdrafts	27.2	13.0
Bank loans	85.0	85.0
	112.2	98.0

The Company has unsecured bank loans of £85.0m (2016, £85.0m) drawn down under a medium term bank revolving credit facility committed until September 2020.

At 4 March 2017, the Company had available £40.0m (2016, £40.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to a £20m (2016, £20m) undrawn revolving credit facility.

The weighted average interest rates paid were as follows:

	2017 %	2016 %
Bank overdrafts	2.0	2.0
Bank loans	1.9	1.9

38 Share capital

	2017 Number	2016 Number	2017 £m	2016 £m
Allotted, called-up and fully paid Ordinary shares of 111/19p each				
At 4 March 2017 and 27 February 2016	283,429,454	283,429,454	31.3	31.3

The Company has one class of ordinary share which carry no right to fixed income.

39 Guarantees

Parent company bank overdrafts which at 4 March 2017 amounted to £27.2m (2016, £13.0m) have been guaranteed by certain subsidiary undertakings.

SHAREHOLDER INFORMATION

Financial calendar

2017	October	Announcement of interim results
	December	Closing of register for interim dividend
2018	January	Payment of interim dividend
	January	Christmas Trading Statement
	February	Financial year-end
	April	Preliminary announcement of annual results
	June	Publication of 2018 annual report and accounts
	July	Closing of register for final dividend
	July	Annual general meeting
	August	Payment of final dividend

An updated version of the financial calendar is available at www.nbrown.co.uk

Registered office

Griffin House
40 Lever Street
Manchester
M60 6ES
Registered No. 814103
Telephone 0161 236 8256

Registrars

Capita Asset Services
PXS 1
34 Beckenham Road
Beckenham
Kent BR3 4ZF
Telephone 0871 664 0300
(Calls cost 10 pence per minute
plus network extras)

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers

HSBC Bank plc
The Royal Bank of Scotland plc

Solicitors

Pinsent Masons LLP
Eversheds LLP
Addleshaw Goddard LLP

Corporate brokers

Jefferies Hoare Govett
Shore Capital Stockbrokers Limited

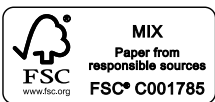
Shareholder benefits

Subject to certain conditions, shareholders are entitled to a 20% privilege discount off the selling price of consumer merchandise in any of the Group catalogues. Shareholders interested in these facilities should write for further information to the Company Secretary, N Brown Group plc, Griffin House, 40 Lever Street, Manchester, M60 6ES stating the number of shares held and the catalogue or product of interest.

Capital gains tax

For the purpose of capital gains tax, the value of the company's ordinary shares of 10p each was 6.40625p per share on 31 March 1982 and 1.328125p on 6 April 1965.

For more information and latest news on the Group, visit www.nbrown.co.uk



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