

# Powered by People

**N Brown Group plc**  
Annual Report & Accounts 2018



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 2,600 people across the UK.

# Highlights

## REVENUE – CONTINUING OPERATIONS (£M)

2018<sup>1</sup>

# 922.2

(52 week 2017:<sup>1</sup> £887.7m)  
(53 week 2017: £900.7m)

## ADJUSTED<sup>2</sup> PRE-TAX PROFIT – CONTINUING OPERATIONS (£M)

2018<sup>1</sup>

# 81.6

(52 week 2017:<sup>1</sup> £80.6m)  
(53 week 2017: £82.6m)

## STATUTORY PROFIT BEFORE TAX (£M)

2018<sup>1</sup>

# 16.2

(52 week 2017:<sup>1</sup> £55.6m)  
(53 week 2017: £57.6m)

## ADJUSTED<sup>2</sup> EARNINGS PER SHARE – CONTINUING OPERATIONS (P)

2018<sup>1</sup>

# 23.06

(52 week 2017:<sup>1</sup> 22.18p)  
(53 week 2017: 22.74p)

## STATUTORY EPS (P)

2018

# 4.41

(52 week 2017:<sup>1</sup> 15.10p)  
(53 week 2017: 15.67p)

## NET ASSETS (£M)

2018

# 459.6

(2017:<sup>1</sup> £478.2m)

## DIVIDENDS PER SHARE (P)

2018

# 14.23

(2017:<sup>1</sup> 14.23p)

<sup>1</sup> In the current year we are reporting on the 52 week period to 3rd March 2018. In FY17, the statutory result reported on the 53 week period to 4th March 2017. In order to provide a meaningful comparison, all FY17 P&L financial movements are reported on a 52 week basis, excluding the 53rd week, unless otherwise stated. The 53 week statutory results for FY17 are set out on page 85, together with an assessment of how the 52 weeks result for the comparative period has been derived. All comparative balance sheet figures are reported as at the year-end date and cash flow figures are for the 53 week statutory period.

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

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[View online](http://ar2018.nbrown.co.uk)  
[ar2018.nbrown.co.uk](http://ar2018.nbrown.co.uk)







# people



## Everyone at N Brown plays a role in delivering world-class fashion that fits.

We couldn't do what we do without the passion, energy and dedication of our people to deliver fantastic products and a great service to our customers.

Our people are what defines our business. They live and breathe our GUSTO values every day and are our single most important asset.

Everything we achieve as a business, we are achieving together. We would like to recognise and thank our colleagues for working so hard to make this happen, and we are pleased to introduce you to some of our great people in this report.

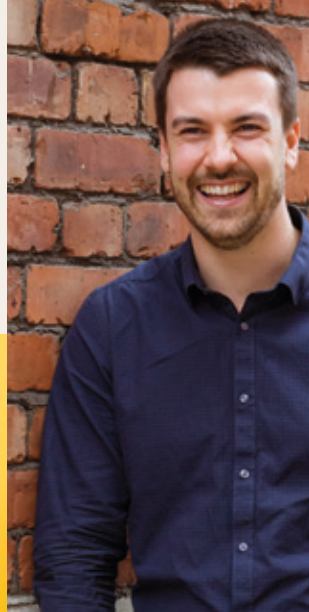
**Angela Spindler**  
Chief Executive Officer

 @nbrownplc

Powered by People  
continued

# 2,600 colleagues across the UK.

With the passion,  
energy and  
dedication to  
deliver fantastic  
products and a  
great service to  
our customers.





**Everyone  
plays a role  
in delivering  
world-class  
fashion that fits.**



 **#proudtobeNBrown**



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continued

# The spark

behind a modern online  
department store

JDWILLIAMS

## Relaunching the JD Williams brand

### Our influencers

A group of editors and influencers designed to inspire our customers by sharing their life moments. Made up of top lifestyle journalists, and fashion and home bloggers, they are here to share their tips and tricks with the JD Williams customers across all our channels, from the Life.Style magazine to the weekly blogs on our site.

### Online stats

We have seen good growth in our social media figures since the launch of The Lifestore. With over 178,000 Facebook followers, and engagement growing over 20%, this is just one way we are increasing engagement with our customers online.

**+20%**

Online engagement growth

### Midster report

Last summer we commissioned our third state of the nation report, in association with YouGov, surveying over 2,000 women aged 45+. The report looked into body confidence, style and shopping behaviours, as well as women's attitudes towards key life moments such as relationships, dating, healthy living, life adventures and work-life balance.

**178,000**

Facebook followers



JD WILLIAMS  
REVENUE (%)

↑ 3.2%



## &A

### The people behind the new brand

**Q: Why did you feel compelled to create the Midster report?**

**A: Beth** – Middle age is no longer that middle ground between young and old – it is a vibrant stage of life that is now starting to be recognised as a distinct, exciting phase full of new possibilities. These days, women are better defined by their attitudes, passions, interests and ambition, rather than just a number, so we wanted to lift the lid on this and talk openly about these subjects.

**Q: What was the thinking behind the repositioning of the brand?**


**A: Beth** – We recognised that women in their 40s and 50s were misunderstood and underserved. Contrary to beliefs, these women are entering the happiest years of their lives – “middle” aged does not imply “crisis”! They’ve reached a stage in their lives where they know themselves better than ever and they feel less guilty about looking after themselves a little more. We listened to our customers’ needs and wanted to empower them and bring to them a brand which inspires them to live life to the full on their own terms.

**Q: Tell us about the JD Williams product offering**

**A: Jane** – The product has been built around the unique attitude and needs of the 45+ woman – we design specifically with ‘Her’ in mind and we understand our customers’ bodies in a way that other retailers don’t. We take into account the way bodies change with age and provide clothes that are on trend and in fashion but are relevant to her. We consider all occasions and we design to offer solutions to the challenges women face as they grow older, considering fabric, sleeve length and styling details to help her look and feel great.

**Q: What has the reaction been to the relaunch?**

**A: Becki** – The reaction from our customers has been overwhelmingly positive – one of our customers said “the fact that I can buy homewares, wide-calf boots, clothes, underwear – everything under one roof and the new fresh look makes me look and feel more positive”. For us, it’s about ensuring that these women are represented – and celebrated! We’re really pleased with the performance since we relaunched the brand – excluding the drag from recently migrated Fifty Plus customers, JD Williams revenue was up double digit for the year as a whole.

 More detail p36



## &A

### The people shaping customer experience

**Q: How will Simply Be Perks increase brand loyalty?**

**A: Mandy** – We wanted to let our customers know how important they are to us and give them something back as a thank you for their loyalty. We offer rewards designed to fit our customers perfectly by using internal data to tailor rewards to a customer's lifestyle and known buying preferences, such as beauty products, or discounts on certain products. Our simple opt-in rewards programme encourages long-term loyalty by giving everyone, not just high spenders, monthly perks. How and what we reward our customers is central to the rewards programme and having data-driven decisions underpin our programme has helped us to exceed our members' expectations. Our Simply Be customers are highly digital so it was also important that we developed the functionality for our customers to view their rewards, interact with the Perks hub and redeem their rewards via all our online channels, including our Simply Be app.

**Q: What insights have you gained from your customer panels and User Experience (UX) labs?**

**A: Gareth** – Our customer panels are a great way to gain real customer opinions and insights on a whole host of topics; from our product offering to feedback on our latest TV ad. Based on the findings we have driven a number of actions throughout the

business, alongside a significant cost saving versus ad hoc market research agency fees.

**A: Ross** – The user experience labs we run give us a much deeper understanding of how our customers use our websites and apps. The tools on our sites allow us to conduct hundreds of experiments to scientifically prove which experiences improve satisfaction and ultimately revenue.

**Q: How popular has the delivery subscription service been?**

**A: Mandy** – We are really pleased with the uptake of our delivery subscription. We launched the offer for our Jacamo customers over a year ago and we've seen a double-digit increase in both order frequency and net sales per customer. We are always looking for ways to improve our offering for our customers and this has been another successful step in delivering the best possible service to our customers.

**Q: What have the upgrades to the Simply Be app meant for customers?**

**A: Ross** – The subsequent releases to our iOS and Android Simply Be apps have meant that we can continue to improve our offering, including features such as recently viewed items and predictive search, and ultimately the experience for our customers. With an App store rating of 4.8 out of 5, we are seeing the results of these improvements first hand. By investing in our in-house app development capabilities we can embed fortnightly releases to improve the functionality and features of our apps and roll out onto our other brands.

85.8%

Customer satisfaction score

Over

2000

user experience tests



# The passion

behind delivering  
the best customer  
experience

## Driving sales by refining the customer experience

### Improving our app offering

We have seen some encouraging results with our Simply Be iOS and Android apps, with over 100,000 downloads across both platforms. In February, we launched the JD Williams app; our first app on our own platform and an important step in bringing our technology capabilities in-house.

### Customer panels and UX labs allowing agile ways of learning

A combination of user experience labs and testing, and our customer panels, which we have across all three of our Power Brands, allow us to easily and quickly gain real customer insights and the ability to test and learn in an agile way.

### Launch of Simply Be Perks

After seeing positive results from the initial pilot of our new rewards programme, Simply Be Perks, we launched to our whole Simply Be customer base in April 2018. Designed to engage with our customers on a personal and emotional basis, driving loyalty based upon a genuine value exchange, we have created a new experience to increase brand love and advocacy with our customers.

### Capturing customer loyalty with delivery subscriptions

With a delivery subscription available on five of our key brands entitling customers to 12 months unlimited next day or nominated delivery for £9.95, we are seeing encouraging results demonstrating the loyalty we are driving through this offer.



## &A

### The people behind Financial Services

**Q:** How has the quality of the customer loan book changed this year?

**A: Stuart** – The quality of our book has improved during each of the past few years, which you can see through our provision and arrears rates. We've improved our lending decisions, which has significantly reduced the number of first time credit defaulters and our fraud rates, and at the back end of the book we've been proactive in helping customers in financial difficulties, in many cases reducing or freezing the interest we charge them during this process. All of these we've been doing for several years now, and we continue to benefit from these actions.

**Q:** Could you tell us more about the changes you made to minimum payment changes, and what you saw as a result?


**A: Chris** – We are always trying to find ways to give our customers more choice and flexibility in how they shop with us and how they manage their finances. With the uncertain economic outlook we anticipated that pressure on household incomes was likely to increase. To ease this pressure, we took the decision to reduce the minimum payment required for the personal credit account.

Most of our customers pay more than the minimum payment in any case, but, as we all know from a personal perspective, there are times of the year when we all want to spread the costs a bit more.

**A: Stuart** – The customer take up was greater than we expected, and the area where we saw the biggest effect – which was a positive for both customers and us as a business – was in arrears, with far more customers paying the minimum charge and therefore not getting behind on their payments.

**Q:** How are you using new technology in Financial Services, and how important is this going forward?

**A: Chris** – I view this as an important and also really exciting part of my role. There is so much to be gained – be that in terms of efficiencies, growth opportunities or just working smarter – from using innovative new technologies. I'm particularly excited about the latest developments in FinTech, for instance how AI is being used and the increased access to data across the banking industry. All of these developments should allow us to further improve the experience and ease of shopping for our customers.

 More detail p39

**+550bps**

Financial Services gross margin

**120bps**

Improvement in arrears rate

FINANCIAL  
SERVICES (%)

**3.5%**

Revenue growth

# The expertise

behind informed decisions

## Driving innovation in Financial Services

### Lower interest rate trials

This year we've run several risk-based variable interest rate trials, all in preparation for the full rollout of variable APR with our new Financial Services systems. This new platform went live on High & Mighty in July and will be rolled out to our other brands going forward, starting with Fashion World in the second half of FY19.

In late FY17 we introduced lower headline rates for new customers on our Power Brands, which continues to see encouraging results. This year we also trialled risk based pricing for a subset of existing credit customers to gain learnings on customer behaviour and outcomes before our full system is rolled out.

### Minimum payment changes

At the end of the first half we reduced our minimum payment requirement from 5% to 4%. We did this to give customers even more flexibility to manage their finances. We saw a significant effect on Financial Services gross margin, as a result of a better than expected reduction in the number of customers getting into financial arrears, a positive dynamic. Our overall approach to credit customer risk management and lending remains unchanged.

### Technological innovation

We continue to innovate and use emerging technologies to further improve our Financial Services capabilities. Working with partners, we're now trialling using virtual interviews and utilising social data to access richer information which we could use for lending decisions. We've also gone live with a trial using Artificial Intelligence (AI) in our credit and fraud decision making.

# The energy

behind our  
international  
expansion

## Our new approach is successfully accelerating our growth in the USA

### Focusing our marketing investment on digital channels

We have served US customers for several years, under both the Simply Be and JD Williams brands. This year we changed our marketing approach in the country, significantly reducing our use of paper and mail order marketing techniques, and instead focusing on digital marketing channels such as social media, influencers and further investment in our online content and user experience.

### The launch of Global Ship Anywhere

We've recently gone live with a technology solution which will enable us to serve customers anywhere in the world. This third-party solution allows for currency and language translation and is an important next step in our international ambitions.

### New international partnerships with Zalando, Navabi, Namshi, Lamoda and THE ICONIC

Our partnerships involve us selling capsule collections of Simply Be, and in some cases Jacamo, through other retailers' sites. This allows us to generate higher revenue and grow our brand awareness whilst providing an important income stream of the future. Last year we went live on ASOS and Tesco, and this year we've launched on Zalando, Navabi, Namshi, Lamoda and THE ICONIC.

Jen



Rich



Arieta




Simon



## &A

### The people driving our international growth

 More detail p38

## US revenue +21% in the second half

Constant currency terms

#### Q: What role do you see influencers playing in growing US brand awareness?

**A: Arieta** – Influencers, be they bloggers, vloggers or Instagrammers, are becoming an increasingly important part of our marketing mix. They provide us with the opportunity to get huge reach and become part of our customers' conversations. Working in partnerships with influencers provides us with a highly engaged and in-tune audience to spread the word of our brands. We try to make sure that everyone we work with, whether they're our models, stylists or photographers, is socially connected with our customers.

#### Q: Looking forward, what's in store overseas in the coming year?

**A: Rich** – This year was an opportunity to test marketing messages, channels and above all new content. We also created our first bespoke collection specifically for our US customers. We worked with specific US models and influencers and created content that was shot, produced and created for the local audience. In addition, it is important for customers, influencers, celebrities and members of the media to 'touch and feel' our product. With this in mind we will be creating experiential activities that will showcase our fashion credentials and demonstrate our expertise in fit.

#### Q: What will Global Ship Anywhere give the business?

**A: Jen** – The release was an important milestone for us as it opens the door to so many countries that we haven't been able to serve before. Using a third-party solution improves the efficiency, and also reduces the risk for us. We're looking forward to getting valuable insight into where in the world our brands resonate best with customers, which will then enable us to invest more time and efforts into these countries.

#### Q: How are your partnerships going, and how do you see this area developing in the future?

**A: Simon** – We're really pleased with performance so far, and partners are keen to work with us – plus size is one of the fastest growing parts of the clothing market globally, and we believe – and our customers tell us – that we understand fit better than anyone. Selling capsule collections through partners is therefore a win-win – they get a great plus-size brand to offer their customers, and we earn incremental revenue and grow brand awareness. We're delighted with the partners we've started working with over the past year and are speaking to quite a few more, so I think this will continue to be a growth area for us.

# What we do

## Power Brands

### JDWILLIAMS

An online department store, offering style for 45-plus customers and their families, with ranges for women, men, home and kids. Focusing on shape and fits that flatter, we create unique silhouettes, rather than scaling patterns; we use real bodies, rather than static mannequins; we design our products to fit – a unique and age appropriate point of view to empower women to feel their best.

REVENUE GROWTH (%)

↑ **3.2%**

REVENUE PERFORMANCE (M)

**£163.4m**



### simply be.

Simply Be has empowered women for over a decade to express their true selves through perfect-fitting style, whatever their shape, whatever their size. The brand is gaining significant momentum both here in the UK as well as in the US market.

REVENUE GROWTH (%)

↑ **16.3%**

REVENUE PERFORMANCE (M)

**£132.8m**



### JACAMO

A modern, challenger brand with a strong digital offer, Jacamo wants men of all shapes and sizes to look good and to enjoy fashion to express their own style. Collections are available in a market-leading range of sizes, from Small to 5XL.

REVENUE GROWTH (%)

↑ **5.1%**

REVENUE PERFORMANCE (M)

**£68.6m**



Revenue growth percentages are stated with reference to 2017 52 week numbers. See page 42.



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 has an online penetration of just under 40%, with online growing as a channel and offline (catalogues) declining significantly. Going forward, we will

focus our efforts on the online channel within Traditional, and would expect the offline element to therefore reduce over time. This will ensure that we continue to offer customers a great product offering, whilst allowing us to generate efficiencies.

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

## Secondary Brands

**fashion**  
FIGLEAVES  
*Marisota*  
HIGH AND 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 (%)

↓ **3.8%**

### REVENUE PERFORMANCE (M)

**£149.2m**

## Traditional Segment

ambrose  
**Wilson**  
**PREMIER MAN**  
*Julipa*  
your personal department store  
**HOUSE of BATH**  
HOME OF INSPIRATION

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 (%)

↑ **3.3%**

### REVENUE PERFORMANCE (M)

**£138.6m**

## 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 flexibility, 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 (%)

↑ **3.5%**

### REVENUE PERFORMANCE (M)

**£269.6m**

Revenue growth percentages are stated with reference to 2017 52 week numbers. See page 42.

# A year of significant market share gains

Against a challenging sector backdrop we delivered a good set of figures, with particularly strong performances from both Simply Be and Financial Services. I would like to thank all our colleagues across the business for their continued passion and dedication.

**ANDREW HIGGINSON**  
Chairman



**A STRONG POWER BRAND PERFORMANCE:**

**+8.0%**

Revenue increase

**+2.4%**

Increase in active customers

**FINANCIAL SERVICES PERFORMANCE DRIVEN BY ONGOING GOOD QUALITY OF THE CUSTOMER LOAN BOOK:**

**+3.5%**

Financial Services revenue

**STRONG ONLINE METRICS:**

**+10%**

Online revenue yoy

**76%**

Of all traffic from mobile devices

All figures presented on this page are stated with reference to 2017 52 week numbers. See page 42.

### Looking back on the year

This year has seen the business make further good progress with the strategy Angela put in place when she joined, with continued strong growth in the Power Brands, online penetration and market shares. The backdrop remains challenging, and was particularly competitive in the second half, and we are not immune to this. Financial Services provides the Group with additional resilience, however, and this can be seen in the financial performance this year.

### Dividend

We recognise the importance of cash returns to our shareholders. Against a backdrop of continued investment in the business to ensure future sustainable growth, we are pleased to be recommending an unchanged dividend on last year.

### Board changes

This year has seen further changes to the Board, as it continues to evolve, in line with the changing shape of the business. As announced in last year's report, Fiona Laird stepped down from the Board in January, following her appointment to the Board of Newell Brands Inc in the USA. At the same time, I was very pleased to welcome two new Non-Executive Board members, Gill Barr and Michael Ross. Both bring with them very relevant expertise and knowledge, and have already added valuable insight to the Group.

Gill is a Non-Executive Director of PayPoint plc and Wincanton plc, and a Trustee Director of Willis Towers Watson's master trust, LifeSight Ltd. She is also the Chair of the Customer Challenge Group for Severn Trent Water Plc. She was previously Group Marketing Director of The Co-operative Group, Marketing Director of John Lewis and also spent time at Kingfisher Plc in a variety of senior strategy, marketing and business development roles.

Michael Ross is the Co-founder and Chief Scientist of DynamicAction, a leader in big data analytics and AI for retail. He is also a Non-Executive Director of Sainsbury's Bank, and sits on the commercial development board at the Turing Institute. He was previously the co-founder and CEO of figleaves.com. Michael started his career at McKinsey consulting in the early days of the internet.

### Reflecting on my time as Chairman

After serving nearly six years as Chairman, I am stepping down in order to pursue opportunities in Private Equity. The Board has recruited Matt Davies, who joined us as Non-Executive Director and Chairman Elect in February, and will take over as Chairman when I step down on 1 May 2018.

Over the five years I have been with the Group it has been through an unprecedented period of transformation. This change programme has not been without its challenges, and there have also been external shocks and legacy issues we have needed to deal with along the way.

One of the biggest changes over the past few years has been in people, with the vast majority of both the Board and the Operating Board joining the Group over the past five years. This has been an important step forward in ensuring that the Group has the expertise and experience to guide it on its path to an online retail model, driven by customers but fuelled by technology.

There has been material people change throughout the business, with many new colleagues joining, bringing new skills and capabilities. Much has been done to follow our customers as technology has changed the way people shop and interact with retailers. This affects everything in the business from how we buy and source product, to how we sell and distribute to our customers. We have also made strides increasing the transparency of our Financial Services business and obtaining our full authorisation from the FCA.

People change is never an easy aspect of any business transformation and I would like to thank all colleagues for their passion, energy and dedication to the Group throughout my tenure. As the title of this report says, N Brown is truly 'powered by people'.

I have thoroughly enjoyed my time at N Brown. It has been a privilege to Chair the Group and I look forward to following its progress in the coming years under Matt's excellent leadership.



**Andrew Higginson**  
Chairman

## Welcoming Matt Davies as Chairman



We are delighted to welcome Matt Davies to N Brown. Matt is a first-class retailer and brings a wealth of experience of retail and online businesses. He will be a strong addition to the N Brown Board, bringing knowledge, leadership and customer focus. He has a proven track record of value creation across retail and online.

Matt was CEO of Tesco UK and ROI until the end of April 2018, having been appointed in May 2015. During his time at Tesco he successfully led the turnaround of the UK business. Prior to Tesco, Matt was CEO of Halfords from 2012 to 2015 and Finance Director (2001-2004) and CEO (2004-2012) of Pets at Home.

**"I am delighted and excited to be taking on this role. I am really looking forward to working with Angela, her team and my fellow Non-Executive Directors to further develop and grow the N Brown business."**

**Matt Davies**  
Incoming Chairman

# Good performance in a challenging market

## Global trends

The global economic backdrop remains uncertain, with the transition and exit from the EU the biggest uncertainty at present. Exiting the EU presents our business with some potential challenges, particularly in terms of reliance of EU workers through our distribution network. We are working to ensure that the impact to our customers and our business is minimised as much as possible.

## Demographic trends

Improvements in healthcare and lifestyle are resulting in an ageing UK population, with 18% of the population aged 65+ according to latest figures from ONS. Obesity levels have steadily increased over the last 15 years, and with latest reports from the Health Survey for England showing the highest levels in 55-64 year olds, our size and age inclusive approach are important differentiators which benefit from these population trends.

## Macro-economic trends

High inflation leading to economic pressures.

### How we are responding

We continue to aim to mitigate input costs as much as possible, working closely with our suppliers and moving supply nearer to the UK in some cases.

We hedge our dollar buying requirements on a rolling basis, to give us clarity over our buying rates.

Our International business provides a small natural hedge which is a key area of focus as one of our strategic growth levers.



## Trends

The market remains highly competitive, with retailers facing cost pressures from high inflation as a result of the depreciation of sterling following the EU referendum, and households carefully managing their disposable income. The health and beauty sector is expected to continue to see an uplift as consumers seek to find small, inexpensive luxury purchases.

## Retail

Health and beauty gaining momentum in a highly competitive market.

### How we are responding

Continuing to invest in great value products.

Continuing to improve our health and beauty offering by partnering with new brands.

**+60bps**

Ladieswear market share

### Opportunities for growth

We already benefit from strong customer loyalty, driven by our fit specialism and, for some customers, personal shopping account. The launch of delivery subscriptions and other loyalty drivers such as Simply Be Perks should further strengthen customer loyalty. By increasing our third-party brand and product offering, we are widening share of basket to sectors which are seeing the biggest growth and offering customers even greater choice.

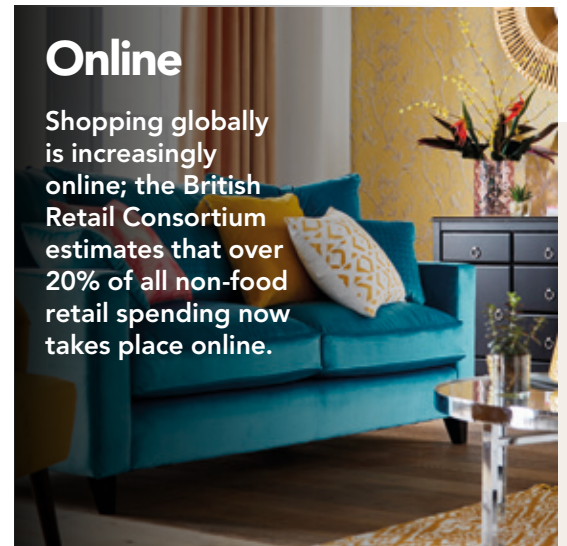
## Online

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

### How we are responding

Continuous improvements to customer experience, for example through personalisation and app development.

Our new web platform will further improve our trading agility.

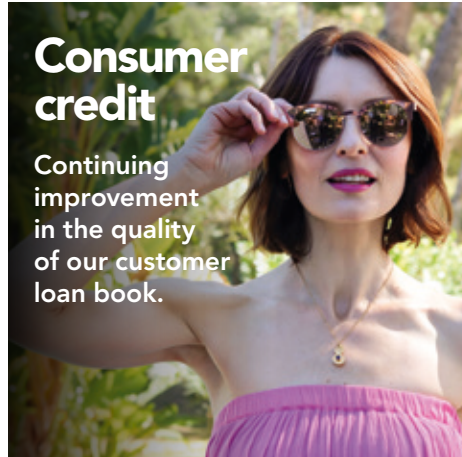


**Trends**

Consumer spending has been under pressure due to falling real wage growth for some time, and this is widely expected to continue. Inflationary pressures remain across the retail sector. Exchange rates have stabilised somewhat since the EU referendum however remain unpredictable going forward.

**Opportunities for growth**

The introduction of the UK Living Wage has resulted in some cost increases, particularly in our distribution centre, however unlike many of our competitors we don't have a large store estate, which puts us in a relatively stronger position. Our personal credit account facility enables customers to spread the cost of their purchases over time, which is a helpful customer service proposition, particularly when real household incomes are under pressure.



**Trends**

The retail credit market continues to grow year-on-year, with data from the Finance and Leasing Association revealing that the market grew by 9% in 2017. The competition which the retail credit market faces from other lending products means we are continuing to look at ways to improve our offering and innovate within this space.

**Opportunities for growth**

Ahead of our new Financial Services system being rolled out across our brands we have been trialling offering lower interest rates for new customers on our three Power Brands, which has performed well. We are also continuing to optimise the customer purchase journey, for both cash and credit customers.

**How we are responding**

Our new financial services system will allow us to charge variable interest rates reflective of individual customers' risk profile, which, in turn, will make us more competitive in our credit offering.

We constantly monitor the health of our customer loan book, and have seen the quality of the book improve further this year.

**Trends**

Despite GlobalData reporting that online growth will fall year-on-year in the next five years, this is merely due to penetration saturating as the growth of online will see sales making up over one fifth of the retail market by 2023. Online expenditure for the clothing and footwear market is set to increase by almost 40% between 2018 and 2023, a promising outlook as our online penetration increases.

**Opportunities for growth**

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

**73%**

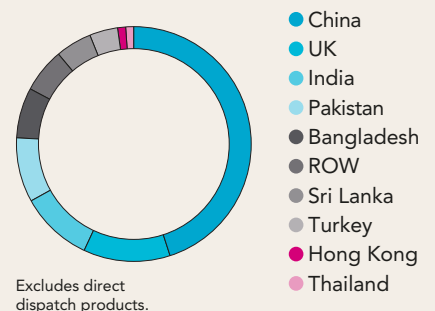
demand was generated online

**Ethical sourcing**

As a business our key territory still continues to be China, particularly for homewares. For clothing, our buying trends are moving the mix closer to home.

This enables improved in-season flexibility and planning, delivering shorter lead times and providing key seasonal products to the customer at the right time.

**SOURCING BREAKDOWN FY18**



Excludes direct dispatch products.

# Creating 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 our brands.

- 3 Power Brands
- Secondary Brands
- Traditional Segment

**£652.6m**

Total brand portfolio revenue 2018

### 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.

**+3.6%**

Active customers

### 3 N Brown people

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

**2,600**

People employed across the UK

### 4 Systems and infrastructure

Ongoing development and investment in our systems and infrastructure remains crucial against a competitive sector. Our IT investment approach this year has been to prioritise and focus on the developments that deliver the highest returns, such as Global Ship Anywhere and mobile apps.

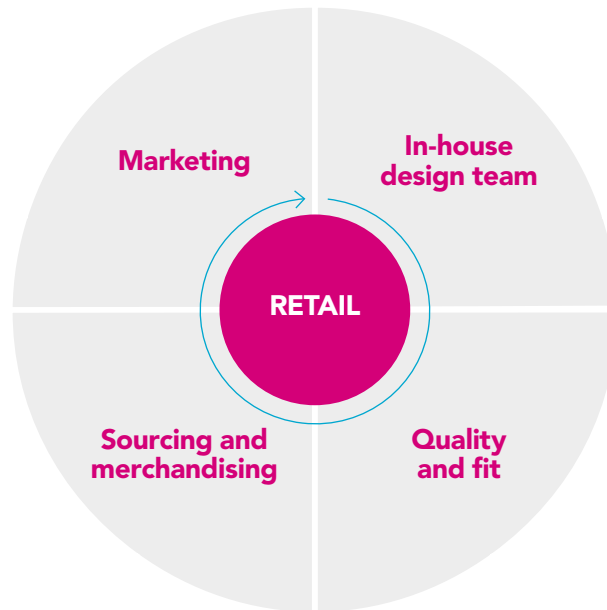
**76% (+5ppts)**

Traffic from mobile devices

## Core activities >

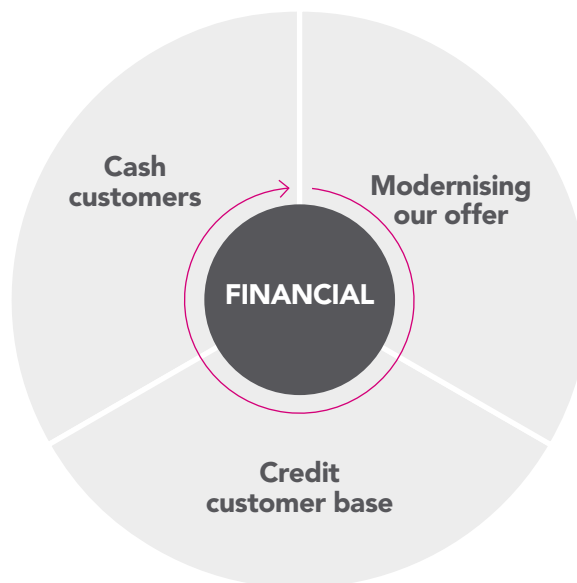
### Retail products

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
- Understanding is everything
- Saving makes sense
- Togetherness is crucial
- Opportunity exists everywhere

## Value >

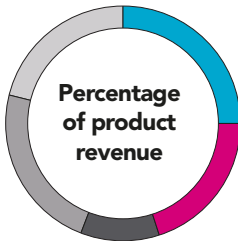
### Retail products

**£652.6m**

Total product revenue 2018

**+4.1%**

Increase in revenue



● JD Williams	25%
● Simply Be	20%
● Jacamo	11%
● Secondary Brands	23%
● Traditional Segment	21%

### Financial Services

**£269.6m**

Total Financial Services revenue 2018

**+3.5%**

Increase in revenue

## Financial 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.

**14.23p**

Dividend to shareholders

More detail p22

More detail p34

### 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.

**£39.2m**

Capex in 2018

## Non-financial outputs

### 1 Customer satisfaction

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

### 2 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.



Revenue growth percentages are stated with reference to 2017 52 week numbers. See page 42.

# Focused on our growth strategy

Our strategy continues to deliver results, with market share gains in the UK, US revenue up 21% in the second half, new partnerships underway and almost three quarters of our revenues now coming online.

**ANGELA SPINDLER**  
Chief Executive



**KEY HIGHLIGHTS:**

**+17%**

Power Brand online revenue growth

**+21%**

US H2 revenue growth, constant currency

Revenue growth percentages are stated with reference to 2017 52 week numbers. See page 42.



## Overview

We continue to benefit from the significant changes made to the business over the past four years, and these, together with a strong performance in our Financial Services business, enabled us to deliver a good performance for the year as a whole, in a challenging market.

I am delighted to be reporting profit growth, with Simply Be the standout brand. The second half in particular was difficult for the fashion sector. A good performance in Financial Services provided the Group with resiliency to enable us to continue to invest in our customer offer, successfully driving revenue and market share growth.

Power Brands continued to outperform, with revenue up 8.0%. Within this, JD Williams revenue was up 3.2%. There was a headwind from migrated Fifty Plus customers; excluding these, JD Williams revenue was up a double-digit percentage. Simply Be was up 16.3% and Jacamo up 5.1%. We saw a good performance across all categories, with Footwear and Accessories a standout performer.

We continue to deliver strong online metrics, with online revenue up 10% and online revenue of Power Brands up 17%. Online penetration was 73%, up 4ppts, with 76% of all traffic coming from mobile devices.

We had a strong Financial Services performance, driven by continued improvement in the quality of the loan book, together with a reduction in arrears, partly as a result of minimum payment changes.

## Technology and innovation

Our systems investment programme remains on track. We are pleased with the performance of the High & Mighty and US sites, which are both on the new Hybris platform. Since the sites go-live we have been releasing regular updates to add further functionality and optimise

performance. We are targeting the second half of FY19 for Fashion World to migrate onto the new platform. We will optimise the timing of these migrations to mitigate any commercial risk.

At the start of the new financial year we went live with Global Ship Anywhere. This is the key enabler for wider international growth outside of our current US and Ireland sites. This functionality translates currency and overlays our site with local delivery and payment options.

We have seen some encouraging results with our Simply Be iOS and Android apps, with over 100,000 downloads across both platforms. Update releases to our apps have enabled us to continue to improve our offering, including features such as recently viewed items and predictive search, further improving the experience for our customers. Our App store rating is currently 4.8 out of 5. In February, we launched the JD Williams app; our first in-house developed app, an important step in bringing our app development capabilities in-house. By investing in our in-house development capabilities we can embed fortnightly releases to improve the functionality and features of our apps and plan to roll out apps onto our other brands in the future.

## Outlook

The market backdrop remains challenging and as competitive as ever. We will continue to invest in our product proposition and service offering, to ensure we further strengthen customer loyalty. We have an industry-leading fit specialism and market leading position in our plus-size niche. We will continue to work with passion, energy and relentless focus to further build on this position.



**Angela Spindler**  
Chief Executive

## Growth levers

### Gain share in the UK

We are focused on continual improvement in our customer experience, further development of our product offer and enhancing our brand cut-through. This growth lever is further driven by increasing the number of third-party brands on our websites, many of which are extended to larger sizes on an exclusive basis, offering more choice to our customers.

During the year we gained market share in the UK in both ladieswear and menswear. We continue to improve the flexibility of our supply chain, reducing lead times and our speed to market. Our websites offer customers a wide range of brands, allowing them to shop for every occasion; we have recently added brands including Monsoon, Quiz, Jack & Jones, Ted Baker, Lyle & Scott, Radley and Superga.

### International expansion

The USA is our first priority, however, we also intend to expand to other countries, initially through Global Ship Anywhere technology, which recently went live. In order to achieve our international ambitions we will leverage our current organisational capabilities and embed a global culture throughout our business. US revenue accelerated through the year, growing by 21% in the second half, driven by our new digital-first marketing approach and enabled by our new web platform.

### Partnerships

This includes selling capsule ranges on other retailers' sites, on both a wholesale and marketplace basis. We also see a significant growth opportunity in influencer marketing, working together with bloggers and opinion formers to enable our brands to reach new audiences and further strengthen customer engagement.

During the second half we went live on ASOS and Zalando, and have recently signed partnership deals with THE ICONIC (Australia) and Lamoda (Russia). All of our partnerships involve us selling capsule collections of our brands on our partners' sites. We are pleased with the performance to date.

We have increased our use of influencer marketing, most notably in the USA. These activities have been very successful in strengthening our customer relationships, increasing our share of voice and driving sales. Examples of recent influencer collaborations include Sarina Novak (@SarinaNovak; 372k followers) who worked with us on the Simply Be USA relaunch, La'Tecia Thomas (@lateciat; 806k followers) for our Swim and Spring Break campaigns and Kelly Augustine (@kellyaugustine; 63k followers) for our Valentine's Day activity.

## Our strategic drivers:

### Product

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

### Price

Great prices and flexible ways to pay

### People

Obsessed with customers, enriched with data and powered by technology

### Place

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

# Four drivers of success

## Our vision

To be the globally 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.



## Product

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

### Relevance

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

### Progress 2017

We strive to continuously improve our product offering, both in terms of our retail and Financial Services products. All product categories saw positive revenue growth, a good result, with Simply Be the standout brand. We have continued to invest in our product design capabilities, and are also moving to 3D product fitting to further improve our fit specialism.

### Priorities 2018

We will roll out 3D fitting across womenswear, cementing our differentiated position. Menswear delivered a good performance however we see scope for further growth in this category. In Financial Services, we plan to go live with full variable APR in the second half, a significant milestone.

### Associated risks

- Failure to change
- Competition
- Regulatory environment

### KPIs

**5.6%**

Ladieswear market share, size 16+

**2.7%**

Menswear market share, chest size 44"+

**27.1%**

Group returns rate (rolling 12 months)



## Price

**Great prices and flexible ways to pay**

### Relevance

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

### Progress 2017

The second half of the year saw a challenging retail market backdrop. The strong performance of Financial Services allowed us to strategically choose to invest more than initially planned in promotions during this period, successfully driving both revenue and market share.

### Priorities 2018

We continue to ensure that our price points are competitive with the mid-market, offering great value products throughout the size range. In Financial Services, our new platform will give customers more flexible, personalised payment options.

### Associated risks

- Failure to change
- Competition

### KPIs

**85.8%**

Customer satisfaction rating, UK CSI

**122k**

New credit recruits (Rollers, last six months)

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.



## People

**Obsessed with customers, enriched with data and powered by technology**

### Relevance

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

### Progress 2017

We continued to develop our internal talent and hire great new people to our business. We launched our new intranet and an online leadership development hub. Our colleague satisfaction rating reached another record high.

### Priorities 2018

We will continue to focus on developing our talent, rewarding achievement and instilling a global culture throughout the business.

### Associated risks

- People
- Competition

### KPIs

**85.8%**

Customer satisfaction rating, UK CSI



## Place

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

### Relevance

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

### Progress 2017

Our speed of delivery improved further, by over 15% year on year. We rolled out delivery subscription offers across our largest five brands, with positive customer reception. We launched our new web platform in the UK for the first time, on our High & Mighty site, an important milestone.

### Priorities 2018

We will continue the rollout of our new web platform, with Fashion World migrating in the second half. We recently went live with Global Ship Anywhere, an important enabler for our international growth ambitions.

### Associated risks

- Failure to change
- Competition
- People
- Cyber security

### KPIs

**73%**

Online penetration

**5.3%**

Conversion rate

**4.45m**

Active customer accounts

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.

# Measuring progress against our strategy

## Customers

ACTIVE CUSTOMER ACCOUNTS (m)	POWER BRAND ACTIVE CUSTOMERS (m)	GROWTH OF OUR MOST LOYAL CUSTOMERS (%)	CUSTOMER SATISFACTION RATING (%)																
<p><b>+3.6%</b></p> <table border="1"> <tr> <td>2017</td> <td>4.30m</td> </tr> <tr> <td>2018</td> <td>4.45m</td> </tr> </table>	2017	4.30m	2018	4.45m	<p><b>+2.4%</b></p> <table border="1"> <tr> <td>2017</td> <td>2.17m</td> </tr> <tr> <td>2018</td> <td>2.22m</td> </tr> </table>	2017	2.17m	2018	2.22m	<p><b>-380bps</b></p> <table border="1"> <tr> <td>2017</td> <td>+3.6%</td> </tr> <tr> <td>2018</td> <td>-0.2%</td> </tr> </table>	2017	+3.6%	2018	-0.2%	<p><b>+210bps</b></p> <table border="1"> <tr> <td>2017</td> <td>83.7%</td> </tr> <tr> <td>2018</td> <td>85.8%</td> </tr> </table>	2017	83.7%	2018	85.8%
2017	4.30m																		
2018	4.45m																		
2017	2.17m																		
2018	2.22m																		
2017	+3.6%																		
2018	-0.2%																		
2017	83.7%																		
2018	85.8%																		
<p><b>Relevance to strategy</b></p>	<p><b>Relevance to strategy</b></p>	<p><b>Relevance to strategy</b></p>	<p><b>Relevance to strategy</b></p>																
<p><b>Definition</b></p> <p>The number of customer accounts which made a retail purchase in the last 12 months. The figures include all brands aside from Fingleaves, which is managed separately to the Group.</p>	<p><b>Definition</b></p> <p>The number of Power Brand (JD Williams, Simply Be and Jacamo) customer accounts which made a retail purchase in the last 12 months.</p>	<p><b>Definition</b></p> <p>We define our most loyal customers as those who have purchased from us in each of the last four clothing seasons.</p>	<p><b>Definition</b></p> <p>Our latest overall customer satisfaction score, as measured independently by the UK Customer Services Institute.</p>																
<p><b>Performance</b></p> <p>We saw a good performance in customer metrics, with a very strong first half, and then a softer second half against both a tough comparative and competitive backdrop. In line with our strategy we continue to prioritise new customer recruitment to our Power Brands, as they represent our biggest future growth opportunity.</p>	<p><b>Performance</b></p> <p>As with the revenue performance, Simply Be was the standout performer, with active customer growth of over 20%. The migration of the Fifty Plus title into the JD Williams brand (these customers are included within the JD Williams customer file) was a headwind to this metric, as expected.</p>	<p><b>Performance</b></p> <p>After a very strong performance last year, driven by the recovery in our Traditional segment, the number of our most loyal customers was broadly flat year on year. Given the difficult trading backdrop, particularly in the second half, this is a solid performance.</p>	<p><b>Performance</b></p> <p>Our most recent rating was 85.8%. This places us second-highest in the non-food retail sector, behind only Amazon. Our score is almost 4ppts higher than the retail sector average.</p>																
<p><b>Outlook</b></p> <p>We will continue to attract new customers to our business through our product offering, marketing campaigns and customer service proposition.</p>	<p><b>Outlook</b></p> <p>The conversion rate of recently migrated Fifty Plus customers has been below expectations, due to the more conservative fashion choices of this group. Actions are being taken to address this, primarily through website personalisation, and the early signs are encouraging. We therefore expect this headwind to reduce in FY19.</p>	<p><b>Outlook</b></p> <p>Further strengthening customer loyalty is a key business focus. We do this by a continuous improvement approach to our product offering, service and delivery proposition. Recent launches such as delivery subscriptions and the Simply Be loyalty scheme are both designed to further strengthen loyalty.</p>	<p><b>Outlook</b></p> <p>Customer satisfaction is driven by a wide range of factors, such as product quality, our value for money, our service proposition and how we respond when things go wrong. We interact with our customers through a variety of channels every day to ensure we are doing the best job we can to delight our customers.</p>																
<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Failure to change</li> <li>• Competition</li> <li>• People</li> <li>• Business interruption</li> </ul>	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Failure to change</li> <li>• Competition</li> <li>• People</li> </ul>	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Failure to change</li> <li>• Competition</li> </ul>	<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Failure to change</li> <li>• Competition</li> <li>• People</li> <li>• Regulatory environment</li> </ul>																

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.

## Product

### LADIESWEAR MARKET SHARE SIZE 16+ (%)

**+60bps**

2017	5.0%
2018	5.6%

#### Relevance to strategy



#### 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 52 weeks ending 11 February.

#### Performance

Against a challenging market we were pleased to grow our market share. This performance was driven by Simply Be.

#### Outlook

The trading backdrop remains challenging. Against this, it is important that we focus on our fit USP, ensuring that we continue to offer customers the best choice of products to fit and flatter them, whatever their size.

#### Risk

- Failure to change
- Competition
- People

### MENSWEAR MARKET SHARE CHEST 44"+ (%)

**+30bps**

2017	2.4%
2018	2.7%

#### Relevance to strategy



#### 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 52 weeks ending 11 February. Last year's figure has been restated; on review they understated our market share.

#### Performance

Against a challenging market we were pleased to grow our market share. This performance was driven by Jacamo.

#### Outlook

We continue to see an opportunity to grow our market share in menswear age 45 and above, through the menswear offering within JD Williams.

#### Risk

- Failure to change
- Competition
- People

### GROUP RETURNS RATE (ROLLING 12 MONTHS) (%)

**+30bps**

2017	26.8%
2018	27.1%

#### Relevance to strategy



#### Definition

The amount, measured in value, of products which are returned to us by customers, over the last 12 months.

#### Performance

We saw a slight increase in our returns rate, after several years of declines. The main driver of this was the relative performance of womenswear, together with the increase in participation of sub-categories such as third-party brands and occasionwear, as these all naturally incur higher returns rates. These factors were partially offset by the ongoing increase in the proportion of cash customers, as these customers naturally have a lower returns rate than credit account customers.

#### Outlook

Our returns rate remains below the industry average, and over the medium term is linked with customer satisfaction of our product offering, including fit, quality and value for money.

#### Risk

- Failure to change
- Competition

### Key to Strategic Drivers

Product

Price

People

Place

## Online

ONLINE PENETRATION (%)	ONLINE PENETRATION OF NEW CUSTOMERS (%)	CONVERSION RATE (%)	TRAFFIC FROM MOBILE DEVICES (%)
<b>+4ppts</b>	<b>+4ppts</b>	<b>-30bps</b>	<b>+5ppts</b>
2017 69%	2017 77%	2017 5.6%	2017 71%
2018 73%	2018 81%	2018 5.3%	2018 76%
<b>Relevance to strategy</b> 	<b>Relevance to strategy</b> 	<b>Relevance to strategy</b> 	<b>Relevance to strategy</b> 
<b>Definition</b> The percentage of sales, excluding stores and International, which comes to us online. Our second largest channel is through our contact centre.	<b>Definition</b> The percentage of sales from new customers, excluding stores and International, which comes to us online.	<b>Definition</b> The percentage of website sessions which result in an order being placed.	<b>Definition</b> The percentage of our total online traffic which comes from either a smartphone or a tablet device.
<b>Performance</b> Online penetration was 74% in the second half, and for the year as a whole online revenue was up 10%. Some customers are unlikely to ever migrate online; we estimate that these account for roughly half of the non-online proportion.	<b>Performance</b> This metric now exceeds 80%, demonstrating the online nature of our business. By brand, JD Williams again saw the most significant increase, from 80% to 95%.	<b>Performance</b> At 5.3% our conversion rate remains materially above the industry standard. The ongoing increase in mobile devices as a proportion of traffic represents a drag on overall conversion rates; we were pleased to drive an increase in the conversion rate for smartphones year on year.	<b>Performance</b> Mobile devices include both smartphones and tablets; of these, smartphones remain the device of choice for customers, with web sessions here increasing by 44% to account for 54% of all traffic.
<b>Outlook</b> We continue to invest in both our online platform, through both systems investments and in hiring and developing digital talent. The online penetration of new customers is an important leading indicator for overall future penetration.	<b>Outlook</b> Our new customer recruitment campaigns focus primarily on online shoppers, and within our brand portfolio we continue to prioritise our three Power Brands, which are all predominantly online. We would therefore expect this metric to continue to increase looking forwards.	<b>Outlook</b> 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.	<b>Outlook</b> 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. During the year we upgraded our Simply Be app and launched new Simply Be USA and JD Williams apps. We also continue to drive further improvements in mobile optimisation through our in-house digital marketing team.
<b>Risk</b> <ul style="list-style-type: none"> <li>• Failure to change</li> <li>• Competition</li> <li>• People</li> <li>• Cyber security</li> </ul>	<b>Risk</b> <ul style="list-style-type: none"> <li>• Failure to change</li> <li>• Competition</li> <li>• People</li> <li>• Cyber security</li> </ul>	<b>Risk</b> <ul style="list-style-type: none"> <li>• Competition</li> <li>• People</li> <li>• Cyber security</li> </ul>	<b>Risk</b> <ul style="list-style-type: none"> <li>• Competition</li> <li>• People</li> <li>• Cyber security</li> </ul>

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.

## Financial Services

### ARREARS RATE (>28 DAYS) (%)

# -120bps

2017	9.9%
2018	8.7%

#### Relevance to strategy



#### Definition

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

#### Performance

We saw another strong performance in arrears rate, down 120bps year on year against a 100bps decline in the prior year. This was driven by the continued improvement in the quality of our customer loan book, together with the reduction in our minimum payments, which had a positive effect on the number of customers going into arrears.

#### Outlook

We expect a broadly steady arrears rate over the coming year.

#### Risk

- Failure to change
- Competition
- People
- Cyber security

### PROVISIONS RATE (%)

# -330bps

2017	10.8%
2018	7.5%

#### Relevance to strategy



#### Definition

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

#### Performance

The provision rate was 7.5%, down 330bps versus last year. As in FY17, this benefited from the sale of some high risk payment arrangement debt, which we were able to sell for a slightly better rate than book value. It also benefitted, to a lesser extent, from the minimum payment changes and the underlying improvement in the quality of the book.

#### Outlook

IFRS9 comes into effect in FY19, which will significantly change our provision rate accounting. You will find more details on this within the Financial Review on page 43.

#### Risk

- Failure to change
- Competition
- People
- Regulatory environment

### NEW CREDIT RECRUITS (ROLLERS)

# -5%

2017	129,000
2018	122,000

#### 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. We saw growth in this metric during the first half, and then a decline in the second half, due to the wider challenging market backdrop. For the year as a whole we added 257,000 new credit rollers, an increase on the prior year.

#### Outlook

We continue to trial variable interest rates for new customers; the results of these trials to date are encouraging.

#### 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

In accordance with the UK Corporate Governance Code, the Board of Directors is responsible for maintaining sound risk management and internal control systems. As the pace of change within the Group increases, the limitations inherent in any system of internal control are likewise enhanced and no system can provide absolute assurance against material misstatement, loss or failure.

The Board has, therefore, established a continuous process for identifying, evaluating and managing the significant risks facing the Group. This process is intended to provide reasonable assurance regarding its commercial operations as well as compliance with all relevant laws and regulations.

Against this background, and with the commercial uncertainty arising from the approaching Brexit, the Group's internal auditors facilitated two Board level risk assessments and one risk appetite session during the financial year. The aim was to ensure that key business developments and emerging risks are appropriately

factored into the risk management process to enhance strong decision making by the Board.

All members of the Executive Board of Directors (including the Chief Executive and Chief Financial Officers) identified, ranked, scored and reviewed the key risks facing the business and appraised the structure of internal controls. The Board members also identified and considered their appetite for risk in each of the identified areas and proposed additional activities and controls to mitigate the risks and bridge the gaps between risk and appetite.

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

Internal audit also undertook an enterprise wide mapping of key processes and activities across all departments and business functions to assess the level of risk within each activity. The output from this process was also reflected in the annual audit plan.

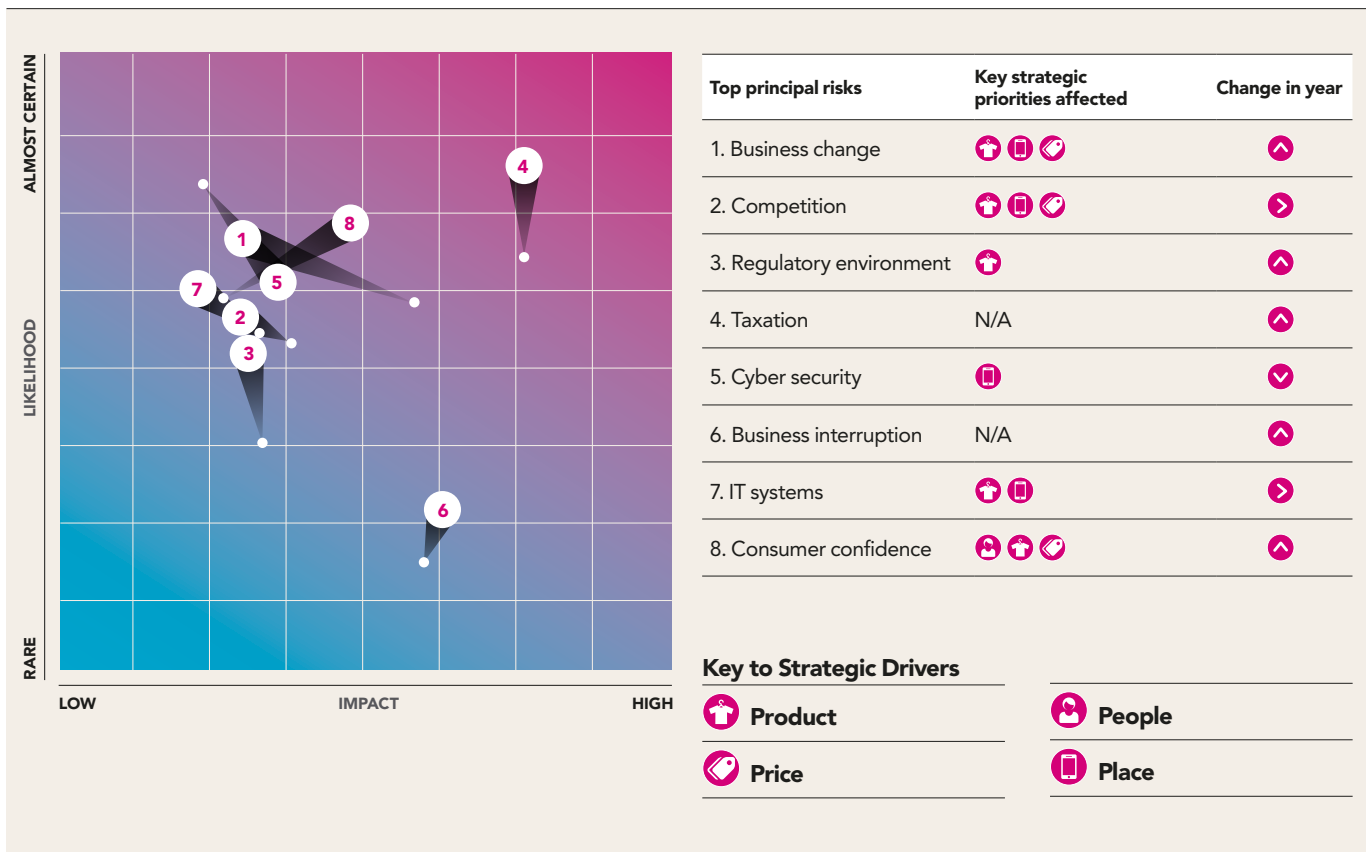
The Group's Three Lines of Defence model, which documents the internal and external sources of assurance provided across the business, was maintained by internal audit. The adequacy of coverage over corporate risks at operational, oversight and assurance lines of defence was reviewed and the output from this process reported to the Audit Committee. Appropriate responsibilities and accountabilities for assurance at first line have been set to ensure that there is ownership of the actions required to mitigate risk across the business.

Monitoring of key compliance policies and regulatory requirements is now established and provides assurance over Financial Services and GDPR. The Financial Services Compliance team and the Data Governance team both play key roles in the mitigation of regulatory risks across the business.

## 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 risk management

## Principal risk rating matrix





process. The output is shared with the Executive Board and Audit Committee.

In the opinion of the Board, appropriate internal financial, operational and compliance controls are in place throughout the Group, the most significant of which have been specifically highlighted 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 UK Corporate Governance Code on risk management and internal controls. There is an ongoing 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 in this report.

**Risk appetite**

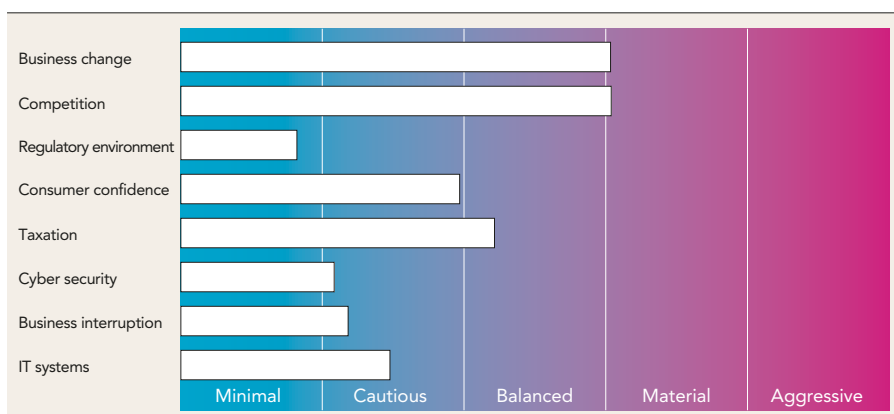
The Group’s framework for managing its consideration of risk appetite forms part of the risk management process described above. Risk appetite was considered by the Executive Board members during the year and was used to drive and inform the actions undertaken in response to the principal corporate risks identified. 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.

The Group’s appetite for the principal risks facing the business is detailed in the adjacent risk appetite graph. A calibration model of one to five has been used to illustrate the range of risk appetite for each type of risk. The Group has a minimal risk appetite for areas of statutory compliance but is willing to accept greater risk to achieve its objectives, compete and drive the business forward.

**A continuous process for identifying risks**



**Risk appetite**



# Identify, evaluate and manage risks facing the Group

<p><b>KEY RISK</b> <b>Business change</b></p>	
<p><b>DESCRIPTION</b> Business change plans are unsuccessful in delivering the best course of action to achieve successful competition and growth.</p>	
<p><b>STRATEGIC DRIVERS</b> </p>	
<p><b>CHANGE FROM LAST YEAR</b> </p>	
<p><b>ASSOCIATED KPIS</b> </p>	
<p><b>POTENTIAL IMPACT ON BUSINESS</b> The capacity of the Group to achieve desired change is necessary to remain competitive and improve market position. The Group's continuous change programmes are intended to deliver incremental, value added change to ensure that growth plans are achievable. 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.</p>	
<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Continuous, agile IT change processes through the Digital Launchpad initiative.</li> <li>• Cultural change group to drive internal and cultural change.</li> <li>• Continued focus on removal of barriers to loyalty through the development of the customer service experience.</li> <li>• Customer Insights team ensures up to date information on customer trends and expectations.</li> <li>• Cross-functional programme to reduce process complexity and drive digital growth.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>• Successfully transitioned to continuous IT improvement processes.</li> <li>• Successfully recruited new Directors for Strategy, HR, IT and Supply Chain.</li> <li>• Introduced Group Behaviours to complement the embedded Group Values.</li> <li>• Achieved a record Customer Satisfaction Index rating for the second year running, ranking second in the UK retail sector.</li> </ul>



<p><b>KEY RISK</b> <b>Competition</b></p>	
<p><b>DESCRIPTION</b> Failure to compete effectively through Retail, Customer Service and Financial Services propositions.</p>	
<p><b>STRATEGIC DRIVERS</b> </p>	
<p><b>CHANGE FROM LAST YEAR</b> </p>	
<p><b>ASSOCIATED KPIS</b> </p>	
<p><b>POTENTIAL IMPACT ON BUSINESS</b> Competing effectively across the key areas of Product, Financial Services and Customer Services remains a key driver of growth through customer recruitment and retention. Potential consequences of increased competition include: loss of market share, erosion of margins and a fall in customer satisfaction scores. Given the current macro-economic uncertainty arising from Brexit, the need to remain competitive is further heightened in order to deliver business growth.</p>	
<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Customer Insight team uses the Customer Services Index to drive continuous improvement programme.</li> <li>• Developed dedicated processes for the US business to drive growth.</li> <li>• Benchmarking against competitor activity.</li> <li>• Continuous improvement in IT systems.</li> <li>• Agile trade and supply capabilities to respond to Brexit impacts and macro-economic changes.</li> <li>• Hedging of foreign exchange rate exposure to provide certainty over input costs.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>• JD Williams brand relaunched to ensure fresh and distinct appeal to target demographics.</li> <li>• Increased social media presence and PR activity for Simply Be and Jacamo.</li> <li>• Launched variable APR trials.</li> <li>• Increased functionality to deliver globally through Global Ship Anywhere.</li> <li>• Opened new US based office to spearhead US expansion.</li> </ul>

## Key to KPIs

1 Active customer accounts	8 Online penetration
2 Power Brand active customer accounts	9 Online penetration of new customers
3 Growth of our most loyal customers	10 Conversion rate
4 Customer satisfaction rating	11 Traffic from mobile devices
5 Ladieswear market share size 16+	12 Arrears rate (>28 days)
6 Menswear market share chest 44"+	13 Provision rate
7 Group returns rate	14 New credit recruits (rollers)




## Key to Strategic Drivers

 Product
 Price
 People
 Place

<p><b>KEY RISK</b> <b>Regulatory environment</b></p>		<p><b>KEY RISK</b> <b>Taxation</b></p>	
<p><b>DESCRIPTION</b> Failure to ensure the Group complies with existing and emerging regulation.</p>		<p><b>DESCRIPTION</b> Uncertainty over the outcome of disputes with HMRC covering VAT and historic approach to Corporation Tax.</p>	
<p><b>STRATEGIC DRIVERS</b> </p>		<p><b>STRATEGIC DRIVERS</b> N/A</p>	
<p><b>CHANGE FROM LAST YEAR</b> </p>		<p><b>CHANGE FROM LAST YEAR</b> </p>	
<p><b>ASSOCIATED KPIS</b> 4 13 14</p>		<p><b>ASSOCIATED KPIS</b> N/A</p>	
<p><b>POTENTIAL IMPACT ON BUSINESS</b> Forthcoming GDPR regulation and changes to the industry wide regulatory environment following the FCA's ongoing thematic reviews 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.</p>		<p><b>POTENTIAL IMPACT ON BUSINESS</b> Current cases for Corporation Tax and VAT partial exemption are ongoing and will go to tribunal in FY2018/19.  Potential impacts from unfavourable outcomes include increased VAT and Corporation Tax charges resulting in decreased future cash flows.</p>	
<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>Financial Services Governance Committees oversee all changes and improvement to Financial Services processes.</li> <li>Information Security team responsible for ensuring compliance with data security provisions of GDPR.</li> <li>In-house Customer Service team specialising in the treatment of vulnerable customers.</li> <li>Continued active membership of the British Retail Consortium and the Finance and Leasing Association.</li> <li>Pro-active engagement with the FCA and other regulatory bodies.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>Strengthened the governance of Financial Services with appointment of a non-executive as chair of key governance committee.</li> <li>Ongoing project to implement GDPR compliance in the Group due to be completed on time for go-live date.</li> <li>Introduction of a Data Governance function.</li> <li>External validation of the GDPR project.</li> </ul>	<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>Proactive engagement with HMRC.</li> <li>The Group employs Leading Tax Counsel and other providers of external expertise.</li> <li>Partial but not full provision against litigation outcomes.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>Continued work on the tax case with leading advisors.</li> </ul>

# Principal Risks and Uncertainties

continued


<p><b>KEY RISK</b> <b>Cyber security</b></p>	
<p><b>DESCRIPTION</b> Malicious activity leading to significant loss of data or disruption to trading and potentially impacting income, profitability, customers and the Group reputation.</p>	
<p><b>STRATEGIC DRIVERS</b> </p>	
<p><b>CHANGE FROM LAST YEAR</b> </p>	
<p><b>ASSOCIATED KPIS</b> </p>	
<p><b>POTENTIAL IMPACT ON BUSINESS</b> 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:</p> <ul style="list-style-type: none"> <li>• Loss of customer data</li> <li>• Business interruption</li> <li>• Potential fines or reputational damage if regulatory response plans are delayed or not adequate</li> </ul>	
<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• An enhanced Security Operation Centre monitors, manages and responds to cyber security attacks.</li> <li>• Group Cyber Security team designs and implements security controls.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>• Continual IT patching and strengthened network anomaly detection.</li> <li>• Developed capability for improved threat intelligence.</li> <li>• Increased resource for the in-house Information Security team.</li> <li>• Set up Data Governance team.</li> <li>• Further improvements to vulnerability management.</li> </ul>

<p><b>KEY RISK</b> <b>Business interruption</b></p>	
<p><b>DESCRIPTION</b> A significant event impacts the ability of the Group to continue trading.</p>	
<p><b>STRATEGIC DRIVERS</b> N/A</p>	
<p><b>CHANGE FROM LAST YEAR</b> </p>	
<p><b>ASSOCIATED KPIS</b> </p>	
<p><b>POTENTIAL IMPACT ON BUSINESS</b> Business interruption events are an ever present possibility for the Group. Potential impacts are broad ranging and include:</p> <ul style="list-style-type: none"> <li>• Disruption to trade and customer service</li> <li>• Impact on revenue, margin or reputation</li> </ul>	
<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• The business continuity plan provides a framework to manage business interruptions.</li> <li>• Third party service providers have business continuity plans.</li> <li>• Crisis management plans provide recovery objectives for key business areas.</li> <li>• Our systems programme includes further migration to cloud based systems which increases resilience.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>• Completed an independent assessment of business continuity arrangements at N Brown.</li> <li>• Crisis plans have been further developed in each functional area.</li> <li>• Crisis management was invoked to successfully respond to the Manchester Arena bombing in May 2017 which caused a building used as the N Brown contact centre to be closed for an extended period. People were successfully relocated to ensure business continuity and there was no impact on customer service.</li> </ul>


**Key to KPIs**

- |   |  |
|---|--|
| <b>1</b> Active customer accounts             | <b>8</b> Online penetration                  |
| <b>2</b> Power Brand active customer accounts | <b>9</b> Online penetration of new customers |
| <b>3</b> Growth of our most loyal customers   | <b>10</b> Conversion rate                    |
| <b>4</b> Customer satisfaction rating         | <b>11</b> Traffic from mobile devices        |
| <b>5</b> Ladieswear market share size 16+     | <b>12</b> Arrears rate (>28 days)            |
| <b>6</b> Menswear market share chest 44"+     | <b>13</b> Provision rate                     |
| <b>7</b> Group returns rate                   | <b>14</b> New credit recruits (rollers)      |


**Key to Strategic Drivers**

-  **Product**


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-  **Price**

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-  **People**

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-  **Place**


**KEY RISK**  
**IT systems**

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**DESCRIPTION**  
Residual dependence on legacy IT systems leads to lack of agility to respond to changing market conditions.

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**STRATEGIC DRIVERS**  


**CHANGE FROM LAST YEAR**  


**ASSOCIATED KPIS**  
**1 2 4 10**

---

**POTENTIAL IMPACT ON BUSINESS**  
Modern IT systems offer increased functionality and allow for greater agility in response to changing market conditions. In addition, ongoing maintenance and support costs within the legacy IT infrastructure represent a cost headwind. Potential impacts arising from continued dependence on legacy IT systems include inefficient return on investment, loss of market share and reduced customer satisfaction.

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<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• New continuous IT change process in place.</li> <li>• Focus on agile methodologies to ensure prioritisation of key business improvements.</li> <li>• Tactical process implementation to decrease reliance on older, less flexible IT systems.</li> <li>• Continued use of outsource provider for IT legacy architecture support.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>• Delivered core Fit 4 the Future program functionality.</li> <li>• Introduced continuous IT improvement program.</li> <li>• Reduced dependence on legacy product management platform though a combination of new process and tactical IT changes.</li> <li>• Continued migration from legacy systems to cloud based systems.</li> </ul>
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**KEY RISK**  
**Consumer confidence**

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**DESCRIPTION**  
Changes in company strategy or adverse market conditions lead to a loss of confidence in the Group to deliver on customer expectations.

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**STRATEGIC DRIVERS**  


**CHANGE FROM LAST YEAR**  


**ASSOCIATED KPIS**  
**1 2 3 4 5 6 10 11 14**

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**POTENTIAL IMPACT ON BUSINESS**  
Increasing competition amongst digital retailers coupled with an uncertain economy post Brexit means that consumer confidence in the business is a crucial element in driving growth. Potential impacts arising from a loss of confidence by customers include reduction in revenue, market share or profits, declining customer satisfaction ratings and loss of reputation.

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<p><b>MITIGATION</b></p> <ul style="list-style-type: none"> <li>• Customer Insight team tracking customer behaviours and expectations.</li> <li>• Benchmarking against competitor activity in marketing, product offering and pricing strategy.</li> <li>• Continuous improvement in IT systems.</li> <li>• Agile trade and supply capabilities to changing trends or macro-economic shifts.</li> <li>• Credit proposition provides customers with payment flexibility.</li> <li>• Proactive engagement with FCA to ensure continuous compliance in financial services.</li> </ul>	<p><b>WHAT WE HAVE DONE IN 2017/18</b></p> <ul style="list-style-type: none"> <li>• JD Williams brand relaunched to ensure fresh and distinct appeal to target customers.</li> <li>• Increased social media presence and PR activity for Simply Be and Jacamo.</li> <li>• Launched variable APR trials.</li> <li>• Continued expansion of USA business.</li> <li>• Introduced new sales channels through use of marketplace.</li> </ul>
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# Performance Review

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## Our performance in detail:

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**Power Brands continued to outperform, in line with our strategy. Simply Be was once again the standout brand, up 16.3%.**



KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.



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**Simply Be**

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**+16.3%**Product revenue increase,  
52 vs 52 weeks

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**JD Williams**

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**+3.2%**Product revenue increase,  
52 vs 52 weeks

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**Jacamo**

---

**+5.1%**Product revenue increase,  
52 vs 52 weeks

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.

# JD Williams



↑  
**3.2%**  
Revenue increase  
to £163.4m

Overall revenue performance was impacted by the migration of the Fifty Plus title; excluding this dynamic, JD Williams revenue was up double-digit. JD Williams' product revenue was £163.4m, up 3.2% year on year. We experienced lower than forecast response rates from the recently migrated Fifty Plus customers during the second half. If Fifty Plus customers are excluded, JD Williams saw revenue up double-digit for the year as a whole.

The lower response rates from migrated Fifty Plus customers reflects their fashion attitude rather than their channel preference. They are online shoppers, however, they typically purchase less contemporary fashion items, and the relaunched JD Williams site did not therefore resonate with them as effectively as anticipated. Actions have been taken to address this, most importantly through personalising the site for this customer group to ensure that they are presented with the most appropriate product selection given their preferences. Whilst it is still very early days, the initial results are encouraging.

**JD Williams saw a good performance, with the brand relaunch in the second half driving a 21% increase in new customers.**

JD Williams brand relaunch in Autumn Winter a great success

Online revenue up 19%

Actions taken to address lower response rates from Fifty Plus customers; initial results encouraging

'The Cut' range significantly outperformed expectations

JD Williams App now live

During the Autumn Winter season we relaunched the JD Williams brand proposition, launching JD Williams "The Lifestore". The JD Williams Lifestore brand aims to celebrate the attitudes, interests and ambitions of our female customers and positions the brand as a modern online department store for the 45–60 year-old woman. The brand relaunch was a success, with a 13% increase in brand awareness during the season, a significant increase in social media fans (up 19% on Facebook and 58% on Instagram) and website sessions up materially.

The JD Williams' Don't Tell Me I Can't partnership with Time Inc, which offered four women the chance to be mentored by experts in a new career, culminated in a 200-strong customer event held at Manchester's Lowry Theatre. The partnership was all about encouraging women to embrace new life adventures and highlighting that age is not a barrier to pursuing your dreams.

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.



# Simply Be



**Simply Be continues to go from strength to strength, with revenue up 16.3% and active customers up over 20%.**



## 16.3%

Revenue increase to £132.8m

Championing curves and size inclusivity, holding a Curve Catwalk and London Fashion Week 'Rules Rewritten' protest

Launch of Simply Be's loyalty scheme, Perks, to great customer reaction

Further improvements to the Simply Be app, and Simply Be USA app launched

The brand is the go-to destination for fashionable size 12-32 customers, offering a range of own brands and third-party brands, often available in larger sizes on an exclusive basis, reinforcing our plus-size credentials. As part of our continued championing of size inclusivity and body confidence, we recently held a Curve Catwalk on the eve of London Fashion Week. This was led by models and influencers including Tess Holliday, Hayley Hasselhoff and Felicity Hayward. The show was shoppable and streamed on the Simply Be site, backed by significant social media activity and had a total media reach of over 10 million people.

We have recently rolled out our Simply Be loyalty scheme, 'Perks', which gives customers personalised rewards in return for engagement. This rewards programme initially went live to a small group of customers in October, with the average number of sessions and demand both up double-digit compared to non-members. The rewards programme harnesses customer data, offering members personalised rewards, from both Simply Be and third-party partners, to suit their buying preferences and behaviours.

Our new Spring Summer campaign, called 'Rules Rewritten', includes a fashion TV ad which is proudly unapologetic, championing women's natural beauty and reflecting all women's shapes and sizes. As part of the campaign launch, we held a London Fashion Week 'Rules Rewritten' protest, with a group of lingerie-clad models, ranging from size 12 to 26, led by Hayley Hasselhoff. The protest encouraged everyone to celebrate curves and had strong traction with our customers across social media.

# Jacamo

**Jacamo caters for 25-45 year-old men of all body shapes and sizes, from small to 5XL.**

Extended our relationship with Freddie Flintoff, and further improved the fashionability of the range

The first brand to launch delivery subscription, Jacamo Unlimited, to great customer response

Jacamo product revenue was up 5.1% to £68.6m, with active customer growth up high single-digits. Jacamo had a good performance during the year. Continuing the trend seen during the second half of FY17, total revenue was diluted by the reduction in sales of some larger ticket electrical goods; this dynamic was most notable during the first half of the financial year.



## 5.1%

Revenue increase to £68.6m

Alongside our successful partnership with brand ambassador Freddie Flintoff, we also teamed up with Tom Morgan from television show The Undateables to promote our Jacamo own-brand summer range, with Tom posing for a series of untouched images to encourage all men to be comfortable in their own skin.

Our Spring Summer campaign, called 'Live Your Moment', features world class high jumping champion Mike Edwards and celebrity chef Tommy Banks, who became Britain's youngest Michelin star chef at just 24. 'Live Your Moment' is based around men's lives being made up of amazing moments.

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.

## Secondary Brands

Secondary Brands focus on distinct customer niches which are not served by our Power Brands. The largest brand here is Fashion World.

Launch of Figleaves turnaround plan, led by its new management team

Fashion World saw revenue growth in the first half, followed by a decline in the second half, as we diverted marketing investment into the Power Brands

High & Mighty live on new web platform, including new Financial Services system

Secondary Brands revenue decreased by 3.8% to £149.2m. The largest brand within this, Fashion World, was up in the first half but down double-digit in the second half, as we diverted marketing investment into our Power Brands.



Figleaves revenue was down low single-digit as expected, with the brand part-way through its turnaround, led by its new management team. We remain confident in the long-term success of this business.

The remaining two brands within this category are High & Mighty and Marisota. High & Mighty, the smallest brand by some measure, was down double-digit, driven by disappointing footfall in its small store estate. Marisota was broadly flat, and is increasingly used as a product brand through JD Williams.

## Traditional segment

Actions to improve performance of Traditional titles successful

Focus going forward on the online channel within our Traditional titles

After a decline in the previous year, we successfully drove growth in the Traditional segment, with revenue growth of 3.3% year on year. This represents market share gains, against a structurally declining market overall.

Our Traditional segment has an online penetration of just under 40%, with online growing as a channel and offline

(catalogues) declining significantly. Going forward, we will focus our efforts on the online channel within Traditional, and would expect the offline element to therefore reduce over time. This will ensure that we continue to offer customers a great product offering, whilst allowing us to generate efficiencies.

In line with this strategy, during the second half we commenced the closure of the small Bath office where House of Bath, the largest brand in this segment, has been managed from historically. The buying, merchandising and marketing operations for House of Bath will now be managed by our central teams based in Manchester. This will both reduce operating costs and improve the marketing efficiency across the Traditional customer group.

## International

### USA

US revenue was £17.2m, up 10.9% year on year (up 6.5% in constant currency terms). Revenue growth accelerated as we progressed through the year, with 21.3% constant currency growth in the second half, as our new marketing strategy delivered as expected. We remain very confident in our growth opportunity in the USA.

Read more about what we're doing to grow the USA on page 10.

### Ireland

Ireland delivered revenues of £17.5m, up 8.9% year on year, or 2.7% in constant currency terms.

## Financial Services

Gross margin up 550bps, driven by the continued improvement in the underlying quality of the loan book, a reduction in minimum payments and the effect of other initiatives such as our trials on variable APR

Reduced minimum payment rate in order to give our customers greater choice of flexibility in managing their finances. This benefitted the arrears and gross margin performance during the year

Read more about the innovation we're driving in Financial Services on page 8

Financial Services delivered a good performance during the year, driven by continued improvement in the quality of the customer loan book together with some initiatives launched during the year. Financial Services revenue was up 3.5% year on year. Within this, interest payments were up mid single-digit, whilst non-interest lines were down high single-digit.

Gross margin was up 550bps year on year to 61.2%. There are three broadly equal drivers of this increase: the continued improvement in the underlying quality of the loan book, a change we made to minimum payments at the end of the first half, and the effect of other initiatives such as our trials on variable APR.

We saw a good performance in both credit arrears and provision rate, driven by both the underlying quality of the book and the change in minimum payments, as discussed in the KPI section on page 27.

Given continued cost of living pressures and in order to give our customers greater choice of flexibility in managing their finances, we made the decision to reduce our minimum payment rate from 5% to 4% during the period. The change had a positive impact on the number of customers who were in arrears, down 6%. In addition, it also meant that those customers who didn't change their monthly payment paid above the minimum amount, which will result in these customers paying off their balances faster. We have seen a 10% increase in the proportion of customers who pay above the minimum amount, to approximately 60% of our customer base. The change in minimum payments did result in a cash flow headwind in the year, with the average proportion of customer balances being paid each month decreasing by 1ppt.

The cash flow impact is expected to normalise over the next 12 months.

During the second half of the year we commenced our variable rate trials for new customers and a small proportion of our existing customer base. Whilst the trials are still ongoing, early indications are positive and approximately 50% of trial customers have seen a rate decrease.

During the first half we announced a potential customer redress related to historic general insurance products. This was as a result of identifying flaws in certain products which were provided by a third-party insurance underwriter and sold by the Group to its customers between 2006 and 2014 and followed a review prompted by an industry-wide request from the FCA that firms ensure that general insurance products and add-ons offer value for their customers. The vast majority of these products were sold to the Group's customers in the period leading up to, and including, 2011. Sales of the relevant products ceased in early 2014. As a result we incurred an exceptional cost of £40m in the first half. We continue to explore mitigating actions to reduce the overall net cost although we expect these actions to take some time to be resolved. We expect the vast majority of the cash flow impact to occur during FY19.

## Stores

In June 2017 we announced the closure of five dual fascia Simply Be and Jacamo stores as a result of weak high-street footfall, both current and predicted, together with significant future business rate increases for some stores. Together these five stores contributed £5.0m revenue but accounted for the £2.0m operating loss of our store estate in FY17. The store closures were completed at the end of the first half and resulted in an exceptional cost of £13.8m.

Overall, revenue from our store estate was £19.9m (FY17: £23.1m). We currently have 20 stores open, split 12 dual Simply Be and Jacamo stores (FY17: 15), and eight High & Mighty stores (FY17: eight).

The performance of our store estate, in both revenue and profit terms, declined materially in the second half of the year, resulting in a negative profit contribution for the year as whole. This weakness in trading was driven by disappointing footfall, in line with the wider UK high street performance. We remain focused on addressing this underperformance to ensure that our store estate does not represent a drag to Group profitability going forward.

KPIs on this page are stated with reference to 2017 52 week numbers. See page 42.

# A good trading performance



**A good performance in a challenging retail market, with Simply Be the standout brand.**

**CRAIG LOVELACE**  
Chief Financial Officer

KEY HIGHLIGHTS:

**£364.8m**  
Power Brand product revenue

**£269.6m**  
Financial Services revenue

**£652.6m**  
Product revenue

**£922.2m**  
Group revenue

## Group revenue was up 3.9% to £922.2m, with Product revenue up 4.1% to £652.6m and Financial Services revenue up 3.5% to £269.6m.

### 2017 53 week year

In the current year we are reporting on the 52 week period to 3 March 2018. In FY17, the statutory result reported on the 53 week period to 4 March 2017. In order to provide a meaningful comparison, all FY17 P&L financial movements are reported on a 52 week basis, excluding the 53rd week, unless otherwise stated. This is to improve the comparability of information between reporting periods for one-off factors which impact upon IFRS measures and aid the user of this report.

The 53 week statutory results for FY17 are set out on page 42, together with an assessment of how the 52 weeks result for the comparative period has been derived. All comparative balance sheet figures are reported as at the year-end date and cash flow figures are for the 53 week statutory period. 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.

For the 52 weeks to 3 March 2018, Group revenue was £922.2m and PBT was £16.2m. This compares to a statutory result for the 53 weeks to 4 March 2017 of Group revenue of £900.7m and PBT of £57.6m. Group revenue for the 53rd week ending 4 March 2017 was £13m, whilst Group adjusted and statutory PBT was £2m.

### Revenue performance

Group revenue was up 3.9% to £922.2m, with Product revenue up 4.1% to £652.6m and Financial Services revenue up 3.5% to £269.6m.

Postage & Packaging (P&P) income is included within the Product revenue figures. During the year we increased the number of free delivery promotions. This represented a headwind to Product revenue, of 20bps in H1 and 50bps in H2. Delivery costs are within Warehouse and

### Revenue by brand

Revenue, £m	FY18 (52 weeks)	FY17 (52 weeks)	Change
JD Williams	163.4	158.3	+3.2%
Simply Be	132.8	114.2	+16.3%
Jacamo	68.6	65.3	+5.1%
<b>Power Brands</b>	<b>364.8</b>	<b>337.8</b>	<b>+8.0%</b>
Secondary Brands	149.2	155.2	-3.8%
Traditional Segment	138.6	134.2	+3.3%
<b>Product total</b>	<b>652.6</b>	<b>627.2</b>	<b>+4.1%</b>
<b>Financial Services</b>	<b>269.6</b>	<b>260.5</b>	<b>+3.5%</b>
<b>Group</b>	<b>922.2</b>	<b>887.7</b>	<b>+3.9%</b>

### Revenue by category

£m	FY18 (52 weeks)	FY17 (52 weeks)	Change
Ladieswear	267.6	256.5	+4.3%
Menswear	89.2	85.8	+4.0%
Footwear & Accessories	74.9	69.0	+8.6%
Home & Gift	220.9	215.9	+2.3%
<b>Product total</b>	<b>652.6</b>	<b>627.2</b>	<b>+4.1%</b>

Revenue by brand and category on a statutory basis for 2017 is shown in note 4 on page 104.

Fulfilment costs, and therefore from a product gross margin perspective, P&P income is effectively recorded as 100% gross margin. This dynamic represented a 30bps headwind for FY18 product gross margin, of which the vast majority was incurred during the second half.

Revenue by brand is shown in the table above. A detailed discussion of performance by brand is contained within the performance review on pages 34 to 39.

Revenue performance by category is also shown in the table above.

Ladieswear grew by 4.3%, with our own brand ladieswear outperforming, as our new design capabilities continue to yield results, driven by the strong performance of Simply Be.

Footwear and accessories performed particularly well, with revenue growth of 8.6% in the year, again driven by our expanded design capabilities. Menswear saw Jacamo once more outperform, as expected.

Home and Gift revenue was up 2.3%. Our strategy in Home remains unchanged – we aim to recruit new customers to our Fashion offering, but then see customers also buying Homewares.

### Gross margin

Product cost of goods sold (COGS) were £312.1m, compared to £284.1m in FY17. Product gross margin was 52.2%, down 250bps yoy. The gross margin movement was primarily a result of FX pressures which resulted in a 280bp headwind either directly due to changes in US dollar exchange rates or indirectly due to our cost pressures on our sterling denominated suppliers who buy their materials in foreign currency. In addition, promotional activity to drive revenue and market share gains against a challenging sector backdrop in the second half resulted in a 50bp decrease.

Our gross bad debt charge declined by 12.3% to £99.5m (FY17: £111m). This bad debt charge, together with a small number of other financial services costs, resulted in a Financial Services gross margin of 61.2%, up 550bps year on year. There are three broadly equal drivers of this increase: the continued improvement in the underlying quality of the loan book, a change we made to minimum payments at the end of the first half, and the effect of other initiatives such as our trials on variable APR.

Warehouse and fulfilment costs increased by 7.8% to £85.8m. This was driven both by volumes, which were up 3% year on year, together with inflationary cost increases in both fuel

# Chief Financial Officer's Review

continued

and labour, and further investment in our delivery offering, partially offset by continued efficiencies. The increase in Warehouse and Fulfilment was greater during the first half, at +11.3%, compared to the second half increase of +4.7%.

Marketing costs were up 0.9% year on year, significantly below the rate of product revenue growth as we drove efficiency. The increase in Marketing costs was broadly consistent across the two halves. In the second half specifically, roughly two-thirds of the increase in marketing costs relates to a step up in marketing costs in the USA.

Admin and payroll costs increased by 5.3%, weighted towards the first half as we incurred some dual running costs relating to our IT systems development, and increased payroll costs as we invested in recruiting talent and developing our people.

Adjusted EBITDA<sup>1</sup> increased by 2.3% to £118.6m, with Adjusted EBITDA<sup>1</sup> margin broadly flat at 12.9% (FY17 13.1%). Depreciation and Amortisation increased by 1.9% reflecting recent investments made in the business. This increase was lower than guidance due to timing between FY18 and FY19. Overall, adjusted<sup>1</sup> operating profit before exceptional items was £90.5m, up 2.5% year on year, with adjusted<sup>1</sup> operating margin broadly flat at 9.8%. Statutory PBT was down 71.9% to £16.2m, as a result of the exceptional costs incurred during the year, together with an unrealised FX movement of negative £8.5m.

## Net finance costs

Net finance costs were £8.9m, up 15.6% compared to FY17, due to the increase in net debt driven by good growth in our customer loan book.

## Exceptional items

Exceptional costs of £56.9m were primarily incurred during the first half. We incurred £40.0m of exceptional costs for customer redress for historic insurance products. This is discussed on page 39. We incurred £13.8m of store closure exceptional costs. These are discussed on page 39. Finally, during the year we incurred £3.1m of costs relating to our ongoing historic tax cases.

## Taxation

The effective underlying rate of Corporation tax is 23.3% (53 weeks to FY17: 23.1%). The overall tax charge was £3.7m (53 weeks to FY17: £13.3m charge).

## Operating performance

£m	FY18	FY17 (52 weeks)	Change (52 vs 52 weeks)	FY17 (53 weeks)
Product revenue	652.6	627.2	+4.1%	635.9
Financial Services revenue	269.6	260.5	+3.5%	264.8
<b>Group Revenue<sup>2</sup></b>	<b>922.2</b>	<b>887.7</b>	<b>+3.9%</b>	<b>900.7</b>
Product gross profit	340.5	343.1	-0.8%	347.7
Product gross margin	52.2%	54.7%	-250bps	54.7%
Financial Services gross profit	165.1	145.2	+13.8%	147.5
Financial Services gross margin	61.2%	55.7%	+550bps	55.7%
<b>Group Gross Profit<sup>3</sup></b>	<b>505.6</b>	<b>488.3</b>	<b>+3.6%</b>	<b>495.2</b>
<b>Group Gross Margin %</b>	<b>54.8%</b>	<b>55.0%</b>	<b>-20bps</b>	<b>55.0%</b>
Warehouse & fulfilment <sup>4</sup>	(85.8)	(79.6)	+7.8%	(81.3)
Marketing & production <sup>4</sup>	(164.0)	(162.5)	+0.9%	(165.4)
Admin & payroll <sup>4</sup>	(137.2)	(130.3)	+5.3%	(130.6)
Total operating costs	(387.0)	(372.4)	+3.9%	(377.3)
Adjusted EBITDA	118.6	115.9	+2.3%	117.9
Adjusted EBITDA margin	12.9%	13.1%	-20bps	13.1%
Depreciation & amortisation <sup>4</sup>	(28.1)	(27.6)	+1.9%	(27.6)
<b>Adjusted<sup>1</sup> Operating Profit</b>	<b>90.5</b>	<b>88.3</b>	<b>+2.5%</b>	<b>90.3</b>
Adjusted <sup>1</sup> Operating Margin	9.8%	9.9%	-10bps	10.0%
Net Finance costs	(8.9)	(7.7)	+15.6%	(7.7)
<b>Adjusted<sup>1</sup> PBT</b>	<b>81.6</b>	<b>80.6</b>	<b>+1.3%</b>	<b>82.6</b>
Exceptional items	(56.9)	(25.2)		(25.2)
Unrealised FX movement	(8.5)	0.2		0.2
<b>Statutory PBT</b>	<b>16.2</b>	<b>55.6</b>	<b>-71.9%</b>	<b>57.6</b>

- 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.

## Balance Sheet refinancing

On 4 May 2018 the Directors completed the process for new Balance Sheet financing facilities.

Previously, our total funding of £405m was made up of a Revolving Credit Facility (RCF) of £125m and a securitisation facility against our customer loan book of £280m. Given the size of our loan book, at almost £600m (net), and the improvement in its quality since the previous refinancing exercise in 2015, there was opportunity to increase headroom.

Our new financing facilities are made up of a £500m securitisation facility and an extension of our £125m RCF, and are secured until September 2021. Our new RCF facility, whilst unchanged in size, includes a material change in the leverage covenant. This was previously based upon a Group EBITDA to Group Net Debt ratio, however the calculation now excludes the securitisation debt from Group Net Debt entirely.

The pricing of our new Balance Sheet financing facilities is comparable with previous facilities, with the increase in costs due to higher debt levels, as reflected in our interest guidance for FY19.

## IFRS 9

IFRS 9 replaces the current standard IAS 39 and is effective from FY19 onwards. IFRS 9 significantly increases our provision for receivables. Importantly, it has no cash flow impact and neither does it materially change how we operate our Financial Services business. There are two main areas where the two standards differ in approach:

- Under IAS 39, a provision is only made where there has been objective evidence of impairment, such as a customer falling into arrears or moving onto a payment plan. A large proportion of customers are therefore not included in the provision calculation. Under IFRS 9, a provision will be made to some extent against every credit customer, including those customer balances which are up to date and trading normally.
- Under IAS 39 there is no macroeconomic overlay in our provision calculation, whilst under IFRS 9 we are required to reflect the impact of potential changes in the macroeconomic environment and the impact they could have on our customer loan book.

Our modelling and analysis is still being finalised ahead of the new standard coming into effect in FY19. However, we currently estimate that the provision rate could increase from the 7.5% reported in

FY18 to a maximum of 27%. We would, therefore, expect to see an increase of up to £120m in the provision, and a reduction in net assets of the same amount in FY19.

One of the final aspects of the modelling and analysis being done relates to whether or not undrawn credit balances should be included or excluded from the calculation of the provision. We have now agreed the treatment that these balances should be excluded from the provision, however the quantification of the impact is still being finalised with our auditor. The exclusion of undrawn credit balances will materially reduce the IFRS 9 provision, by, we estimate, approximately half the potential increase.

The charge to the income statement is based upon the year on year movement in the provision. In the absence of significant macro-economic changes, changes in the quality of the book or the risk profile of new customers, we expect the P&L impact in FY19 to be broadly neutral versus the FY18 restated results. We do, however, expect to see a shift in the phasing of the charge, with H1 expected to see a positive impact and H2 a negative impact, reflecting the seasonality in our customer recruitment and arrears rates.

## FY19 guidance

We have provided the following guidance for FY19; this is subject to change.

- Product gross margin flat to +100bps
- Financial Services gross margin -100bps to -200bps
- Group operating costs +1.5% to +3.5%
- Depreciation & Amortisation £32m to £33m
- Net interest £12m to £13m, reflecting our new extended financing facilities
- Tax rate c.22%
- Capex c.£40m
- Net debt £425m to £450m, which assumes £25m to £50m growth in the Financial Services customer loan book
- Exceptional costs c.£4m, related to advisory fees associated with our ongoing legacy tax cases

## Earnings per share

Earnings per share from continuing operations was 4.41p (53 weeks to FY17: 15.67p). Adjusted earnings per share from continuing operations were 23.06p (53 weeks to FY17: 22.74p).

## Dividends

The Board recognises the importance of the dividend to shareholders, and accordingly is proposing to hold the full year dividend consistent with last year, at 14.23p, as we continue to invest in the business to drive growth.

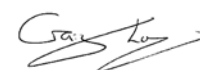
## Balance Sheet and Cash Flow (52 weeks ended 3 March 2018 vs 53 weeks ended 4 March 2017)

Capital expenditure was £39.2m (FY17: £42.3m). Inventory levels at the period end were up 4.9%, to £110.6m (FY17: £105.5m) due to increases in current season stocks.

Gross trade receivables increased by 8.0% to £647.6m (FY17: £599.5m). The provision declined from £64.7m to £48.8m, driven by debt sales at year end removing £40.4m gross debt and associated impairment of £20.5m together with improvements in the quality of the arrears profile in the debtor book.

The Group's defined benefit pension scheme has a surplus of £19.3m (FY17: £8.3m surplus). The increase in the surplus is as a result of general market changes in asset returns during the year.

Net cash generated from operations (excluding taxation) was £44.3m compared to £87.1m last year, as a result of an £64.0m increase in the loan book year on year. We had a cash outflow of £27.4m related to exceptional items. After funding capital expenditure, finance costs, taxation and dividends, net debt increased from £290.9m to £346.8m, in line with our expectations. The £598.8m net customer loan book significantly exceeds this net debt figure.



**Craig Lovelace**  
Chief Financial Officer

# Taking care of our world

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







## 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.

**Michael Ross**  
Chair of the CSR Committee

PROGRESS IN 2017		PRIORITIES IN 2018
People re-brand & reward scheme successfully launched.	✓	To develop CSR key performance indicators.
Online training available to all colleagues.	✓	To commence work on our ESOS 2019 submission.
Completed mapping of tier one suppliers.	✓	To map our tier two suppliers.

## Three pillars, one passion

### Corporate Social Responsibility

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](http://www.nbrown.co.uk/sustainability)



## 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. N Brown recognises the importance of being a responsible lender. We continually monitor our customer journey, looking at ways of improving their experience, and offering tailored products.

We are very proud of our Manchester heritage and of our investment in jobs in the North West. This year we were a sponsor of

the Manchester International Festival 2017, even holding events at our head office and encouraging our colleagues to volunteer.

Following the Manchester Arena bombing in May 2017 we sprang into action to aid our Manchester community and ensure we supported our colleagues, many of whom were affected.

We released our Gender Pay Gap disclosure and, whilst we recognise we have more to do, we are pleased to be tracking well ahead of both the national and retail average. We recognise the benefits of having a diverse workforce and in having a strong executive pipeline. One of the ways in which we look to achieve these objectives is through our 'Women Like Us' group. The group encourages women to discuss the matters

that affect their working lives and includes guest speakers who provide inspiration.

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. The results of the survey are disclosed internally and an action plan created to ensure we are improving the experience of all colleagues.

Our colleagues have supported a range of charities throughout the year, and as a business we have a particular focus on supporting causes within the local community. We also continue to support our three customer charities: Breast Cancer Now, Prostate Cancer UK and Silverline.

## 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.

Like many other companies we are looking for ways to make our business more efficient and less impactful on the environment. Reducing packaging is one method we have used to achieve this. We have changed processes to ensure packaging is only used when required, eliminated any unnecessary packaging and replaced plastic bags in our stores with paper

bags. In the coming year we will undertake a further review of packaging materials to assess a number of options including the use of environmentally friendly packaging.

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.

Other successes during the year were:

- Continued to purchase green electricity for all UK sites.
- Improved green commuter travel results and replaced our pool car fleet to more CO<sub>2</sub> efficient models.

- Maintained 'zero to landfill' as an organisation.
- Rolled out online training available to all colleagues and implemented measures, such as more recycling bins, to increase awareness amongst our staff.

With our new 2022 targets in place and on track, these will help us reduce our carbon footprint even further.

Further information on our emissions profile can be found on page 49.

## Every Product

### Our products should make people feel as good as they look

The Group has been working closely with its suppliers 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. Following successful mapping of our tier one suppliers, we are focusing our efforts on the wider indirect supply base.

Our continued focus has been to work closely with suppliers to promote responsible sourcing and ensure that all 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 worked with retailers to improve conditions for thousands of workers across Bangladesh. N Brown is committed to this, having signed the next phase Transitional Accord, which will continue this great work and ensure continued support in Bangladesh until 2021.

We are members of ACT (Action, Collaboration, Transformation), which is a ground-breaking agreement between global brands and retailers and trade unions to transform the garment and textile industry. One of the aims of the agreement is to achieve living wages for workers through industry-wide collective bargaining linked to purchasing practices. We are working with other key brands across the globe, and with Industrial, supporting five key territories. In

particular, we will continue to support the success and growth we have seen in the Bangladesh office and the great work in the supply base supported by the Accord.

In Turkey we are now building clear foundations to re-build our buying cycles which will support speed to market and sustainable newness for our customers.

Closer to home we continue to improve supplier engagement by visiting key suppliers regularly. This is still a major part of our buying strategy and we continue to support and grow UK manufacturing.

We undertake stringent due diligence checks as part of our new supplier process. This is supported by monitoring to ensure factory compliance standards.

## Case study: Our Manchester community

All of us here at N Brown felt the effect of the Manchester Arena bombing in summer 2017. In addition to our colleagues based at a large contact centre in the Arena, many other colleagues were affected or had links to those who were. There are too many stories of kindness and generosity from our colleagues and friends to mention but we are extremely proud to have been able to play our part.

N Brown saw this as a call to action to support the local community of Manchester that means so much to our heritage, our people and our future.

Taking inspiration from artwork around us we designed a charity t-shirt and sweatshirt featuring the now famous bee logo and the slogan 'Bee More Manchester'. Over 1,500 units were

sold and £12,000 was raised for the We Love Manchester Emergency Fund run by the British Red Cross Society, who continue to be fundamental to providing support services to victims and their families.



## Environment

### Overview

N Brown continues to work to manage and minimise the impact our operations have on the environment. By working alongside our environmental partners, Envantage Limited and Viridor Limited (specialising in energy and carbon, and waste), we ensure full compliance with all relevant legislation and work to continuously improve our environmental performance, quantification and disclosure.

Following Ian Carr's retirement on 30 March, Group-wide responsibility for sustainability from 1 April 2018 transferred to Ralph Tucker, Chief Supply Chain Officer. Ralph reports to the Chief Executive Officer and sits on both the N Brown Executive Board and CSR Committee.

During the last year we maintained our Carbon Disclosure Project scores, reduced our Group-wide carbon emissions relative to the previous year (despite an increase in the number of items shipped), increased our purchase of 100% renewable energy, maintained our zero waste to landfill, and are making good progress against our newly set buildings and haulage emissions targets.

### Carbon Disclosure Project

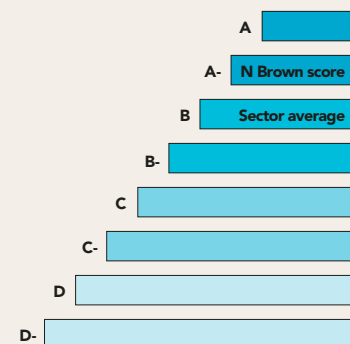
The Group report on the Carbon Disclosure Project (CDP) annually, for both the carbon and forests (timber) modules. We have maintained our scores from last year, placing us once again in the management and leadership categories respectively.

### Sector benchmarking

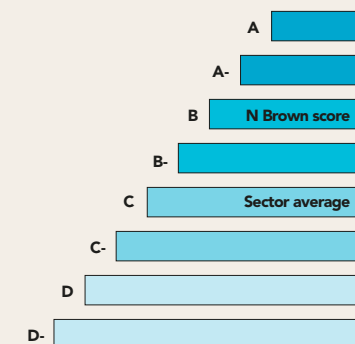
The charts above show the scores achieved by our sector peers in the Consumer Discretionary sector. N Brown exceeded the sector average for both the carbon and forests modules of the CDP.

#### N BROWN GROUP PLC SECTOR BENCHMARKING 2017-2018

##### FORESTS



##### CARBON



● Leadership ● Management ● Awareness ● Disclosure

### Emissions profile

Our green house gas (GHG) emissions inventory is calculated for the global Group<sup>1</sup> under the operational control approach, in accordance with the GHG Protocol and GHG emissions factors published by 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; i.e. 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 as possible.

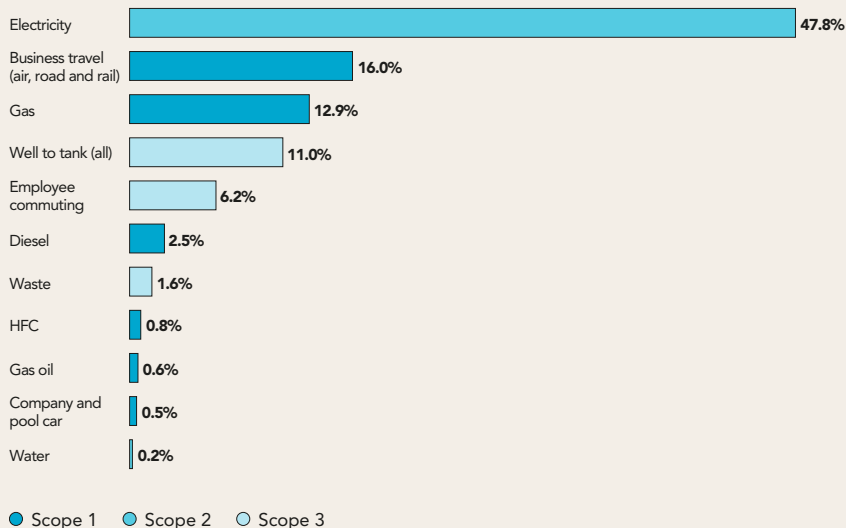
The table and chart overleaf illustrate our GHG emissions across all our reporting areas, for the global Group from 1 March 2017 to 28 February 2018 and the previous year.

Scope	Source	Total GHG tCO <sub>2</sub> e		tCO <sub>2</sub> e change from previous year	% change from previous year
		2016 – 2017 (Previous year)	2017 – 2018 (Current year)		
Scope 1	Gas	1,615.4	1,805.5	190.0	12%
	Diesel	392.7	345.9	-46.9	-12%
	HFCs	146.4	106.2	-40.2	-27%
	Gas oil	102.6	79.9	-22.8	-22%
	Company and pool car	63.0	64.4	1.3	2%
Scope 2	Electricity	7,552.3	6,696.7	-855.6	-11%
<b>Total scope 1 and 2</b>		<b>9,872.5</b>	<b>9,098.5</b>	<b>-774.0</b>	<b>-8%</b>
Scope 3	Water	31.0	29.2	-1.8	-6%
	Employee commuting	1,621.4	863.7	-757.7	-47%
	Business travel (air, road and rail)	1,844.7	2,246.3	401.6	22%
	Waste	233.5	219.5	-14.0	-6%
	Well to tank (all)	1,580.1	1,538.9	-41.2	-3%
<b>Total</b>		<b>15,183.2</b>	<b>13,996.1</b>	<b>-1,187.1</b>	<b>-8%</b>
Outside scopes – Biogenic element – Diesel		9.3	9.0	-0.3	-3%

<sup>1</sup> Emissions figures detailed cover all active entities during the reporting year.

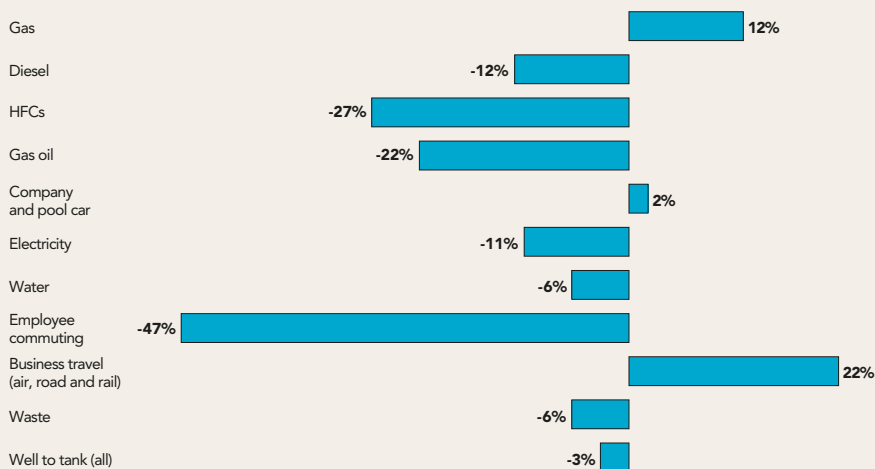
## N BROWN GROUP PLC EMISSIONS PROFILE 2017-2018

(tCO<sub>2</sub>e)



## N BROWN GROUP PLC EMISSIONS CHANGE FROM PREVIOUS YEAR

(tCO<sub>2</sub>e)



## EMISSIONS AGAINST TURNOVER

PREVIOUS YEAR AND CURRENT YEAR  
(tCO<sub>2</sub>e/million £ turnover)



## EMISSIONS AGAINST ITEMS SHIPPED

PREVIOUS YEAR AND CURRENT YEAR  
(tCO<sub>2</sub>e/million items)



Intensity ratios	2016 – 2017	2017 – 2018	% Change
	Previous year	Current year	
Scope 1 & 2 GHG emissions tCO <sub>2</sub> e/million £ turnover	11.0	9.9	10% decrease
Scope 1 & 2 GHG emissions tCO <sub>2</sub> e/million items dispatched	246	224	9% decrease

### Emissions change from previous year

We have reduced our Group GHG emissions by a significant 8% compared to the previous reporting period. A breakdown of the reduction in emissions by source is shown in the chart opposite.

We have achieved substantial reductions in both our HFCs and employee commuting emissions compared to the previous year. These reductions can be attributed to improved reporting of HFC emissions from our air conditioning units and an increase in the percentage of colleagues using greener travel options.

### 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. GHG emissions relating to Scope 1 and 2 sources have decreased considerably in terms of our relative performance against both turnover and items dispatched<sup>2</sup>, as shown in the charts and table opposite.

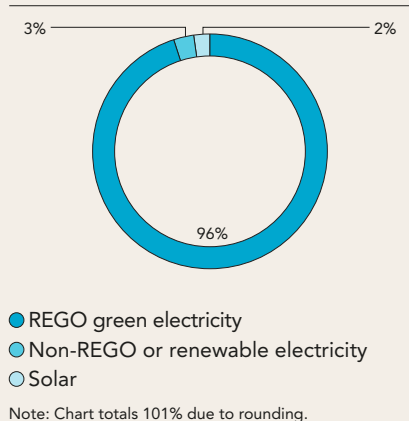
### Zero carbon electricity

The Group continues to purchase electricity generated from 100% renewable sources which are REGO (Renewable Energy Guarantees of Origin) backed and generate our own solar electricity at two of our distribution centres.

During the last reporting year 98% of the electricity for our directly controlled sites was generated from zero carbon and renewable sources. We have a small number of sites outside the UK for which we are unable to purchase green electricity. We also operate some landlord managed sites for which we are not responsible for the procurement of electricity.

<sup>2</sup> Financial figures and items shipped figures used for intensity ratios cover all active entities during the reporting year.

#### N BROWN ELECTRICITY PROFILE FOR DIRECTLY CONTROLLED SITES<sup>1</sup>



### Performance against 2022 targets

Last year we set new, five-year environmental targets, focusing on our buildings and haulage emissions and our waste disposal. We are making excellent progress towards meeting these targets.

We are delighted to be ahead of plan. However, we recognised the importance of continuous improvement and where appropriate we will increase the targets set to ensure that they remain stretching.

#### Buildings emissions

##### Corporate buildings

Target: 35% reduction in GHG emissions (tCO<sub>2</sub>e/items shipped)

Status: On track to exceed target

##### Simply Be buildings

Target: 20% reduction in GHG emissions (tCO<sub>2</sub>e/1,000 m<sup>2</sup>)

Status: On track to exceed target

##### High and Mighty buildings

Target: 15% reduction in GHG emissions (tCO<sub>2</sub>e/1,000 m<sup>2</sup>)

Status: On track to exceed target

#### Haulage emissions

Target: 14% increase km/litre fuel used

Tractors' status: On track to exceed target

3.5 tonne – 7.5 tonne vehicles' status: On track to exceed target

7.5 tonne – 18 tonne vehicles' status: Behind target

Behind target

#### Waste

Target: Maintain zero waste to landfill

Status: Meeting target

#### Mandatory GHG reporting notes

The data disclosed is in conformance to the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013). GHG emissions disclosed under the required reporting categories fall within the Group's consolidated financial statement. Scope 1 and 2 emissions have been calculated on a global scale where the Group have operational control using the GHG protocol. The quantified emissions are for the reporting year 1 March 2017 to 28 February 2018.

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

#### Noted change in emissions for 2016-2017

- **Data accuracy:** Some data for the 2016 – 2017 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 2016 – 2017 have been recalculated with the newly published factors for 2017, affecting the months of January and February 2017 (2017 factors were not available at time of publishing). This has resulted in a slight change in emissions compared to those originally reported.

#### 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 fuel card 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 details of the systems were not known and therefore estimation of emissions has not been possible.

# Setting a high standard of governance



**My role over the course of the year has been 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.**

The Board is committed to meeting a high standard of corporate governance and to complying with the principles in the UK Corporate Governance Code issued by the UK Financial Reporting Council in 2016 (the 'Code'). This Corporate Governance statement explains the key features of the Group's governance structure and how it complies with the Code.

**Andrew Higginson**  
Independent Non-Executive Chairman

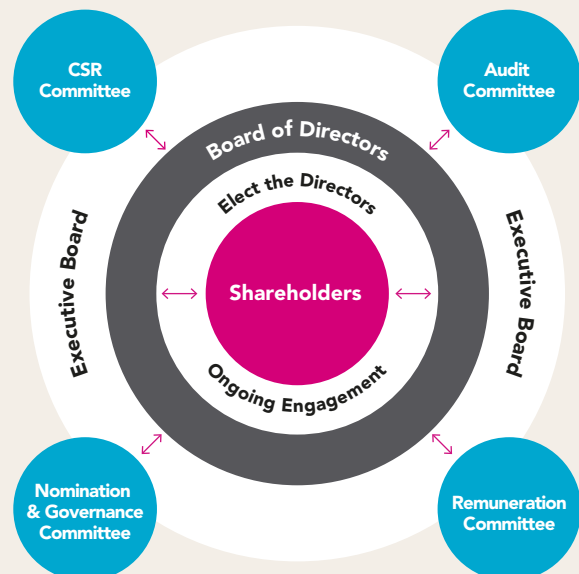
## Statement of Compliance with the Code

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 68 to 84. In addition, disclosures required by the Disclosure Guidance and Transparency Rules (rule 7.2.6) regarding share capital can be found on page 57.

## Corporate structure and framework

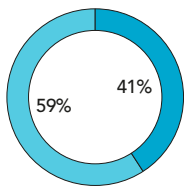
The Board is assisted by four committees – Audit, Nomination and Governance, Remuneration and CSR. Each Committee is responsible for reviewing and overseeing activities within its particular terms of reference (copies of which are available on the Company's website, [www.nbrown.co.uk](http://www.nbrown.co.uk)). The chairman of each Committee provides a summary at each

scheduled Board meeting of any committee meeting held since the previous meeting and the minutes of all Committee meetings are circulated to the full Board, when appropriate. Individual reports from each Committee chairman for the year are provided on pages 63 to 84.



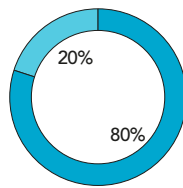


**EMPLOYEE DIVERSITY (%)**



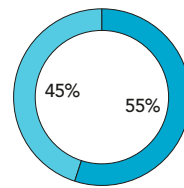
● Male **1,009**  
● Female **1,455**

**BOARD COMPOSITION (%)**



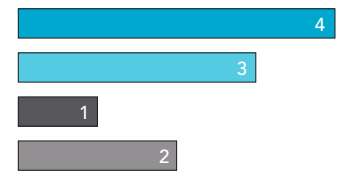
● Non-Executive Directors **8**  
● Executive Directors **2**

**SENIOR MANAGEMENT (%)**



● Male **31**  
● Female **25**

**COMMITTEE MEETINGS DURING 2017/18**



● Audit Committee  
● Remuneration Committee  
● Nomination and Governance Committee  
● CSR Committee

Note: Employee data as at 3 March 2018.

**Committees of the Board**



**Audit Committee**

**Ron McMillan** (Chair)  
**Lesley Jones**  
**Richard Moross**

**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 software technological developments and the introduction of new Financial Services products.



**Remuneration Committee**

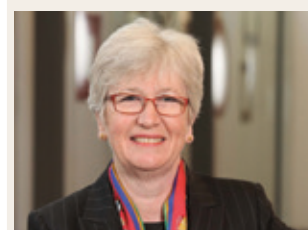
**Gill Barr** (Chair – appointed January 2018)  
**Ron McMillan**  
**Richard Moross**

**Activities**

During the course of the year the Committee has examined several regulatory issues affecting the workforce including a review of Group-wide incentive schemes, a review of corporate objectives and also the appointment of new advisors. The chairship of the Remuneration Committee transferred from Fiona Laird to Gill Barr in January 2018.

**Outlook**

The Committee will focus on reviewing the Remuneration Policy ahead of the 2019 AGM and will monitor the proposed developments in Corporate Governance that may impact remuneration in the future.



**Nomination and Governance Committee**

**Lesley Jones** (Chair – appointed June 2017)  
**Andrew Higginson** (resigned 30 April 2018)  
**Ron McMillan**

**Activities**

This year the Committee has focused on the successful recruitment of Gill Barr and Michael Ross as new Non-Executive Directors. In addition the Committee have recruited Matt Davies as a new Non-Executive Director and Chairman-Elect. An external Board evaluation has taken place during the year, the Committee terms of reference have been updated and the current composition, skills, expertise and experience of the Board have been reviewed.

**Outlook**

The Committee will focus on implementing an action plan created following the results of the recent external board evaluation. The Committee will also review composition of the Board committees in light of the new additions to the Board. Matt Davies took over as Chair of the Committee on 1 May 2018.



**CSR Committee**

**Michael Ross** (Chair – appointed January 2018)  
**Angela Spindler** (Chief Executive)  
**Theresa Casey** (General Counsel, Company Secretary and Group Head of CSR)  
**Ralph Tucker** (Chief Product and Supply Chain Officer)  
**Anne Icton** (interim HR Director)

**Activities**

The Committee has made significant progress in key issues, such as supply chain mapping, energy efficiency and colleague engagement that it intend to build on in the coming year. As a Company we have renewed our commitment to the Bangladesh Accord by signing the Transitional Accord. Michael Ross was appointed as chair of the Committee during the year.

**Outlook**

As we are come to the three year anniversary of our CSR Charter we will review our performance & consider ways in which we can further develop our strategy. The Committee will seek to increase the visibility and oversight of CSR activities across the Group including the enhancement of Key Performance Indicators.

# Board of Directors



**Angela Spindler**  
Chief Executive Officer

**Appointed to the Board**  
2013

**C**

**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.

**Meetings attended**

9/9



**Andrew Higginson**  
Independent  
Non-Executive Chairman  
(resigned 30 April 2018)

**Appointed to the Board**  
2012

**N**

**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 Clearwater International Corporate Finance UK. He is a Non-Executive Director of Woolworths Holdings Limited (South Africa).

**Meetings attended**

8/9



**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**

9/9



**Michael Ross**  
Independent  
Non-Executive Director

**Appointed to the Board**  
2018

**C**

**Relevant skills, qualifications and experience**  
Michael is the co-founder and Chief Scientist of DynamicAction which is a leader in big data analytics and AI for retail. He was previously the co-founder and CEO of figleaves.com, and started his career at McKinsey consulting in the early days of the internet.

**Key strengths**

- Digital retail
- Data analytics
- Artificial intelligence

**External appointments**

Michael is a Non-Executive Director of Sainsbury's Bank. He also sits on the commercial development board at the Turing Institute.

**Meetings attended**

1/1



**Lesley Jones**  
Independent  
Non-Executive Director

**Appointed to the Board**  
2014

**N A**

**Relevant skills, qualifications and experience**  
Lesley 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. She is also Chair of the Board Risk Committee and Deputy Chair of Board Audit Committee at Northern Bank Ltd in Belfast.

**Meetings attended**

9/9



**Richard Moross MBE**  
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**

9/9



**Lord Alliance of Manchester CBE**  
Non-Executive Director

**Appointed to the Board**  
1968

**Relevant skills, qualifications and experience**  
Lord Alliance was appointed a Director and Chairman in 1968. He 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**  
9/9



**Gill Barr**  
Independent Non-Executive Director

**Appointed to the Board**  
2018

**R**

**Relevant skills, qualifications and experience**  
Appointed in January 2018. Gill was previously a Non-Executive Director of Morgan Sindall Plc. She was Group Marketing Director of The Co-operative Group, Marketing Director of John Lewis and spent seven years at Kingfisher Plc in a variety of senior strategy, marketing and business development roles.

- Key strengths**
- Marketing
  - Business development
  - Remuneration

**External appointments**  
Gill is currently a Non-Executive Director of PayPoint plc and Wincanton plc, and a Trustee Director of Willis Towers Watson's master trust, LifeSight Ltd. She is also the Chair of the Customer Challenge Group for Severn Trent Water Plc.

**Meetings attended**  
1/1



**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, SCS PLC and HomeServe PLC.

**Meetings attended**  
9/9



**Matt Davies**  
Independent Non-Executive Chairman (appointed 1 May 2018)


**Appointed to the Board**  
2018

**Relevant skills, qualifications and experience**  
Matt joined the Board in February 2018 as Independent Non-Executive Director and Chairman Elect. He was appointed as Chairman on 1 May 2018. He was previously the CEO of Tesco UK and ROI. Prior to Tesco, Matt was CEO of Halfords from 2012 to 2015 and Finance Director (2001 – 2004) and CEO (2004 – 2012) of Pets at Home.

- Key strengths**
- Retail
  - Strategy
  - Management

**External appointments**  
Matt was appointed Chairman of Hobbycraft Trading Limited on 1 May 2018.

**Meetings attended**  
0/0



**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**  
Governor of Crossley Heath Grammar School.

**Meetings attended**  
9/9

**Other Directors who served during the year:**

- Ivan Fallon**  
Independent Non-Executive Director
- Fiona Laird**  
Independent Non-Executive Director

Indicates member of the:

- A** Audit Committee
- R** Remuneration Committee
- N** Nomination and Governance Committee
- C** CSR Committee
- Committee chair

# Directors' Report

## Activities and results

The Directors have pleasure in presenting their Annual Report and audited financial statements for the year ended 3 March 2018. 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 51, 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 3 March 2018 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 28 to 33.

## UK Corporate Governance Code

As required by the UK Corporate Governance Code 2016 (the 'Code'), pages 18 to 19 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 60 to 62 forms part of this Director's Report.

## Results, dividends and reserves

The financial statements set out the Group's results for the year ended 3 March 2018 and are contained in pages 91 to 123.

An interim dividend of 5.67p per share (2017 5.67p) was paid on the ordinary shares of the Group on 12 January 2018. The net cost of this dividend was £16.0m (2017 £16.0m).

The Directors recommend a final dividend of 8.56p per share (2017: 8.56p) for the year ended 3 March 2018, the net cost of which will be £24.2m (2017: £24.2m). The dividend will be paid on 3 August 2018.

Movements in reserves are shown in the Statement of Changes in Equity on page 95.

## 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 23 on page 118.

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 overleaf 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 28 on pages 119 to 120. The Directors have no current plans to issue shares other than in connection with employee share options.

## 2018 annual general meeting

The annual general meeting will be held at 12:30pm on Tuesday, 17 July 2018. 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.

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

<b>Andrew Higginson</b>	Non-Executive Chairman
<b>Lord Alliance of Manchester CBE</b>	Non-Executive Director
<b>Angela Spindler</b>	Chief Executive Officer
<b>Craig Lovelace</b>	Chief Financial Officer
<b>Ivan Fallon</b>	Non-Executive Director (resigned 18 July 2017)
<b>Fiona Laird</b>	Non-Executive Director (resigned 16 January 2018)
<b>Ron McMillan</b>	Non-Executive Director
<b>Lesley Jones</b>	Non-Executive Director
<b>Richard Moross</b>	Non-Executive Director
<b>Gill Barr</b>	Non-Executive Director (appointed 16 January 2018)
<b>Michael Ross</b>	Non-Executive Director (appointed 16 January 2018)
<b>Matt Davies</b>	Non-Executive Director (appointed 19 February 2018)

## Directors

The biographies of the current Directors, are shown on pages 54 and 55. 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 2018 annual general meeting all of the Directors will retire and will offer themselves for re-election with the exception of Gill Barr, Michael Ross and Matt Davies who will be seeking ratification of their appointments to the Board made in early 2018.

Details of Directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on page 82 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 60 to 62. The terms of reference for the Board and its Committees are available on the Group's website [www.nbrown.co.uk](http://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 2 March 2018 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 themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### Governance

The Board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement on pages 60 to 62.

#### Corporate social responsibility and greenhouse gas emissions

Details on corporate social responsibility and greenhouse gas emissions are set out on pages 44 to 61.

#### Charitable and political donations

During the year, the Group made charitable donations of £93,670 (2017: £95,902). No political donations have been made (2017: nil). No contributions have been made to non-EU political parties (2017: nil).

#### Auto-enrolment and Stakeholder pension

With effect from 1 November 2015, Zurich was appointed as provider for all qualifying employees. As at 1 March 2018 87.5% of all employees were members of a qualifying pension scheme with 1,082 employees being auto-enrolled as at the date of this report. At the date of this report the opt out rate is 4.6%.

#### 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 19 on pages 114 to 116. The Group's risk management policies and procedures and the table of principal risks and mitigations can be found on pages 28 to 33.

#### 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 2018:

Shareholder	Holding share capital	% of issues
Nigel Alliance OBE	31,489,256	11.07
Invesco Perpetual Asset Management	23,479,558	8.25
UBS Global Asset Management	18,481,773	6.50

#### 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 65.

#### 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 2017 annual general meeting, the Directors were given the power to issue new shares up to a nominal amount of £10,477,542. This power will expire on the earlier of the conclusion of the 2018 annual general meeting or 20 July 2018.

Accordingly, a resolution will be proposed at the 2018 annual general meeting to renew the Company's authority to issue new shares.

Directors will also be proposing a resolution to provide authority to issue new shares up to a further nominal amount of £10,480,037 in connection with an offer by way of a rights issue.

An approval will be sought at the 2018 general meeting for a certain number of shares up to a maximum nominal value – to be allotted pursuant to the authority granted to Directors set out above without being covered by statutory pre-emption rights regime. Further information regarding this will be included in the Notice of the Meeting for the AGM.

As in previous years, authorisation for the Directors to buy back the Company's shares will not be sought at the 2018 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 page 101.

## Viability statement

N Brown Group is a leading digital specialist fit fashion retailer, with over 140 years of experience and it is the Group's clear focus to maintain and enhance its position. Taking into account the Group's current position and its principal risks and uncertainties as described on pages 30 to 33 and how these are managed, the Directors have assessed the Group's prospects and viability.

The strategy and business model as set out on pages 18 to 23 are central to an understanding of its prospects. These factors provide a framework for the rolling three-year plan which is developed and reviewed by the Board to assess the Group's prospects. The three year timeframe for assessing both the prospects and viability is considered to be appropriate due to the following:

It is consistent with the Group's rolling three-year strategic planning process.

Given the current pace of development, both within the Group and the wider retail market, projections looking out further than three years would not produce a reliable result.

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 Groups cash flows, general liquidity and other key financial

ratios. 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.

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.

Using the current strategic plan as a base case, alternative forecasts have been produced to model the effect of 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 rates and group revenue; reflecting the principal risks of the business, primarily through a reduction in the credit activities of the Group resulting from significant regulatory change, potential trading restrictions and penalties arising from the impact of a cyber-attack, negative outcomes from delays to the Group's IT development programme and an adverse outcome in respect of the legacy tax cases which are ongoing.

The above considerations form the basis of the Board's reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period from approval of this Annual Report.

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, relevant, reliable 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and 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 complies 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.

The Strategic Report on pages 1 to 51 and the Directors' Report on pages 56 to 59 are hereby approved by the Board and signed on behalf of the Board.

By order of the Board



**Theresa Casey LL.B (Hons) (Solicitor)**  
Company Secretary  
17 May 2018

### Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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 issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, 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.

By order of the Board



**Craig Lovelace**  
Chief Financial Officer  
17 May 2018

# Corporate Governance Statement

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 is not considered by the Board to be independent. Full biographical details of all Directors appear on pages 54 and 55.

The members of the Board are named below<sup>1</sup>. The Board met nine times during the year. Directors' attendance at Board meetings was as follows:

	Attendance
<b>Andrew Higginson</b> (resigned 30 April 2018)	8/9
<b>Lord Alliance of Manchester CBE</b>	9/9
<b>Angela Spindler</b>	9/9
<b>Ivan Fallon</b> (resigned 18 July 2017)	5/5
<b>Fiona Laird</b> (resigned 16 January 2018)	6/8
<b>Ron McMillan</b>	9/9
<b>Lesley Jones</b>	9/9
<b>Craig Lovelace</b>	9/9
<b>Richard Moross</b>	9/9
<b>Gill Barr</b> (appointed 16 January 2018)	1/1
<b>Michael Ross</b> (appointed 16 January 2018)	1/1
<b>Matt Davies</b> (appointed 19 February 2018)	0/0

## 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 Nomination and Governance Committee; and
- a Corporate Social Responsibility Committee.

After each Committee meeting the Chair 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](http://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 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, Matt Davies (formerly Andrew Higginson, resigned 30 April 2018), 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:

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

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

## Board activities

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

### Strategy

Review of progress so far against current strategic plan.

Oversight of the Fit 4 the Future implementation.

In depth reviews of strategy in key areas of the business such as international and partnerships.

### Operational

Reviewing the budget for FY19.

Assessing marketing return on investment.

Monitoring brand progress.

### Regulatory

Monitoring the progress of preparations for GDPR.

Assessment of the Viability Statement, Group contingent liabilities, treasury policy and regulatory provisions.

### Stakeholder issues

Reviewed the product strategy to enhance the quality of design, sourcing, pricing and trading.

Examining the results of the Gender Pay Gap disclosure.

Approving the Annual Report.

### Governance

Recruiting three new Non-Executive Directors including the new Chairman.

Undertaking an external Board evaluation including an assessment of the Committees.

<sup>1</sup> Matt Davies was appointed to the Board as an independent Non-Executive Director and Chairman-Elect on 19 February 2018. Matt took over the position of Chairman on 1 May 2018.



The Board understands the need for Non-Executive Directors to be and remain independent of management in order to be able to exercise proper oversight and to effectively challenge the Executive Directors. The Non-Executive Directors who served during the financial year ended 3 March 2018 were:

- Andrew Higginson (Chairman – resigned 30 April 2018)
- Lord Alliance of Manchester
- Ivan Fallon (resigned 18 July 2017)
- Fiona Laird (resigned 16 January 2018)
- Richard Moross
- Ron McMillan (Senior Independent Director)
- Lesley Jones
- Gill Barr (appointed 16 January 2018)
- Michael Ross (appointed 16 January 2018)
- Matt Davies (appointed as a Non-Executive Director on 19 February 2018 and as Chairman on 1 March 2018)

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 Executive 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 Executive Board over a two day period to review the progress being made against, and the future development of, the Group's long-term 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 is in the process of being refreshed following the appointment of Gill Barr, Michael Ross and Matt Davies and the departure of Fiona Laird and Andrew Higginson. Where appropriate, the Committees will invite others to attend.

The appointment of Gill Barr, Michael Ross and Matt Davies has bolstered the skills and experience collectively held by the Board.

### 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 representation at Board level and 30% on the Executive Board. This means we have already met the 33% target for 2020 set by the Davies report, and are significantly higher than the current FTSE 250, which has achieved average representation at 22.8%. 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, working with head-hunters and agencies that can provide true gender diversification in their candidate bases.

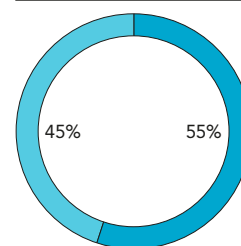
We are members of 'Women on Boards'. Our aim is to promote the development of female Board Directors and to encourage senior employees to take up Non-Executive roles in other businesses where opportunities arise. We also developed an initiative called 'Women Like Us' which is open to all women in middle management and above. The initiative was created to encourage the development of women in our executive pipeline. More detail regarding this can be found in our CSR report on page 47.

At the date of this report the gender split (male/female, senior management and entire workforce) is as per the diagrams to the right.

### Board appointments

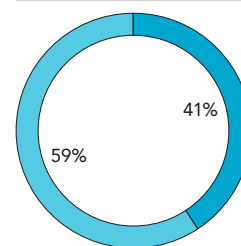
All appointments to the Board follow a formal, rigorous and transparent process to ensure we appoint the best possible candidate. Due regard is given to the needs of the Board in respect of skills, experience, independence and diversity. Further detail on the appointment of Gill Barr, Michael Ross and Matt Davies is provided in the Nomination and Governance Committee report.

### SENIOR MANAGEMENT (%)



- Male 31
- Female 25

### EMPLOYEE DIVERSITY (%)



- Male 1,009
- Female 1,455

Employee data as at 3 March 2018.

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 54 and 55.

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.

# Corporate Governance Statement

continued

## 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.

We are actively monitoring the proposal changes to the UK Corporate Governance Code in order to ensure that any necessary changes to Board practice or composition are effectively implemented.

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 UK Corporate Governance Code, an internal effectiveness review of the Board and its Committees was undertaken during the second half of the year by way of interviews with individual Directors conducted by an independent consultant.

The outcome from the evaluation of the Board and its Committees was reviewed with the Chairman and 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 previous internal evaluation exercise. As with all evaluations, an action plan has been agreed by the Chairman and, based on this, the Board has agreed a set of objectives for 2018/19.

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 Gill Barr, Michael Ross and Matt Davies, who will be seeking ratification of their appointments to the Board.

All Non-Executive Directors serve on letters of appointment stipulating three-year terms. 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 pages 63 to 65 and the risk report on pages 28 to 33 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 68 to 84.

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 73 to 74. 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**  
Chair of the  
Audit Committee

## The Audit Committee

Member	No. of meetings
<b>Ron McMillan</b> (Chair)	4/4
Lesley Jones	4/4
Richard Moross	4/4

The Committee met four times during the year and attendance was as above.

### 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 58 to 59 in the Directors' Report. The committee monitored the proposed implementation of IFRS 9, which replaces IAS 39. 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 opposite.

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**  
Chair of the Audit Committee

# Audit Committee Report

## continued

### Committee composition

The Committee comprises three members, each of whom is an independent Non-Executive Director. 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 54 and 55, the Committee members have significant experience of working in or with companies in the retail, financial services and consumer goods sectors. This ensures compliance with C3.1 of the UK Corporate Governance Code 2016.

The members of the Committee during the year were:

- Ron McMillan (Chair)
- Lesley Jones
- Richard Moross

Details of Committee meetings and attendances are set out on page 63 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 2017/18

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 2018 was the oversight of more flexible and personalised financial services products.

### Capitalisation of software development costs

The Group's software development and implementation programme is ongoing and the Committee has continued 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.

### 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. The Committee has also been kept apprised of the upcoming new requirements set out in IFRS 9.

### 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 advisors (Deloitte) and legal counsel. During the year the Group's tax advisors 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 provisioning

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.

### Brand intangibles

Included within intangible assets are brand intangibles of £8.9m which are legally protected or otherwise separable trade names acquired as part of the business combination. The calculations made in respect of the annual impairment test requires a series of assumptions and estimates of which the Committee have provided oversight. A summary of these assumptions is set out in note 12 to the accounts.

### 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 28 to 33.

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 and 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 pages 58 to 59. 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 considered the carrying value of goodwill, store impairment provisions, PPI provisions and the accounting for pension obligations. In relation to all of the above matters the Committee was presented with detailed reports prepared by the Group's financial team.

The Committee also received update reports 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 principles, 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' was appropriate.

#### 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:

- Customer arrears
- Tax policy & strategy
- Product sourcing
- Returns to manufacturer
- Software implementation governance and control
- Business continuity management
- Stock audit
- GDPR
- PCI-DSS compliance
- FCA compliance
- Overall risk & risk management

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 2 March 2018 were £465,000, of which £105,000 was in respect of non-audit services. Further details are set out in note 5 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 effect 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 continues to be thorough and professional and it is, therefore, the Committee's recommendation that the reappointment of KPMG be put to shareholders at the annual general meeting on 17 July 2018. Given that this is only the third 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.

# Nomination and Governance Committee Report



**Lesley Jones**  
Chair of the  
Nomination and  
Governance  
Committee

## The Nomination and Governance Committee

Member	No. of meetings
<b>Matt Davies</b> (Chair – appointed 1 May 2018)	0/0
Lesley Jones (Chair – resigned 30 April 2018)	1/1
Andrew Higginson	1/1
Fiona Laird (Chair – resigned 16 January 2018)	1/1
Ron McMillan	1/1

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 the role;

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 appropriate 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 2019

Linking the long-term strategy to succession planning;

Monitoring the success of the action plan put in place following feedback from the external Board evaluation;

Reviewing the talent pipeline and its effectiveness in developing diverse candidates; and

Reviewing the composition of the Committees following the addition of three new Non-Executive Directors, including the Chairman.

### Dear Shareholder,

The objectives of the Committee are to ensure that the Board is comprised of individuals possessing the requisite skills, knowledge and experience.

In addition the Committee is responsible for ensuring that corporate governance meets best practice standard and advises the Board accordingly.

I became chair of the Nomination and Governance Committee following the resignation of Fiona Laird on 6 June 2017. I am pleased that following the appointment of Matt Davies as Chairman of the Board, Matt has agreed to take on the chairmanship of the Committee effective 1 May 2018. The other current members of the Committee are outgoing Chairman Andrew Higginson and Ron McMillan.

Under its formal terms of reference the Nominations and Governance Committee is tasked with making recommendations to the Board in respect of Director appointments. This includes, where appropriate, the appointments of the Chairman of the Board, members of the Executive Board and other senior staff of the operating company. The Chief Executive is not a member of the Committee but is invited to attend its meetings from time to time when required.

During the year the Committee held one meeting with full attendance by all members. Activities undertaken included a review of the Committee's terms of reference, a review of external appointments of Board members, recruitment of three new Non-Executive Directors (including a Chairman-Elect) 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.

In the course of the year Gill Barr, Michael Ross and Matt Davies were all recruited as independent Non-Executive Directors. Matt Davies was also recruited as Chairman-Elect and has taken up the position as Chairman following an orderly handover from Andrew Higginson. All three new board members were appointed via a transparent and robust process which was led by Ron McMillan, Senior Independent Director, on behalf of the Committee.

For Gill and Michael's appointments, Russell Reynolds Associates were appointed by the Committee as external agents to assist in the discharge of its duties. They ran a comprehensive external candidate search and selection process to find suitable independent Directors with the appropriate mix of skills and experience. Russell Reynolds Associates has no other connection with the Company.

In the search to fulfil the Chairmanship, Zygos Partnership were used as our external agents. Zygos has no other connection with the Company.

In accordance with the UK Corporate Governance Code, the Board undertook an external board evaluation facilitated by Equity Communications. Both the Board and its Committees were found to be functioning well and board and committee meetings were deemed to be managed effectively and in accordance with best practice. Some recommendations for improvement were suggested and we will update shareholders on the progress that we make in implementation of these recommendations in the next Annual Report.

*M. Lesley Jones*

**Lesley Jones**

Chair of the Nomination and Governance Committee



**Michael Ross**  
Chair of the  
CSR Committee

## The CSR Committee

Member	No. of meetings
<b>Michael Ross</b> (Chair – appointed 16 January 2018)	0/0
Angela Spindler (Chief Executive Officer)	2/2
Theresa Casey (Company Secretary and Group head of CSR)	2/2
Fiona Laird (Chair – resigned 16 January 2018)	2/2
Ralph Tucker (Chief Product and Supply Officer)	2/2
Ian Carr (Logistics Director – resigned 1 March 2018)	2/2
Tanya McCartney (Head of Culture, Talent and Policy – resigned 29 December 2017)	2/2

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 2019

Reviewing and improve the effectiveness of our charity strategy;
Improving oversight and monitoring of all CSR activity across the Group;
Reviewing the CSR Charter and set a further three-year plan; and
Reviewing, and increasing if appropriate, environmental targets to ensure they are stretching.

### Dear Shareholder,

Since my appointment to the Board in January I have taken on the role of CSR Committee Chair. I would like to thank Fiona Laird for her contributions to the Committee.

The Committee successfully launched the Group's CSR Charter in 2015 to highlight our passion for fair fashion, entitled 'Taking Care of Our World'. The Charter was 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 pages 44 to 51.

At our next CSR Committee meeting we will review the CSR Charter and discuss our ambitions for the next three years.

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, environmental training, living wage and apprenticeships amongst many others.

Below are examples of some of the achievements made during the year:

- Online modules on a number of CSR topics, including modern slavery and how to be energy aware, have been made available to all staff.
- New targets on energy usage have been implemented.
- A review of the commercial vehicle fleet and use of pool cars has led to the implementation of a number of energy and cost saving measures.
- Our revised Modern Slavery statement was published in October and we intend to continue development in this area to further reduce the risk of slavery in our supply chain.

Looking ahead, the focus of the Committee over the next year will be to increase the visibility of our CSR activities. We aim to increase accountability by introducing further key performance indicators which will assist us with becoming more accountable and monitoring our progress more effectively. We will be adopting a risk based approach in order to allocate resources where they will have the greatest impact.

I look forward to reporting on this further in our next Annual Report.

**Michael Ross**  
Chair of the CSR Committee

# Directors' Remuneration Report



**Gill Barr**  
Chair of the  
Remuneration  
Committee

## The Remuneration Committee

Member	No. of meetings
<b>Gill Barr</b> (Chair – appointed 16 January 2018)	0/0
Fiona Laird (Chair – resigned 16 January 2018)	3/3
Ron McMillan	3/3
Richard Moross	3/3

The Committee met three times during the year and attendance was as above.

### 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;

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; and

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

### Priorities for 2019

The Committee will review the remuneration policy ahead of the 2019 AGM to ensure that it continues to support the business strategy;

The Committee will continue to monitor the proposed amendments to the UK Corporate Governance Code and the impact on the Committee's operation; and

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

### Dear Shareholder,

I was appointed as Chair of the Remuneration Committee upon my appointment to the Board in January 2018 and I am pleased to present the Directors' Remuneration Report for 2017/18 on behalf of the Board.

This report contains the following parts:

- This 'Annual Statement', which sets the context for and explains the remuneration outcomes for the financial year under review, summarises the operation of the policy for the year ahead and the work that the Committee will be undertaking during the year;
- An 'Annual Report on Remuneration', which provides shareholders with details of the remuneration paid to the Executive Directors for the performance delivered in 2017/18. Both the Annual Statement and Annual Report on Remuneration will be subject to an advisory vote at the forthcoming AGM; and
- The 'Directors' Remuneration Policy' which was approved by shareholders at the 2016 AGM and is included in this report for ease of reference.

### Remuneration outcomes for 2017/18

Salary increases were effective from 1 June 2017 and our CEO and CFO each received a 2% increase, in line with the average workforce increase.

The 2017/18 annual bonus was determined as to 70% by adjusted Group profit targets, 20% by corporate objectives and 10% by personal objectives. Bonuses have been awarded to the CEO of 100.1% of salary out of a maximum opportunity of 150% of salary and to the CFO 84.3% of salary out of a maximum of 125% of salary. Further details of performance against the targets set is included in the Annual Report on Remuneration. 60% of the bonus will be paid in cash and 40% is deferred in shares in the Company for a three-year period.

The Committee has carefully reviewed the formulaic bonus outcomes against the performance of the Group as a whole and is satisfied that the bonuses are appropriate. The Committee recognises that the PBT target range that was set for FY2017/18 was lower than that set for FY2016/17. However, the range was considered challenging by the Committee, taking into account the economic and business outlook at the time the targets were set.

The significant differentiator between the statutory and adjusted profit figure has been the provision relating to customer redress for historic general insurance products sold between 2006 and 2014. As this pre-dated the executives joining the business the Committee is comfortable that this issue should not be recognised in their bonus payment.

For the LTIP award granted in August 2015 the EPS targets have not been achieved and it is unlikely that the TSR targets will be achieved either, although the performance period for the TSR part of the award does not end until June 2018. Accordingly, the awards will lapse.

### Implementation of policy for 2018/19

Since my appointment I have worked with my fellow Committee members to review the implementation of the Executive Directors' Remuneration Policy for 2018/19.



To ensure continuing alignment with the Group's business strategy, the Committee has agreed some changes to the operation of the Policy compared to 2017/18, as follows:

- Base salaries for the CEO and CFO will be increased by 2% in line with the increases of the general workforce;
- Annual bonus maximum will remain unchanged at 150% of salary for the CEO and 125% of salary for the CFO and will be subject to the same mix of profit (70%), corporate objectives (20%) and personal objectives (10%). This year corporate objectives will be focused more directly on achieving the strategic and operational priorities of the business. Details of these objectives are set out in the Annual Report on Remuneration;
- The LTIP awards to be granted during the year will remain unchanged at 150% of salary for the CEO and 125% of salary for the CFO and will be subject to the same mix of EPS (50%), cashflow (30%) and revenue performance conditions (20%);
- The Committee has reviewed the target ranges for this year's LTIP awards in light of the business plan, external outlook and analysts' consensus. The Committee has set target ranges for this year's LTIP awards that are lower than those set for the 2017/18 LTIP awards. The ranges are however at a level that provides an appropriately stretching incentive taking into account the challenging general market and retail outlook against which they are set;
- The EPS growth target range will be 3%-8% p.a CAGR, Free Cash Flow targets will be £350m to £420m and the revenue range will be 3%-5% p.a CAGR. These new ranges are considered equivalently challenging to the target range set for prior years' awards and still represent a significant stretch;
- Whilst reviewing the target ranges we have also taken the opportunity to remove RPI from the EPS range and introduce a compound growth rate bringing the target structure into line with current market practice;
- Taking into account best practice and the changes envisaged to the Corporate Governance Code the Committee has also determined that from 2018/19, LTIP awards will be subject to a two-year post vesting holding period, ensuring a five-year period from the date of grant of awards to the earliest opportunity for sale of vested shares.

Finally, following some feedback on last year's remuneration reporting and our own internal review, we have enhanced the disclosure to provide clear and transparent details of performance against targets and resulting remuneration outcomes.

#### Focus for 2018/19

Our Directors' Remuneration Policy must be brought to shareholders for its triennial approval at our 2019 AGM. The Committee will therefore carry-out a full and detailed review during the financial year. As part of the review I will be consulting our largest shareholders about a new policy and, as the new Chair of the Committee, I very much look forward to this engagement opportunity.

If you have any questions on this report I will be available at the Annual General Meeting. I very much hope that you will support the Annual Report on Remuneration at our forthcoming meeting.



**Gill Barr**

Chair of the Remuneration Committee

## Directors' remuneration policy

This report sets out the information required by Schedule 5 and 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.

The full Directors' Remuneration Policy is shown on the following pages. This was approved at the 2016 AGM and is effective for three years from that date.

The Committee's policy ensures that the remuneration package is linked to the Company's annual and long-term strategy and that it is capable of attracting, motivating and retaining Executive Directors. The policy aims to reward Executive Directors 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.

# Directors' Remuneration Report

continued

## 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
<b>Salary</b>	<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>
<b>Annual bonus</b>	<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
<b>Long-term incentive plan 'LTIP'</b>	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 Committee has the discretion to change the weightings of performance measures, or use different measures for 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>
<b>All-employee share schemes (SAYE and SIP)</b>	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.
<b>Pension</b>	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.
<b>Other benefits</b>	Provides a competitive package of benefits that assists with recruitment and retention.	<p>Main benefits currently include private senior 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:

- 1 A description of how the Company intends to implement the policy set out in this table for 2018/19 is set out in the Annual Report on Remuneration.
- 2 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.
- 3 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.
- 4 Copies of the LTIP rules are available on request from the Company Secretary.
- 5 LTIP awards granted in 2018 are subject to performance conditions described in the Annual Report on Remuneration.
- 6 Awards may be structured as nil cost options, conditional awards of shares and may be delivered through a Joint Share Ownership Plan structure.

# Directors' Remuneration Report

## continued

### 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 when considering the policy for Directors' pay.

The Committee is mindful of the likely broader remit of the Remuneration Committee and the requirement to engage with employees following the proposed changes to the UK Corporate Governance Code and will monitor these developments carefully.

### 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 prior);
- 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 Group profit, the achievement of certain business targets and 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.

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 a new remuneration policy to be approved by shareholders at the 2019 AGM, the Committee will engage with major shareholders and representative bodies.

### 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.

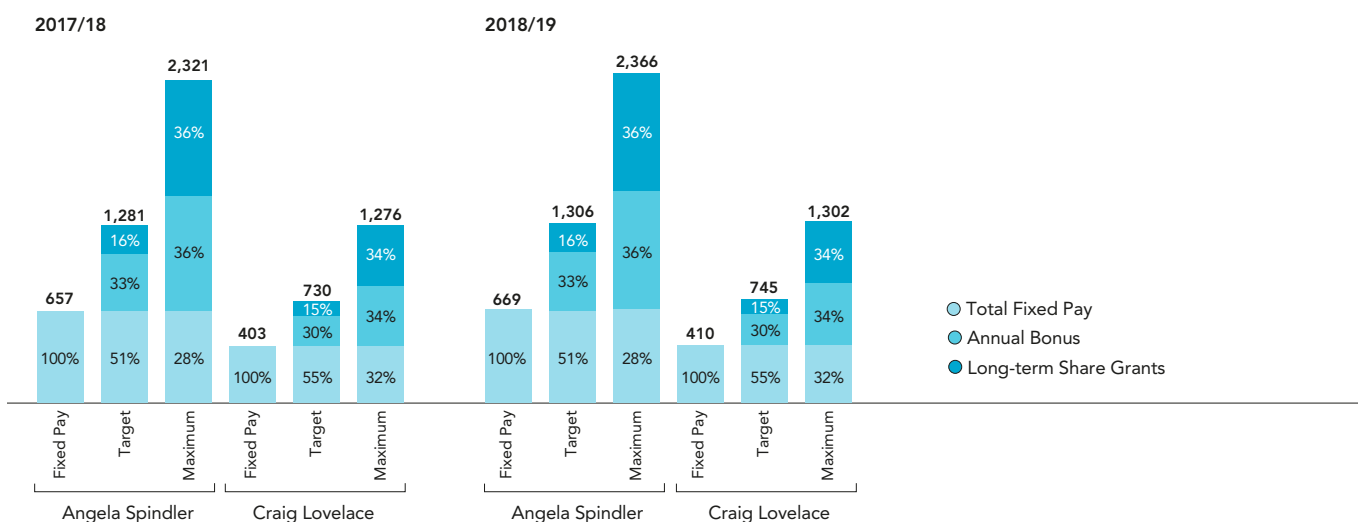
Name	Date of contract	Potential termination payment
Angela Spindler	1 July 2013	12 months' salary and benefits
Craig Lovelace	6 January 2015	12 months' salary and benefits

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.

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.

### POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS (£'000)



#### Assumptions:

- Fixed pay = salary to be paid in year, benefits and pension provision.
- 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.
- 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.
- Salary levels (on which other elements of the packages are calculated) are based on those effective from 1 June 2017).
- 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.
- Pension provision is 15% of salary for the Chief Executive and 10% for the Chief Financial Officer.

# Directors' Remuneration Report

## continued

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 fees

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
<b>Non-Executive Directors' and Chairman's fees</b>	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 (resigned 18 July 2017)	1 October 1994	10 April 2016	3 months
Andrew Higginson	3 July 2012	3 July 2016	6 months
Fiona Laird (resigned 16 January 2018)	1 March 2013	1 April 2016	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
Gill Barr	6 December 2017	16 January 2018	3 months
Michael Ross	26 January 2018	16 January 2018	3 months
Matt Davies	19 February 2018	6 March 2018	6 months

# Directors' Remuneration Report

continued

## Annual Report on Remuneration

The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2018 annual general meeting. The information on pages 78 to 82 has been audited.

### The Remuneration Committee and its advisers

#### Members of the Remuneration Committee

Name	From	To
Gill Barr (Chair – appointed 16 January 2018)	16 January 2018	Present
Fiona Laird (Chair – resigned 16 January 2018)	1 April 2013	16 January 2018
Ron McMillan	1 April 2013	Present
Richard Moross	3 January 2017	Present

The General Counsel and Company Secretary acts as secretary to the Committee and the Chief Executive, the Chairman of the Board, the Chief Financial Officer and a senior member of the People team, may also attend meetings by invitation. However, no Director takes any part in discussion about his or her own remuneration.

The Committee has formal written terms of reference which are available on the corporate website. The Committee met three times during the year. See page 68 for details of attendance.

#### Advisors to the Remuneration Committee

The Committee received advice during the year from New Bridge Street (part of Aon plc) who were appointed through a formal tender process by the Committee.

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 2017/18 were £18,671 (2016/17: £25,964).

During February and March 2018 the Committee reviewed its advisers and following a formal tender process appointed Korn Ferry Hay to provide advice to the Committee going forward. Korn Ferry Hay is a signatory to the Remuneration Consultants' Group Code of Conduct. No fees were paid to Korn Ferry during the Year.

The Committee reviews the performance and independence of its advisors on an annual basis and is satisfied that the advice received is objective and independent. The advisors' terms of engagement are available on request from the Company Secretary.



## Application of the remuneration policy for 2018/19

### Base salary

The Executive Directors' salaries were reviewed in April 2018. Salary increases take effect from 1 June 2018 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 June 2017	Salary effective from 1 June 2018	Increase
Angela Spindler	£554,533	£565,624	2%
Craig Lovelace	£349,574	£356,565	2%

### Pension

Angela Spindler and Craig Lovelace receive cash supplements of 15% and 10% of salary respectively, in lieu of pension contributions.

### Annual bonus plan

The annual bonus maximum opportunity remains unchanged at 150% of salary for the CEO and 125% of salary for the CFO. The bonus will be payable 60% in cash and 40% as an award of deferred shares. Deferred bonus shares will vest, normally subject to continued service, three years after award.

70% of the annual bonus will continue to be based on adjusted Group profit before tax, 20% corporate objectives and 10% on personal performance. A sliding scale will be set for adjusted Group profit before tax, based on the business plan for the year.

The Corporate Objectives are based on the following:

1. Colleague engagement measure – #VIBE survey score.
2. Operational cost efficiency measure.
3. Inventory – measure focused on further reduction of aged stock.
4. Customer satisfaction/retention – a measure on improving 12 month rolling order numbers.
5. Cashflow – a measure of working capital efficiency improvement.

The Personal Objectives are as follows:

#### Personal objectives for the Chief Executive Officer

1. Review and renew the 5 year strategy to reflect evolving retail consumer backdrop. Achieve board sign off and a clear road map for delivery.
2. Deliver Fashion World re-platforming and have a roll out plan for all brands.
3. Deliver the strategic objectives to support development of the JD Williams brand.
4. Deliver the strategic objectives for International expansion.

#### Personal objectives for the Chief Financial Officer

1. Meaningful progression in our legacy tax matters.
2. Enhanced insight and outcomes in customer profitability.
3. Improved commercial outcome from significant contractual negotiations.
4. Continued development of senior finance team.

The Committee considers that the targets for the annual bonus are commercially sensitive and are not therefore disclosed in this report. The targets and performance against them will be disclosed retrospectively in the 2018/19 Remuneration Report, provided they are not considered commercially sensitive at that time.

### Long term incentive awards

The CEO will be granted an LTIP award over shares with a market value at grant of 150% of salary and the CFO 125% of salary.

The chosen performance measures are all financial KPIs of the business. 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. 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 provides a continued emphasis on top line growth.

	Percentage of each part of the award that will vest	Annual compound growth in adjusted EPS over 3 financial years (50%)	Free cash flow (30%) – Targets are cumulative over 3 financial years	Revenue: compound growth over 3 financial years (20%)
Below threshold	0%	Less than 3%	Less than £350m	Less than 3%
Threshold	25%	3%	£350m	3%
Maximum	100%	8%	£420m	5%

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

Shares acquired on vesting of the 2018/19 (and future) LTIP awards must be held for a further two-year post vesting holding period (subject to sales to meet any tax payable on vesting).

# Directors' Remuneration Report

## continued

Awards will be subject to the same mix of performance conditions as in prior years; EPS (50%), cashflow (30%) and revenue (20%).

The Committee has considered carefully the ranges for each measure in light of the business plan, external outlook and analysts' consensus. Following this review the target ranges for each measure have been reduced, so as to provide an appropriately stretching incentive. The target ranges are considered to be equivalently stretching to the ranges set for prior years' awards.

### Fees for the Chairman and Non-Executive Directors

Details of the Non-Executive Directors' fees are set out below:

	Fees as at 1 June 2017	Fees effective from 1 June 2018	Increase
Chair of the Board fee	£250,000	£255,000	2%
Other Non-Executive Directors' base Board fee	£50,000	£50,000	0%
Senior Independent Non-Executive Director	£5,000	£5,000	0%
Chair of Audit Committee	£8,000	£8,000	0%
Chair of Remuneration Committee	£8,000	£8,000	0%
Chair of the Financial Services Operating Committee <sup>1</sup>	–	£20,000	N/A

Note:

<sup>1</sup> In January 2017 a new sub-committee of the N Brown Executive Board was created with specific responsibility for oversight of the financial services businesses of N Brown. Lesley Jones was appointed as the independent Chair of this sub-committee. The Committee Chair fee shown in the table above has been set to reflect the level of involvement and time commitment we expect from this role.

### Directors' remuneration payable for 2017/18 (Audited)

	Year	Salaries and fees <sup>1</sup> £000's	Taxable benefits <sup>2</sup> £000's	Bonus (cash and deferred shares) £000's	LTIP £000's	Pension <sup>3</sup> £000's	Other £000's	Total £000's
<b>Executive Directors</b>								
Angela Spindler	<b>2017/18</b>	<b>552</b>	<b>19</b>	<b>554</b>	–	<b>83</b>	–	<b>1,208</b>
	2016/17	544	19	343	–	82	385	1,373
Craig Lovelace	<b>2017/18</b>	<b>348</b>	<b>18</b>	<b>294</b>	–	<b>24</b>	–	<b>684</b>
	2016/17	342	18	187	–	34	–	581
<b>Non-Executives (fees)</b>								
Lord Alliance of Manchester CBE	<b>2017/18</b>	<b>48</b>	–	–	–	–	–	<b>48</b>
	2016/17	47	–	–	–	–	–	47
Andrew Higginson	<b>2017/18</b>	<b>250</b>	–	–	–	–	–	<b>250</b>
	2016/17	250	–	–	–	–	–	250
Ivan Fallon (resigned 18 July 2018)	<b>2017/18</b>	<b>21</b>	–	–	–	–	–	<b>21</b>
	2016/17	55	–	–	–	–	–	55
Richard Moross	<b>2017/18</b>	<b>49</b>	–	–	–	–	–	<b>49</b>
	2016/17	19	–	–	–	–	–	19
Fiona Laird (resigned 16 January 2018)	<b>2017/18</b>	<b>48</b>	–	–	–	–	–	<b>48</b>
	2016/17	55	–	–	–	–	–	55
Ron McMillan	<b>2017/18</b>	<b>62</b>	–	–	–	–	–	<b>62</b>
	2016/17	60	–	–	–	–	–	60
Lesley Jones	<b>2017/18</b>	<b>56</b>	–	–	–	–	–	<b>56</b>
	2016/17	47	–	–	–	–	–	47
Gill Barr (appointed 16 January 2018)	<b>2017/18</b>	<b>8</b>	–	–	–	–	–	<b>8</b>
	2016/17	–	–	–	–	–	–	–
Michael Ross (appointed 16 January 2018)	<b>2017/18</b>	<b>7</b>	–	–	–	–	–	<b>7</b>
	2016/17	–	–	–	–	–	–	–
Matt Davies (appointed 1 May 2018)	<b>2017/18</b>	–	–	–	–	–	–	–
	2016/17	–	–	–	–	–	–	–
Simon Patterson (resigned 13 April 2016)	<b>2017/18</b>	–	–	–	–	–	–	–
	2016/17	5	–	–	–	–	–	5

Notes:

<sup>1</sup> Lord Alliance has waived his Non-Executive Director's fee. Matt Davies joined the Board on 19 February. He was not paid until after the end of the financial year.

<sup>2</sup> Taxable benefits comprise private medical cover and car allowance.

<sup>3</sup> For Craig Lovelace, until March 2017 the 10% was paid as a defined pension contribution up to his personal allowance with the balance paid as cash in lieu of pension contribution. Contributions paid by the Company into the scheme during the year for Craig Lovelace amounted to £301 (2017: £25,677). From March 2017 the pension provision is a cash contribution.

## Details of variable pay earned in the year

### Annual bonus (Audited)

The table below gives details of Executive Directors' bonuses payable for 2017/18:

Executive	Measure	Weighting (as a percentage of maximum bonus opportunity)	Performance required Threshold (0% payout)	Maximum (100% payout)	Actual Performance	Payout % of maximum
Angela Spindler	Group profit	70%	£76.1m	£84.7m	£81.6m	46.9% out of 70% (67% achievement)
	Corporate objectives	20%		See table below		13.5% out of 20% (67.6% achievement)
	Personal objectives	10%		See table below		6.3% out of 10% (63% achievement)
	<b>Total % of maximum (% salary)</b>					<b>66.7% 100.1% of salary</b>
Craig Lovelace	Group profit	70%	£76.1m	£84.7m	£81.6m	46.9% out of 70% (67% achievement)
	Corporate objectives	20%		See table below		13.5% out of 20% (67.6% achievement)
	Personal objectives	10%		See table below		7% out of 10% (70% achievement)
	<b>Total % of maximum (% salary)</b>					<b>67.4% 84.3% of salary</b>

Note:

1 Payouts determined for Group Profit on a straight line between threshold and target and target and maximum.

The Group profit range disclosed in the 2016/17 Remuneration Report of £81.5m to £99.5m was for Group profit before accrual for bonuses. The post accrual for bonuses Group profit range for FY2016/17 was £80.6m to £92.5m for a 53 week year. The Group profit range set out in the table above for FY2017/18 is post accrual for bonuses and for a 52 week year.

A breakdown of the bonuses payable under the corporate objectives and personal elements are set out below:

### Corporate objectives

Corporate objectives were set on a sliding scale range of 0% to 100%

Objective Weighted equally	Performance required for threshold vesting (0%)	Performance required for maximum vesting (100%)	Actual performance	Payout as % of maximum for this element
<b>Customers</b>				
Growth in number of accounts that have placed an order (which is accepted) within 12 month period	1%	4%	3.41%	80.33%
<b>Customers</b>				
Redress the decline in normal personal credit accounts used by customers (not on a payment arrangement)	-5%	0%	-0.69%	86.20%
<b>Commercial</b>				
Gross Profit to OPEX ratio	1.295	1.315	1.3065	57.50%
<b>Consistency</b>				
Assisted service ratio (proportion of orders that require assisted service to self service)	30%	27.5%	25.15%	100.00%
<b>Colleague</b>				
Engagement survey	70	75	70.7	14.00%
<b>Total (% of maximum)</b>				<b>67.6%</b>

# Directors' Remuneration Report

## continued

### Personal objectives

Personal objectives were set at the start of the year and performance against them assessed, with input from the Chairman in respect of the CEO's objectives and with input from the CEO in respect of the CFO's objectives.

The assessment of the personal performance is set out below:

#### Angela Spindler

Objectives	Weighting	Achievements towards objectives/ performance
Deliver the Fit 4 the Future project to plan	33.3%	18% out of 33.3% High & Mighty migration live with no issues on functionality, stability or data migration. Evolution of approach towards an agile delivery framework. Significant improvements to page load speed & conversion across all devices.
Develop and begin to execute accelerated growth plan for international business	33.3%	17% out of 33.3% Development & acceleration of partnerships has provided access to international markets. Developed global ship anywhere capability rather than creating bespoke sites for new markets.
Increased the digital capabilities and performance of the business	33.3%	28% out of 33.3% Simply Be mobile app has been launched successfully in the UK and US. Digitised pattern cutting initiative has improved the efficiency and accuracy of our product development process. JD Williams brand online participation is up 9.2 ppts year on year
<b>Total</b>		<b>63%</b>

#### Craig Lovelace

Objectives	Weighting	Achievements towards objectives/ performance
Further enhance the rigour and depth of financial performance in the Group	25%	<b>20% out of 25%</b> Delivery of complex securitisation refinancing to provide Group with substantively improved, and increased, facilities for the future, involving introduction of additional banking partner. Widespread supplier financing initiatives successfully implemented.
Resolution of complex reporting matters and continued enhancement of stakeholder relations	25%	<b>20% out of 25%</b> Detailed and complex IFRS 9 implementation project planned and delivered for FY18 prelims. Continued progress in resolution of significant legacy VAT and Corporation Tax matters – anticipated court process in May 2018 on key VAT partial exemption matter, and agreed paths to conclusion of key Corp Tax matters. DB Pension scheme in a positive position – increased surplus at year-end, with a clear strategy and positive relationships with Trustee Board.
Actively enhance commercial insight for improved operational efficiency	25%	<b>15% out of 25%</b> Driving increased adoption of data/predictive analytics throughout the Group with particular focus on promotional spend return on investment – substantive improvements achieved by the Group in FY18. Substantively improved capital project opportunity identification & prioritisation processes. Significant team upskilling in procurement to drive greater supplier relationship engagement and contractual performance adherence.
Assess and address future skills capabilities in the finance function	25%	<b>15% out of 25%</b> Strongest functional performance in Group-wide satisfaction survey. External awards/recognition garnered by both Legal and IR teams in year.
<b>Total</b>		<b>70%</b>

### LTIP awards granted in FY2017/18 (Audited)

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

Executive	Type of award	% of condition	Award size (% Salary)	Face value	Number of shares	Share price at grant	Performance Period	Threshold target	Stretch target
Angela Spindler	LTIP	50% EPS	150%	£831,797	254,918	326.3p	3yrs to end of financial year 2019/20	EPS: 25% vests if EPS growth at least 2.5% p.a above RPI Free cash flow: At least £370m Revenue: At least 5% CAGR	EPS: 100% vests if EPS at least 9% p.a. above RPI Free cash flow: At least £450m Revenue: At least 10% CAGR
Craig Lovelace	LTIP	As above	125%	£436,965	133,915	As above	As above	As above	As above

Note:

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

### Outstanding 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	4 March 2017	Awarded during the year	Lapsed during the year	Vested and exercised during the year	3 March 2018	Date granted	Type of award
Angela Spindler	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
		254,918	–	–	254,918	Aug 2017	LTIP
		23,135	–	–	23,135	July 2017	DSBP
Craig Lovelace	119,117	–	–	–	119,117	Aug 2015	LTIP
	4,731	–	–	–	4,731	June 2016	DSBP
	243,125	–	–	–	243,125	Aug 2016	LTIP
		133,915	–	–	133,915	Aug 2017	LTIP
		12,586	–	–	12,586	July 2017	DSBP

### LTIP awards with performance periods ending in FY2017/18 or shortly thereafter (audited)

The awards granted on 9 June 2015 with the EPS performance period ending 3 March 2018 and the TSR performance period ending 9 June 2018 are set out below:

	Performance period	Threshold target (25% of that part of the award vests)	Stretch target (100% of that part of the award vests)	Actual performance	Vesting
<b>EPS 60%</b>	3 years ending FY2017/18	RPI+ 2.5% p.a.	RPI+ 7.5% p.a.	-14.8%	0%
<b>TSR<sup>1</sup> 40%</b>	3 years ending 9 June 2018 <sup>2</sup>	Median ranking	Top quartile ranking	16 out of 17	0%
<b>Total</b>					<b>0%</b>

Notes:

1 TSR peer group consists of Darty Ltd, JD Sports Fashion plc, Asos plc, WH Smith plc, Dunelm Group plc, Kingfisher plc, Inchcape plc, Dixons Carphone plc, Home Retail Group Ltd, Halfords Group plc, Debenhams plc, Mothercare plc, Next plc, Marks & Spencer Group plc, Carpetright plc and Sports Direct International.

2 TSR has been measured to 3 March 2018 and the vesting is provided on an estimated basis. The actual level of vesting, if different, will be disclosed in the next year's remuneration report.

Set out below are details of the LTIP awards held by the Executive Directors and the vesting resulting from the performance detailed above:

Executive	Salary	Face value	Share price at grant	Number of shares awarded	Percentage of award vesting	Number of shares vesting	Value of shares vesting
Angela Spindler	150%	£799,500	335.8p	238,087	0%	Nil	£0
Craig Lovelace	125%	£400,000	335.8p	119,117	0%	Nil	£0

# Directors' Remuneration Report

continued

## LTIP awards with performance periods ending in FY2016/17 or shortly thereafter

The awards granted on 1 August 2014 with the EPS performance period ending 4 March 2017 and the TSR performance period ending 9 June 2017 are set out below:

	Performance period	Threshold target (25% of that part of the award vests)	Stretch target (100% of that part of the award vests)	Actual performance	Vesting
<b>EPS 60%</b>	3 years ending FY2016/17	RPI+ 2.5% p.a.	RPI+ 7.5% p.a.	-23.1%	0%
<b>TSR<sup>1</sup> 40%</b>	3 years ending 9 June 2017	Median ranking	Top quartile ranking	18 out of 20	0%
<b>Total</b>					<b>0%</b>

Note:

<sup>1</sup> TSR peer group consists of the following: JD Sports Fashion Group plc, Provident Financial plc, Moss Bros Group plc, Flying Brands Ltd, Supergroup plc, Dixons Carphone plc, Home Retail Group, Halfords plc, Debenhams plc, Asos plc, Dunelm Group plc, Ashley (Laura) Holdings plc, Marks & Spencer Group plc, Next plc, Findel plc, French Connection Group plc, Mothercare plc, Carpetright plc and Sports Direct International.

Set out below are details of the LTIP awards held by the Executive Directors and the vesting resulting from the performance detailed above:

Executive	Salary	Face value	Number of shares awarded	Share price at grant	Percentage of award vesting	Number of shares vesting	Value of shares vesting
Angela Spindler	150%	£799,500	185,198	431.7p	0%	Nil	£0

## 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			Total as at 3 March 2018
	4 March 2017	3 March 2018	Value of shares counting towards guideline holding (as a 2017 % of salary)	Guideline met?	Outstanding awards subject to performance conditions	Unvested awards not subject to performance condition	Outstanding share options	
Angela Spindler	214,147	214,147	37%	N/A	965,068	35,925	-	1,215,140
Craig Lovelace	-	-	0%	N/A	496,157	17,317	-	513,474
Lord Alliance of Manchester CBE	95,047,966	95,047,966	N/A	N/A	-	-	-	95,047,966
Andrew Higginson	104,161	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	-	-	-	-
Lesley Jones	-	-	N/A	N/A	-	-	-	-
Richard Moross	-	-	N/A	N/A	-	-	-	-
Matt Davies	-	10,000	N/A	N/A	-	-	-	10,000
Gill Barr	-	-	N/A	N/A	-	-	-	-
Michael Ross	-	-	N/A	N/A	-	-	-	-

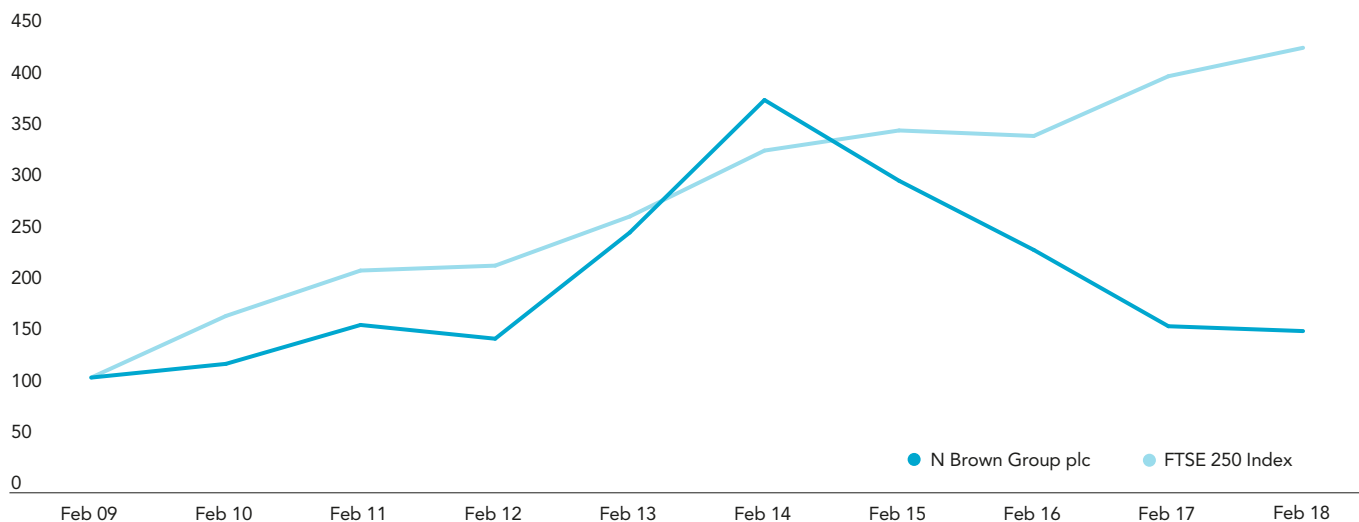
The Directors' share interests shown above include shares held by members of the Director's family, as required by the Companies Act 2006.

There have been no changes to the Directors' interests in shares between 3 March and 30 April 2018.

## Performance graph

The graph shows the Company's nine-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 2017/18 financial year and accordingly it is felt to be the most appropriate comparator group for this purpose.

### TOTAL SHAREHOLDER RETURN PERFORMANCE: N BROWN VS FTSE 250 (rebased to 100)



## Analysis of Chief Executive's pay over 10 years

	Alan White					Angela Spindler				
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17	2017/18
Total remuneration (£'000)	2,438	3,738	2,734	1,780	2,734	1,364	728	783	1,373	1,208
Annual bonus (% of maximum)	96.9%	90.6%	38.7%	71.4%	15.8%	83.2%	0%	27.9%	42.1%	66.7%
Long term share vesting (% of maximum)	100%	100%	100%	100%	85%	N/A	N/A	0%	0%	0%

The one-off recruitment award granted to Angela Spindler in 2013 and which vested in 2015/16 and 2016/17, has been included in the figures for total remuneration, but not counted as long term share vesting.

### Percentage change in the Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary, benefits (excluding pension) and annual bonus between the 2016/17 and 2017/18 financial years, compared to that of the average for all employees of the Group.

	% Change from 2016/17 to 2017/18		
	Salary	Benefits	Annual bonus
Chief Executive	+2.0%	nil	+126%
Average of other employees	+2.0%	nil	+111%

## Relative importance of spend on pay

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

	2018	2017	% Change
Staff costs (£m)	72.2	69.3	+4.2%
Dividends (£m)	40.3	40.2	+0.2%

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

## Other directorships

Angela Spindler serves as a Non-Executive Director at Dia, which is listed on the Madrid Stock Exchange. Angela received fees for FY17 of £104,532 (FY16: £91,090), which she retains.

## 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.

# Directors' Remuneration Report

continued

## Shareholder voting on the Directors' Remuneration Report at the 2017 annual general meeting

[Annual Report on Remuneration](#)

	Total number of votes	% of votes cast
For	191,537,234	90.07%
Against	21,118,803	9.93%
Total votes cast (excluding withheld votes)	212,656,037	100%
Votes withheld <sup>1</sup>	11,892,955	5.29%
Total votes cast (including withheld votes)	224,548,992	100%

Note:

<sup>1</sup> 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.

### Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 17 May 2018.

Signed on behalf of the Board on 17 May 2018.



**Gill Barr**

Chair of the Remuneration Committee



# Independent Auditor's Report to the members of N Brown Group plc

## 1. Our opinion is unmodified

We have audited the financial statements of N Brown Group plc ("the Company") for the 52 week period ended 3 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, reconciliation of operating profit to net cash from operating activities, consolidated statement of changes in equity, the Company balance sheet, the Company statement of changes in equity and the related notes, including the accounting policies in Note 2 and 32.

### 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 3 March 2018 and of the Group's profit for the 52 week period 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 14 July 2015. The period of total uninterrupted engagement is for the three financial years ended 3 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

<b>Materiality:</b> group financial statements as a whole	£3.15m (2017:£3.60m) 4.3% (2017: 4.3%) of the Group profit before tax normalised to exclude exceptional items
<b>Coverage</b>	100% (2017:100%) of group profit before tax

Risks of material misstatement vs 2017

### Recurring risks

Allowance for doubtful debts	◆
Taxation provisions	◆
Regulatory provisions	▲
Carrying value of software and development costs under the course of construction	◆
Provisions made against carrying value of inventories	◆
Carrying value of Figleaves intangible assets	New
Recoverable amount of investment in subsidiary – parent company	◆

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report to the members of N Brown Group plc

continued

	The risk	Our response
<p><b>Allowance for doubtful debts</b> (£48.8 million; 2017: £64.7m)</p> <p>Refer to page 64 (Audit Committee Report), page 100 (accounting policy) and pages 111 to 112 (financial disclosures).</p>	<p><b>Subjective estimate:</b> The allowance for doubtful debts requires the Directors to assess which accounts are considered impaired and estimate the quantum of the associated impairment based on objective evidence.</p> <p>This assessment is particularly judgemental in the case of customers in early arrears, on revised payment terms and in terms of the timing of future cash receipts. A proportion of the Group's customers are subject to revised payment terms, in particular where interest has been temporarily waived.</p> <p>The Group segments its debtors book into accounts that are interest bearing and those that are not, which includes a large volume of individual accounts. This 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.</p> <p>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.</p> <p>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>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our specialist expertise:</b> 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.</li> <li>• <b>Benchmarking assumption:</b> 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. 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.</li> <li>• <b>Tests of detail:</b> We obtained supporting evidence relating to the quantum of debt sales in the financial year and critically assessed if the debt sales supported the estimates of future cash flows and recoveries. Assessed the accuracy of the allowance for doubtful debts model by inspecting the model calculations, and compared the methodology used to our interpretation of the requirements of the relevant accounting standards.</li> <li>• <b>Assessing transparency:</b> Considered the adequacy of the Group's disclosures in relation to the allowance for doubtful debts for compliance with the relevant accounting standards.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the allowance for doubtful debts to be acceptable (2017: acceptable).</li> </ul>
<p><b>Taxation provisions</b></p> <p>Refer to page 64 (Audit Committee Report), page 99 (accounting policy) and pages 107 and 112 (financial disclosures).</p>	<p><b>Subjective estimate:</b> The outcome of a number of open VAT and Corporation tax positions, some of which are proceeding towards litigation, is uncertain. As such, it requires the Directors to make significant judgements and estimates in relation to the likely outcome of these tax issues and exposures.</p> <p><b>Dispute outcome:</b> 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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our tax specialist expertise:</b> Analysed and challenged the assumptions applied by the Directors to determine tax provisions; inspecting correspondence with HMRC and evaluating the Directors interpretations of the 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.</li> </ul> <p>In relation to VAT, we inspected historical legal counsel opinion received by the Directors in relation to the Group's likelihood of success in respect of specific aspects of the open VAT exposures, critically assessed whether amounts recorded in the financial statements were consistent with this legal opinion.</p> <ul style="list-style-type: none"> <li>• <b>Assessing transparency:</b> Considered the adequacy of the Group's disclosures in relation to taxation provisions for compliance with the relevant accounting policies.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the taxation provisions recorded to be acceptable (2017: acceptable).</li> </ul>

	The risk	Our response
<p><b>Regulatory provisions</b> (£42.8 million; 2017: £19.9m)</p> <p>Refer to page 64 (Audit Committee Report), page 100 (accounting policy) and pages 117 to 118 (financial disclosures).</p>	<p><b>Subjective estimate:</b> 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).</p> <p>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, expected uphold rates and the level of average redress.</p> <p>The risk has increased from the prior financial year due to the inclusion of product insurance provisions, alongside previous known regulatory risks.</p> <p>Given the significant value and judgemental nature of this provisioning, this is considered to be an area of significant audit risk.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Test of detail:</b> Obtained and inspecting correspondence with the FCA and assessed customer complaints for indications of significant or non-identified areas of customer detriment that may require provisioning in the financial statements; Recalculated a sample of inputs into the provisioning models, including claim redress payments and average claim redress calculations; reviewing claim forecasting and considered the accuracy of previous forecasting and market expectations, including experienced and expected uphold rates.</li> <li>• <b>Our expertise:</b> Using our experience of the regulatory requirements and wider industry, we critically assessed the completeness of key inputs into the Group's calculation of regulatory provisions, including agreeing to supporting documentation.</li> <li>• <b>Assessing transparency:</b> Considered the adequacy of the Group's disclosures in respect of the judgement and estimation made in the regulatory provisioning.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the regulatory provisions recorded to be acceptable (2017: acceptable).</li> </ul>
<p><b>Carrying value of software and development costs under the course of construction</b></p> <p>Refer to page 64 (Audit Committee Report), pages 98 to 99 (accounting policy) and page 109 (financial disclosures).</p>	<p><b>Accounting treatment:</b> The Group has incurred significant software and development project costs in the current and prior year in respect of 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.</p> <p>Judgements are involved in determining the classification of software and development costs between revenue and capital expenditures.</p> <p><b>Forecast based valuation:</b> 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.</p> <p>This assessment is inherently judgemental.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Testing application:</b> Agreed a statistical sample of costs capitalised to external invoices or internal timesheets, to determine the nature of the items and evaluate the appropriateness of their classification as capitalised costs, by reference to the recognition criteria of the applicable accounting standards.</li> <li>• <b>Our experience:</b> With assistance from our own IT specialists, we challenged the Group's assessment of technical feasibility of the project releases based on our discussions with key project leads and impairment indicators using our understanding of project progress, discussions at Board level and performance to date.</li> <li>• <b>Historical comparison:</b> Assessed the Group's forecasting accuracy by comparing actual results in the period to what was previously forecast for the year. Critically evaluated the assumptions for future growth, with regard to actual growth rates in previous years.</li> <li>• <b>Assessing transparency:</b> Considered the adequacy of the Group's disclosures in respect of capitalisation of software and development intangible assets.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the capitalisation occurred and recoverability of software and development costs to be acceptable (2017: acceptable).</li> </ul>
<p><b>Carrying value of inventories</b></p> <p>Refer to page 64 (Audit Committee Report), page 99 (accounting policy) and page 111 (financial disclosures).</p>	<p><b>Subjective estimate:</b> The Group has significant levels of inventory and a number of judgements and estimates are involved in estimating provisions for aged or slow moving inventories.</p> <p>Furthermore, given the seasonal nature of a retail business and changes in customer preference and spending patterns, primarily driven by the wider fashion industry, this introduces uncertainty over the recoverability of inventories.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Test of detail:</b> Compared aged inventory levels in the current financial year against the prior financial year to identify any categories with significant slow moving or obsolete inventories. Compared current and some of the significantly aged inventory levels to current financial year sales data to check whether slow moving and obsolete inventories have been appropriately identified. Tested the adequacy of the inventory provision by comparing the average selling price in the year of inventory items to the cost of the inventory at year end.</li> <li>• Compared recent selling prices of inventory to the cost of inventory for a statistical sample of items sold via new routes. Compared the value of write offs and scrapped items in the financial years to historic inventory provisions.</li> <li>• <b>Our specialist expertise:</b> With the assistance of our own data and analytics specialists, we have recalculated the current year provision on non-current inventories based on the current year sales data.</li> <li>• <b>Assessing transparency:</b> Considered the adequacy of the disclosures in respect of the judgement and estimation made in respect of the inventory provisioning.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the carrying amount of provisions made against inventories to be acceptable (2017: acceptable).</li> </ul>

# Independent Auditor's Report to the members of N Brown Group plc

continued

	The risk	Our response
<p><b>Carrying value of Fingleaves intangible assets</b> <b>(£7.1 million; 2017: £7.1m)</b></p> <p>Refer to page 64 (Audit Committee Report), page 99 (accounting policy) and page 109 to 110 (financial disclosures).</p>	<p><b>Forecast-based valuation:</b></p> <p>The carrying value of the Fingleaves brand is significant and at risk of irrecoverability due to continuing challenge on forecasts and performance of the cash generating unit.</p> <p>The estimate recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our sector experience:</b> Using our own valuation specialists, evaluated assumptions used, in particular those relating to competitors.</li> <li>• <b>Benchmarking assumptions:</b> Compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth and discount rates.</li> <li>• <b>Sensitivity analysis:</b> Performed breakeven analysis on the assumptions noted above to assess how sensitive the model is to changes in assumptions and any impairment.</li> <li>• <b>Historical comparison:</b> Assessed the Group's forecasting accuracy by comparing actual results in the period to what was previously forecast for the year. Critically evaluating the assumptions for future growth, with regard to actual growth rates in previous years;</li> <li>• <b>Comparing valuations:</b> Compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cashflows; and</li> <li>• <b>Assessing transparency:</b> Considered the adequacy of the groups disclosures in respect of capitalisation of software and development intangible assets.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the resulting estimate of the recoverable amount of the intangible assets to be acceptable (2017: acceptable).</li> </ul>
<p><b>Parent Company recoverable amount of investment in subsidiary</b> <b>(£367.2 million; 2017: £366.5m)</b></p> <p>Refer to page 126 (accounting policy) and note 34 on page 128 (financial disclosures).</p>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the Company's investment in subsidiary, held at costs, represents 73% (2017: 83%) of the Company's total assets.</p> <p>We do not consider the recoverable amount of this investment to be at a high risk of significant misstatement or to be subject to a significant level of judgement. However, due to its materiality in the context of the Parent Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our parent Company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Test of detail:</b> Compared the carrying amount of the investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the recoverable amount of investment in subsidiary to be acceptable (2017: acceptable).</li> </ul>

### 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 £3.15m (2017: £3.60m), determined with reference to a benchmark of Group profit before tax, normalised to exclude this financial year's exceptional items of £56.9m (2017: £25.2m), of £73.1m (2017: £82.8m) as disclosed in note 6, of which it represents 4.3% (2017:4.3%).

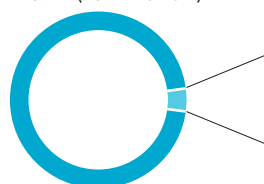
Materiality for the Parent Company has been set at £2.9m (2017: £2.1m) determined with reference to a benchmark of Company total assets of £502.8m (2017: £439.7m), of which it represents 0.6% (2017: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.16m (2017: £0.20m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

In 2018 the Group team performed the audit of the Group as if it was a single aggregated set of financial information including procedures on the exceptional items excluded from normalised group profit before tax. The audit was performed using the Group materiality level set out above.

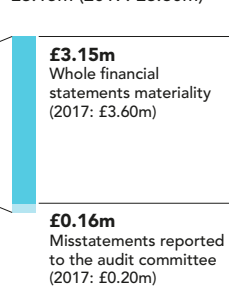
In 2017 all of the Group's reporting components were subjected to audits for group reporting purposes, those audits were conducted by the Group audit team and covered 100% of Group revenue, Group profit before tax, and Group assets. Component materialities, which ranged from £0.1m to £3.0m were applied by the Group team, having regard to the mix of size and risk profile of the Group across the components.

**Profit before tax normalised to exclude exceptional items**  
£73.1m (2017: £82.8m)

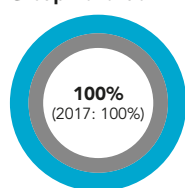


● Normalised profit before tax  
● Group materiality

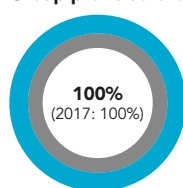
**Group Materiality**  
£3.15m (2017: £3.60m)



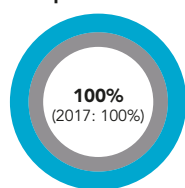
**Group Revenue**



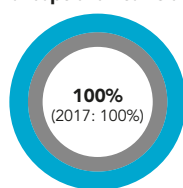
**Group profit before tax**



**Group total assets**



**Group profit before exceptional items and tax**



● Full scope for group audit purposes 2018  
● Full scope for group audit purposes 2017

### 4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 2 on page 101 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 58 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

### 5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of principal risks and longer-term viability

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

- the Directors' confirmation within the viability statement on page 58 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

# Independent Auditor's Report to the members of N Brown Group plc

continued

## Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

## 6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

## 7. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 59, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of regulatory compliance, taxation compliance, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statements items. Further detail in respect of taxation compliance and regulatory compliance is set out in the key audit matter disclosures in section 2 of this report.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

## 8. The purpose of our audit work and to whom we owe our responsibilities

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



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

Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE  
17 May 2018

## Consolidated Income Statement

	Note	52 weeks ended 3 March 2018			53 weeks ended 4 March 2017		
		Before exceptional items £m	Exceptional items (note 6) £m	Total £m	Before exceptional items £m	Exceptional items (note 6) £m	Total £m
<b>Revenue</b>	3	<b>922.2</b>	<b>–</b>	<b>922.2</b>	900.7	–	900.7
<b>Operating profit</b>	4,5	<b>90.5</b>	<b>(56.9)</b>	<b>33.6</b>	90.3	(25.2)	65.1
Finance costs	8	<b>(8.9)</b>	<b>–</b>	<b>(8.9)</b>	(7.7)	–	(7.7)
<b>Profit before taxation and fair value adjustments to financial instruments</b>		<b>81.6</b>	<b>(56.9)</b>	<b>24.7</b>	82.6	(25.2)	57.4
Fair value adjustments to financial instruments	18	<b>(8.5)</b>	<b>–</b>	<b>(8.5)</b>	0.2	–	0.2
<b>Profit before taxation</b>		<b>73.1</b>	<b>(56.9)</b>	<b>16.2</b>	82.8	(25.2)	57.6
Taxation	9	<b>(14.6)</b>	<b>10.9</b>	<b>(3.7)</b>	(18.3)	5.0	(13.3)
<b>Profit for the period</b>		<b>58.5</b>	<b>(46.0)</b>	<b>12.5</b>	64.5	(20.2)	44.3
<b>Profit attributable to equity holders of the parent</b>		<b>58.5</b>	<b>(46.0)</b>	<b>12.5</b>	64.5	(20.2)	44.3
<b>Earnings per share from continuing operations</b>							
Basic	11			<b>4.41</b>			15.67p
Diluted				<b>4.40</b>			15.66p

## Consolidated Statement of Comprehensive Income

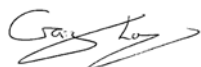
	Note	52 weeks ended 3 March 2018 £m	53 weeks ended 4 March 2017 £m
<b>Profit for the period</b>		<b>12.5</b>	44.3
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gains/(losses) on defined benefit pension schemes	29	<b>10.5</b>	(3.1)
Tax relating to items not reclassified	9	<b>(1.8)</b>	0.6
		<b>8.7</b>	(2.5)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		<b>(0.2)</b>	0.5
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>		<b>21.0</b>	42.3

# Consolidated Balance Sheet

	Note	As at 3 March 2018 £m	As at 4 March 2017 £m
<b>Non-current assets</b>			
Intangible assets	12	156.0	141.9
Property, plant and equipment	13	67.4	73.5
Retirement benefit surplus	29	19.3	8.3
Deferred tax assets	20	2.8	2.4
		<b>245.5</b>	226.1
<b>Current assets</b>			
Inventories	15	110.6	105.5
Trade and other receivables	16	652.7	575.4
Derivative financial instruments	18	–	2.5
Cash and cash equivalents	25	58.2	64.1
		<b>821.5</b>	747.5
<b>Total assets</b>		<b>1,067.0</b>	973.6
<b>Current liabilities</b>			
Trade and other payables	21	(131.7)	(98.9)
Provisions	22	(43.8)	(15.6)
Derivative financial instruments	18	(6.0)	–
Current tax liability		(3.3)	(13.4)
		<b>(184.8)</b>	(127.9)
<b>Net current assets</b>		<b>636.7</b>	619.6
<b>Non-current liabilities</b>			
Bank loans	17	(405.0)	(355.0)
Provisions	22	(5.4)	(4.3)
Deferred tax liabilities	20	(12.2)	(8.2)
		<b>(422.6)</b>	(367.5)
<b>Total liabilities</b>		<b>(607.4)</b>	(495.4)
<b>Net assets</b>		<b>459.6</b>	478.2
<b>Equity attributable to equity holders of the parent</b>			
Share capital	23	31.4	31.3
Share premium account		11.0	11.0
Own shares	24	(0.2)	(0.1)
Foreign currency translation reserve		2.1	2.3
Retained earnings		415.3	433.7
<b>Total equity</b>		<b>459.6</b>	478.2

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 17 May 2018.

They were signed on its behalf by:



**Craig Lovelace**

CFO and Executive Director



# Consolidated Cash Flow Statement

	Note	For the 52 weeks ended 3 March 2018 £m	For the 53 weeks ended 4 March 2017 £m
<b>Net cash from operating activities</b>		<b>32.2</b>	89.0
<b>Investing activities</b>			
Purchases of property, plant and equipment		(2.6)	(3.7)
Purchases of intangible assets		(36.6)	(38.6)
<b>Net cash used in investing activities</b>		<b>(39.2)</b>	(42.3)
<b>Financing activities</b>			
Interest paid		(8.6)	(7.8)
Dividends paid		(40.3)	(40.2)
Increase in bank loans		50.0	20.0
Purchase of shares by ESOT		0.1	–
Proceeds on issue of shares held by ESOT		(0.1)	0.1
<b>Net cash from/(used) in financing activities</b>		<b>1.1</b>	(27.9)
Net (decrease)/increase in cash and cash equivalents		(5.9)	18.8
Cash and cash equivalents at beginning of period		64.1	45.3
<b>Cash and cash equivalents at end of period</b>	25	<b>58.2</b>	64.1

## Changes in Liabilities from Financing Activities

	Note	Loans & borrowings £m
<b>Balance at 4 March 2017</b>	17	<b>355.0</b>
<b>Changes from financing cashflows</b>		
Proceeds from loans and borrowings		50.0
Repayments of borrowings		–
Total changes from financing cashflows		50.0
<b>Balance at 3 March 2018</b>	17	<b>405.0</b>

# Consolidated Cash Flow Statement

continued

## Reconciliation of Operating Profit to Net Cash from Operating Activities

	For the 52 weeks ended 3 March 2018 £m	For the 53 weeks ended 4 March 2017 £m
<b>Profit for the year</b>	<b>12.5</b>	44.3
Adjustments for:		
Taxation charge	3.7	13.3
Fair value adjustments to financial instruments	8.5	(0.2)
Finance costs	8.9	7.7
Depreciation of property, plant and equipment	5.7	6.9
Loss on disposal of property, plant and equipment	2.7	–
Amortisation of intangible assets	22.4	20.7
Share option charge	0.6	0.5
<b>Operating cash flows before movements in working capital</b>	<b>65.0</b>	93.2
Increase in inventories	(5.1)	(4.0)
(Increase) in trade and other receivables	(77.6)	(21.6)
Increase/(decrease) in trade and other payables	33.0	(0.2)
Increase in provisions	29.3	19.9
Pension obligation adjustment	(0.3)	(0.2)
<b>Cash generated by operations</b>	<b>44.3</b>	87.1
Taxation (paid)/received	(12.1)	1.9
<b>Net cash from operating activities</b>	<b>32.2</b>	89.0

# Consolidated Statement of Changes in Equity

	Share capital (note 23) £m	Share premium £m	Own shares (note 24) £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
<b>Changes in equity for the 53 weeks ended 4 March 2017</b>						
Balance as at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
<b>Comprehensive income for the period</b>						
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
<b>Transactions with owners recorded directly in equity</b>						
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)
<b>Balance at 4 March 2017</b>	<b>31.3</b>	<b>11.0</b>	<b>(0.1)</b>	<b>2.3</b>	<b>433.7</b>	<b>478.2</b>
<b>Changes in equity for the 52 weeks ended 3 March 2018</b>						
Balance as at 4 March 2017	31.3	11.0	(0.1)	2.3	433.7	478.2
<b>Comprehensive income for the period</b>						
Profit for the period	–	–	–	–	12.5	12.5
Other items of comprehensive income for the period	–	–	–	(0.2)	8.7	8.5
Total comprehensive income for the period	–	–	–	(0.2)	21.2	21.0
<b>Transactions with owners recorded directly in equity</b>						
Equity dividends	–	–	–	–	(40.3)	(40.3)
Issue of ordinary share capital	0.1	–	–	–	–	0.1
Issue of own shares by ESOT	–	–	(0.1)	–	–	(0.1)
Share option charge	–	–	–	–	0.6	0.6
Tax on items recognised directly in equity	–	–	–	–	0.1	0.1
Total contributions by and distributions to owners	0.1	–	(0.1)	–	(39.6)	(39.6)
<b>Balance at 3 March 2018</b>	<b>31.4</b>	<b>11.0</b>	<b>(0.2)</b>	<b>2.1</b>	<b>415.3</b>	<b>459.6</b>

# Notes to the Group Accounts

## 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 131 at the end of the report. The nature of the Group's operations and its principal activities are set out on page 56 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 52 weeks ended 3 March 2018 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 FRS 101, these are presented on pages 124 to 130.

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
- Amendments to IFRS 9 Financial instruments\*
- IFRS 15: Revenue from Contracts with Customers.
- Clarifications to IFRS 15 Revenue from Contracts with Customers.
- Effective date of IFRS 15 – amendment to IFRS 15
- IFRS 16 Leases
- Clarification and Measurement of Share Based Payment Transactions – Amendments to IFRS 2\*
- Annual improvements to IFRSs – 2014 – 2016 Cycle \*
- IFRIC Interpretation 22 Foreign Currency Transactions & Advance Consideration \*
- IFRS 23 Uncertainty over Income Tax Treatments

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:

### Estimated impact of the adoption of IFRS 9

The Group is required to adopt IFRS 9 Financial Instruments from 4 March 2018. The Group has assessed the estimated impact of the initial application of IFRS 9.

### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

### i) Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

A financial asset will be measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding principal amount.

### Impact assessment

As detailed below IFRS 9 will have minimal impact on the classification of financial assets held as at 4 March 2018:

The Group's trade receivables will be classified as amortised cost. This is consistent with their current IAS 39 classification; and The Group held no financial instruments that would be classified as FVOCI or FVTPL at 4 March 2018.

### ii) Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

### Definition of default

At each reporting date, the Group will assess whether financial assets carried at amortised cost are credit impaired.

Evidence that a financial asset is credit impaired includes the following observable data:

The account has been placed on a non-interest bearing payment arrangement; or Notification of bereavement.

The credit risk of financial assets that become credit impaired are not expected to improve such that they are no longer considered credit impaired.

\* Not yet endorsed by the EU

### Significant increase in credit risk

The credit risk of a financial asset will be considered to have experienced a significant increase in credit risk since initial recognition where there has been a significant increase in the remaining lifetime probability of default of the asset.

The credit risk of a financial asset may improve such that it is no longer considered to have experienced a significant increase in credit risk if there has been a significant decrease in the remaining lifetime probability of default of the asset.

In addition, a receivable that is 28 days or more past due (in respect of new customers) or 56 days or more past due (in respect of established customers) will be considered credit impaired.

### Incorporation of forward looking data

The Group will incorporate forward looking information into its measurement of expected credit loss.

This will be achieved by developing a number of potential economic scenarios and modelling expected credit losses for each scenario. The outputs from each scenario will be combined; using the estimated likelihood of each scenario occurring to derive a probability weighted expected credit loss.

### Estimated Impact – Trade and other receivables

The estimated impact of the adoption of IFRS 9 is based on assessments undertaken to date and is noted below.

The estimated ECLs were calculated based on actual credit loss experience over the past eight years.

Exposures were segmented based on common credit risk characteristics such as behavioural score and age of relationship.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors were based on forecast unemployment rates and inflation adjusted average weekly earnings.

The Group currently estimates that application of IFRS 9's impairment requirements at 4 March 2018 results in a provision range of £152m to £172m, an increase of between £103m and £123m over the impairment recognised under IAS 39. The assessment made by the Group is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

The actual impact of adopting the standard at 4 March 2018 may change because:

- assumptions and judgements are subject to change until finalisation of the financial statements for the year ending 2 March 2019, specifically regarding the quantification of un-drawn balances. The treatment has now been finalised, however the quantification is still being finalised which will materially reduce the IFRS 9 provision, by, we estimate, approximately half the potential increase.

- the Group is still refining its models and methodology for expected credit loss calculation ('ECL') calculation; and
- the governance and implementation of internal controls required for implementation are in the process of refinement and finalisation.

### Disclosures

IFRS 9 will require extensive new disclosures regarding credit risk and ECLs.

### Transition

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 4 March 2018.

### IFRS 15 Revenue from Contracts with Customers

Management have assessed the impact of the introduction of IFRS 15 and consider that there will be no significant impact on the future financial statements.

### IFRS 16 Leases

Management have already sought professional advice as part of their initial investigations and have subsequently organised a series of workshops to evaluate and communicate the impact of the introduction of IFRS 16 on next year's group budget and forecasts as well as future financial statements.

### IFRIC 23 Uncertainty over Income Tax Treatments

Management have made initial investigations but have not yet assessed the impact of the introduction of IFRS 23 on the financial statements of future periods.

## 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 2018 means at 3 March 2018 or the 52 weeks then ended; reference to 2017 means at 4 March 2017 or the 53 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.

# Notes to the Group Accounts

continued

## 2 Accounting policies continued

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.

### 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). Inventory expected to come back as a result of returns is recorded as a reduction in cost of sales with a corresponding entry to increase the closing stocks.

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.

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

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 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.

# Notes to the Group Accounts

continued

## 2 Accounting policies continued

### 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 initially measured at fair value and subsequently 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.

The Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, such as by a sale, and with them all the risks and rewards of the asset.

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 16.

### 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.

### 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 established with respect to observable market data at the balance sheet date.

Market values are based on the duration of the derivative instrument together with the observable 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.

### 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 and VAT 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.

### 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.

### 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 29) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net interest expense or income is recognised within finance costs (see note 8).

The retirement benefit 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 28 to 33.

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.

To take advantage of strong market conditions and favourable pricing, on 4 May 2018 the Directors completed the process for a new finance agreement which will replace the existing £280m securitisation and £125m RCF with a new £500m securitisation and £125m RCF, which will be committed until September 2021. In addition, the Group has retained its existing £27m overdraft 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

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations stated below, that have had a significant effect on the amounts recorded within the financial statements.

# Notes to the Group Accounts

continued

## 2 Accounting policies continued

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 as follows.

### 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 16.

### Taxation

The Group has ongoing 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 3 March 2018 the Group has provided a total of £3.8m (2017: £3.6m) for potential Corporation tax future charges based upon the Group's best estimation and judgement.

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 3 March 2018, the Directors estimate that the unfavourable settlement of these cases could result in a charge to the income statement of up to £5.6m and a cash payments to HMRC of up to £10.2m. The favourable settlement of these cases would result in a repayment of tax of up to £19.8m and an associated credit to the income statement of £23.6m.

In respect of VAT, the Group has provided a total of £3.1m (2017: £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 certain costs between our retail and credit businesses. At this stage it is not possible to determine how the matter will be resolved. Within our year end VAT debtor is an asset of £43.8m (2017: £36.0m) 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 the advice of external tax advisors, together with legal counsel's opinion

on certain elements of the cost allocation, 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 3 March 2018, the Directors estimate that the unfavourable settlement of these cases could result in a charge to the income statement of up to £53.0m (2017: £43.3m) (including the full write off of the VAT debtor noted above) and a cash payment to HMRC of up to £9.2m (2017: £16.0m). The favourable settlement of these cases would result in a repayment of tax and associated interest of up to £43.8m (2017: £54.1m) and an associated credit to the income statement of £nil (2017: £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 22.

### Software development costs

Included within intangible assets are significant software and development project costs in respect of the Group's technological development programme. 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.

### Brand intangibles

Included within intangible assets are brand intangibles of £8.9m which are legally protected or otherwise separable trade names acquired as part of a business combination. As these brand names are assumed to have an indefinite life, they are subject to an annual impairment test with the recoverable amount determined by a "value in use" calculation. This calculation requires a series of assumptions and estimates to be made which if not met could result in a future impairment charge. This is consequentially a source of estimation uncertainty. A summary of these assumptions together with the impact of a reasonable change in these assumptions is set out in note 12.

### 3 Revenue

	2018 £m	2017 £m
An analysis of the Group's revenue is as follows:		
Sale of goods	652.6	635.9
Financial services	269.6	264.8
Revenue	922.2	900.7

### 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.

	2018 £m	2017 £m
<b>Continuing operations</b>		
<b>Analysis of revenue – Home Shopping total</b>	<b>922.2</b>	900.7
Product	652.6	635.9
Financial Services	269.6	264.8
<b>Analysis of cost of sales – Home Shopping total</b>	<b>(416.6)</b>	(405.5)
Product	(312.1)	(288.2)
Financial Services	(104.5)	(117.3)
<b>Gross profit – total</b>	<b>505.6</b>	495.2
Product gross margin	52.2%	54.7%
Financial Services gross margin	61.2%	55.7%
Warehouse and fulfilment costs	(85.8)	(81.3)
Marketing and production costs	(164.0)	(165.4)
Depreciation and amortisation costs	(28.1)	(27.6)
Other administration and payroll costs	(137.2)	(130.6)
<b>Operating profit before exceptionals</b>	<b>90.5</b>	90.3
Exceptional items (see note 6)	(56.9)	(25.2)
<b>Segment result and operating profit – Home Shopping</b>	<b>33.6</b>	65.1
Finance costs	(8.9)	(7.7)
Fair value adjustments to financial instruments	(8.5)	0.2
<b>Profit before taxation</b>	<b>16.2</b>	57.6

# Notes to the Group Accounts

continued

## 4 Business segment continued

	2018 £m	2017 £m
<b>Analysis of product revenue by brand</b>		
JD Williams	163.4	160.5
Simply Be	132.8	115.8
Jacamo	68.6	66.2
<b>Power Brands</b>	<b>364.8</b>	<b>342.5</b>
Traditional segment	138.6	136.1
Secondary brands	149.2	157.3
<b>Total product revenue – Home Shopping</b>	<b>652.6</b>	<b>635.9</b>
<b>Analysis of product revenue by category</b>		
Ladieswear	267.6	260.0
Menswear	89.2	87.0
Footwear and accessories	74.9	70.0
Home and gift	220.9	218.9
<b>Total product revenue – Home Shopping</b>	<b>652.6</b>	<b>635.9</b>

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from international markets amounted to £38.8m (2017: £35.8m) and operating profits of £1.2m (2017: £1.9m). Segment assets are located in the UK, Ireland and the US.

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 or intangible assets in the current period (2017: £nil). Tangible assets of £2.7m (2017: £nil) were written off following the closure of stores in the year, see note 6.

	2018 £m	2017 £m
<b>Other information</b>		
Capital additions	38.8	41.4
Capital disposals	(4.1)	–
Depreciation and amortisation	(28.1)	(27.6)
<b>Balance sheet</b>		
Total segment assets	1,067.0	973.6
Total segment liabilities	(607.4)	(495.4)
Segment net assets	459.6	478.2

## 5 Profit for the period

	2018 £m	2017 £m
<b>Profit for the period has been arrived at after charging:</b>		
Net foreign exchange losses	3.1	3.6
Depreciation of property, plant and equipment	5.7	6.9
Loss on disposal (note 6)	2.7	–
Amortisation of intangible assets	22.4	20.7
Cost of inventories recognised as expense	312.1	288.2
Staff costs	83.0	79.5
Auditor's remuneration for audit services	0.4	0.3
Doubtful debts recognised as an expense (note 16)	99.5	113.5
Exceptional items (note 6)	56.9	25.2
Operating lease costs (note 27)	4.5	6.5

Amounts payable to KPMG LLP and their associates by the Group in respect of non-audit services were £0.1m (2017: 0.1m).

A more detailed analysis of auditor's remuneration is provided below:

	2018 £m	2017 £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	0.3	0.2
Audit-related assurance services	–	–
Tax advisory services	–	–
All other services	0.1	0.1
<b>Total</b>	<b>0.5</b>	<b>0.4</b>

Fees in relation to audit related assurance services totalled £29,000 (2017: £36,000).

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £16,000 (2017: £15,000).

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on page 60 and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditor.

# Notes to the Group Accounts

continued

## 6 Exceptional items

	2018 £m	2017 £m
Customer redress for historic insurance products	40.0	22.9
Closure costs/(credits)	13.8	(0.2)
External costs in relation to tax and other matters	3.1	2.5
	<b>56.9</b>	25.2

Following a recent industry-wide request from the FCA that firms ensure that general insurance products and add-ons offer value for their customers, the Group identified flaws in certain insurance products that were provided by a third party insurance underwriter and sold by the Group to its customers between 2006 and 2014, with the majority sold up to and including 2011.

Following an assessment of the cost of potential customer redress, an exceptional charge of £40.0m was recognised during the period in respect of the sale of these products. During the previous year, an exceptional charge of £22.9m was recognised reflecting costs incurred or expected to be incurred in respect of payments for historical financial services customer redress.

In line with our strategy of reshaping our retail offering we performed a review of our store estate and during the period, loss making retail stores were closed. This review has resulted in a non recurring cost of £13.8m in respect of onerous lease provisions, other related store closure costs and asset write off of £2.7m.

Following the closures in 2016 of the clearance stores, the credit in FY17 represents lease exit costs being lower than originally anticipated.

External costs related to tax are in respect of ongoing legal and professional fees which have been incurred as a result of the Group's ongoing 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 £2.2m (2017: £1.9m).

## 7 Staff costs

	2018 Number	2017 Number
The average monthly number of employees (including Executive Directors) was:		
Distribution	1,139	1,146
Sales and administration	1,505	1,596
	<b>2,644</b>	2,742

	2018 £m	2017 £m
Their aggregate remuneration comprised		
Wages and salaries	72.2	69.3
Social security costs	6.0	5.8
Other pension costs (see note 29)	4.2	3.9
Share options costs (see note 28)	0.6	0.5
	<b>83.0</b>	79.5

Details of individual Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 68 to 84.

## 8 Finance costs

	2018 £m	2017 £m
Interest on bank overdrafts and loans	9.1	8.1
Net pension finance credit (see note 29)	(0.2)	(0.4)
	<b>8.9</b>	7.7

## 9 Tax

	2018 £m	2017 £m
Tax recognised in the income statement		
<b>Current tax</b>		
Charge for the period	4.5	12.7
Adjustments in respect of previous periods	(2.6)	4.1
	1.9	16.8
<b>Deferred tax</b>		
Origination and reversal of temporary timing differences	(1.2)	(1.5)
Reduction in rate	–	(0.3)
Adjustments in respect of previous periods	3.0	(1.7)
	1.8	(3.5)
<b>Total tax expense</b>	<b>3.7</b>	<b>13.3</b>

UK Corporation tax is calculated at 19.08% (2017: 20.00%) 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 3 March 2018 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:

	2018 £m	2017 £m
<b>Profit before tax from continuing operations:</b>	<b>16.2</b>	<b>57.6</b>
Tax at the UK Corporation tax rate of 19.08% (2017: 20.00%)	3.0	11.5
Effect of change in deferred tax rate	0.2	(0.3)
Tax effect of expenses that are not deductible in determining taxable profit	0.3	0.3
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.2)	(0.6)
Tax effect of adjustments in respect of previous periods	0.4	2.4
<b>Tax expense for the period</b>	<b>3.7</b>	<b>13.3</b>

In addition to the amount charged to the income statement, tax movements recognised directly through equity were as follows:

	2018 £m	2017 £m
Tax recognised in other comprehensive income		
Deferred tax – remeasurement of retirement benefit obligations	1.8	(0.6)
<b>Tax charge/(credit) in the statement of comprehensive income</b>	<b>1.8</b>	<b>(0.6)</b>
Tax recognised in equity		
Current tax – share based payments	–	(0.1)
Deferred tax – share based payments	(0.1)	0.6
<b>Tax (credit)/charge in the statement of changes in equity</b>	<b>(0.1)</b>	<b>0.5</b>

The Group is in ongoing 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 3 March 2018 the Group has provided a total of £3.8m (2017: £3.6m) for potential tax future charges based upon the Group's best estimation and judgement and advice from external tax advisors. Adjustments in respect of previous periods include current tax provisions made in respect of tax exposures (£1.0m) in addition to relief claimed in relation to research and development costs on intangible asset (£3.6m).

# Notes to the Group Accounts

continued

## 10 Dividends

	2018 £m	2017 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 53 weeks ended 4 March 2017 of 8.56p (2016, 8.56p) per share	24.2	24.2
Interim dividend for the 52 weeks ended 3 March 2018 of 5.67p (2017: 5.67p) per share	16.1	16.0
	<b>40.3</b>	40.2
Proposed final dividend for the 52 weeks ended 3 March 2018 of 8.56p (2017: 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.

## 11 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 6) 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	2018 £m	2017 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	12.5	44.3

Number of shares ('000s)	2018 Number	2017 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	283,614	282,701
Effect of dilutive potential ordinary shares:		
Share options	542	252
Weighted average number of ordinary shares for the purposes of diluted earnings per share	284,156	282,953

Earnings from continuing operations	2018 £m	2017 £m
Net profit attributable to equity holders of the parent	12.5	44.3
Total net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	12.5	44.3
Fair value adjustment to financial instruments (net of tax)	6.9	(0.2)
Exceptional items (net of tax)	46.0	20.2
Adjusted earnings for the purposes of adjusted earnings per share	65.4	64.3

The denominators used are the same as those detailed above for basic and diluted earnings per share.

Adjusted earnings per share	2018 Pence	2017 Pence
Basic	23.06	22.74
Diluted	23.02	22.72

Earnings per share	2018 Pence	2017 Pence
Basic	4.41	15.67
Diluted	4.40	15.66



## 12 Intangible assets

	Brands £m	Software £m	Customer Database £m	Total £m
<b>Cost</b>				
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
Additions	–	36.5	–	36.5
<b>At 3 March 2018</b>	<b>16.9</b>	<b>330.9</b>	<b>1.9</b>	<b>349.7</b>
<b>Accumulated amortisation and impairment</b>				
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
Charge for the period	–	22.4	–	22.4
<b>At 3 March 2018</b>	<b>8.0</b>	<b>183.8</b>	<b>1.9</b>	<b>193.7</b>
<b>Carrying amount</b>				
<b>At 3 March 2018</b>	<b>8.9</b>	<b>147.1</b>	<b>–</b>	<b>156.0</b>
At 4 March 2017	8.9	133.0	–	141.9
At 27 February 2016	8.9	116.0	–	124.9

Assets in the course of construction included in intangible assets at the year end total £14.6m (2017: £88.5m). No amortisation is charged on these assets. Borrowing costs of £0.1m (2017 £1.3m) have been capitalised in the period using the weighted average bank loan interest rate applied to the capitalised spend on technological developments included within software.

As at 3 March 2018, the Group had entered into contractual commitments for the further development of intangible assets of £2m (2017: £3.0m) of which £1m (2017: £1.0m) is due to be paid within one year.

### Impairment testing of software intangible assets

The Group has undertaken a systems transformation project. Some 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 management's views on the future achievable growth and impact of technological developments. 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.

The Group's three year cash flow projections are based upon the Group's approved three year plan. The detailed forecast assumes continued growth during the course of the next three years, driven by new media campaigns, exploitation of the Group's data assets and further investments in the core technology underpinning the Group's key channels to market.

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 assumptions are as follows;

- Long term growth rate : 2.0% (2017: 1.9%)
- Pre tax discount rate : 13.9% (2017: 11.6%)

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.

# Notes to the Group Accounts

continued

## 12 Intangible assets continued

### Impairment testing of brand intangibles

The brand names arising from the acquisitions of High and Mighty, Slimma, Figleaves, 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 into perpetuity.

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 2.0% (2017: 1.9%) and 11.9% (2017: 12.5%) 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. Should there be a downturn in future or forecasted cashflows, then there is a risk of impairment to Figleaves (£7.1m) and High and Mighty (£1.0m) brand names.

## 13 Property, plant and equipment

	Land and Buildings £m	Fixtures and Equipment £m	Total £m
<b>Cost</b>			
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
Additions	–	2.3	2.3
Disposals	–	(4.1)	(4.1)
<b>At 3 March 2018</b>	<b>59.1</b>	<b>130.9</b>	<b>190.0</b>
<b>Accumulated depreciation and impairment</b>			
At 27 February 2016	13.1	98.3	111.4
Charge for the period	1.1	5.8	6.9
At 4 March 2017	14.2	104.1	118.3
Charge for the period	1.2	4.5	5.7
Disposals	–	(1.4)	(1.4)
<b>At 3 March 2018</b>	<b>15.4</b>	<b>107.2</b>	<b>122.6</b>
<b>Carrying amount</b>			
<b>At 3 March 2018</b>	<b>43.7</b>	<b>23.7</b>	<b>67.4</b>
At 4 March 2017	44.9	28.6	73.5
At 27 February 2016	40.1	36.6	76.7

Assets in the course of construction included in property, plant and equipment at the year end date total £1.6m (2017: £0.3m), and in land and buildings total £nil (2017: £nil). No depreciation has been charged on these assets.

At 3 March 2018, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2017: £nil).

Disposals relate to the assets written off as a result of store closures. A loss of £2.7m was recorded as per note 6.

## 14 Subsidiaries

A list of all investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 34 to the Company's separate financial statements.

## 15 Inventories

	2018 £m	2017 £m
Finished goods	109.3	103.8
Sundry stocks	1.3	1.7
	<b>110.6</b>	105.5

A net charge of £0.7m (2017: £1.1m) 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.

## 16 Trade and other receivables

	2018 £m	2017 £m
Amount receivable for the sale of goods and services	647.6	599.5
Allowance for doubtful debts	(48.8)	(64.7)
Net trade receivables	598.8	534.8
Other debtors and prepayments	53.9	40.6
	<b>652.7</b>	575.4

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 237 days (2017: 217 days). A weighted average APR of 57.9% (2017: 58.7%) is charged 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 28 days past due (in respect of new customers) or 56 days past due (in respect of established customers) are considered for provision.

The Group also acknowledges that there will be events that have occurred that are not yet identified within segments where a provision is not held. The Group uses historic roll rates to measure the likelihood of receivables moving into a segment which is currently provided for over a 7.5 month emergence period. This is then used to assess the level of provision needed in relation to these incurred ("IBNR") events where collectively no provision is held.

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. Credit limits and scores attributed to customers are reviewed every 28 days. The credit quality of trade receivables that are neither past due nor impaired, with regard to the historical default rate, has remained stable.

	2018 £m			2017 £m		
	Trade receivables	Trade receivables on payment arrangements	Total trade receivables	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Ageing of trade receivables						
Current – not past due	520.1	30.8	550.9	444.2	53.0	497.2
0 – 28 days – past due	35.6	4.7	40.3	38.2	6.5	44.7
29 – 56 days – past due	19.3	1.6	20.9	18.7	2.5	21.2
57 – 84 days – past due	12.9	2.3	15.2	13.3	2.0	15.3
85 – 112 days – past due	9.0	1.6	10.6	9.1	1.6	10.7
Over 112 days – past due	8.0	1.7	9.7	8.1	2.3	10.4
Gross trade receivables	604.9	42.7	647.6	531.6	67.9	599.5
Allowance for doubtful debts	(28.2)	(20.6)	(48.8)	(30.8)	(33.9)	(64.7)
Net trade receivables	576.7	22.1	598.8	500.8	34.0	534.8

# Notes to the Group Accounts

continued

## 16 Trade and other receivables continued

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £30.8m at 3 March 2018 (2017: £53.0m). Interest income recognised on trade receivables which have been impaired was £29.8m (2017: £40.6m).

	2018 £m	2017 £m
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	64.7	97.6
Amounts charged net to the income statement	99.5	113.5
Net amounts written off	(115.4)	(146.4)
Balance at the end of the period	48.8	64.7

The amounts written off in the period of £115.4m (2017: £146.4m) include the sale of impaired assets with a net book value of £20.5m (2017: £29.0m). This sale has also been a material driver in the reduction in trade receivables on payments arrangements, from £67.9m to £42.7m as at 3 March 2018.

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.2 million (2017: 1.2 million) customers. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The principal sensitivities in the allowance of doubtful debts calculations are: expected future cashflows, expected recoveries on credit losses and the emergence period.

	52 weeks to 3 March 2018 allowance for doubtful debts £m
+/- 10% shift in expected cashflows	+/-1.3
+/- 1 pence movement per pound of receivable on recoveries expected on credit losses	+/-0.4
+/- 1 month movement in the emergence period	+0.1/+0.6

'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 has ongoing discussions with HMRC in respect of a number of 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 VAT, the Group has provided a total of £3.1m (FY17: £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 certain costs between our retail and credit businesses. At this stage it is not possible to determine how the matter will be resolved.

Within our year end VAT debtor is an asset of £43.8m (FY17: £36.0m) 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 the advice of external tax advisors, together with legal counsel's opinion on certain elements of the cost allocation, on certain elements of the allocation we believe that we will recover this amount in full from HMRC and we are engaged in a 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 upon the amounts reflected in the balance sheet as at 3 March 2018, the Directors estimate that the unfavourable settlement of these cases could result in a charge to the income statement of up to £53.0m (including the full write off of the VAT debtor noted above) and a cash payment to HMRC of up to £9.2m.

The favourable settlement of these cases would result in a repayment of tax and associated interest of up to £43.8m and an associated credit to the income statement of £nil.

## 17 Bank overdraft and loans

	2018 £m	2017 £m
Bank loans	405.0	355.0
The borrowings are repayable as follows:		
Within one year	–	–
In the second year	–	–
In the third to fifth year	405.0	355.0
Amounts due for settlement after 12 months	405.0	355.0

All borrowings are held in sterling.

	2018 %	2017 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	1.8	2.0
Bank loans	2.3	2.1

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 an overdraft facility of £27m (2017: £27m) which is undrawn at period end.
- ii. The Group has a bank loan of £280m (2017: £270m) 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 £125m (2017: £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 3 March 2018 the estimated future interest cost per annum until maturity would be £9.3m (2017: £7.6m).

At 3 March 2018, the Group had fully utilised its borrowing facility (2017: £50m of undrawn facility) in respect of which all conditions precedent had been met, however it had an undrawn overdraft facility of £27m (2017: £27m). Please refer to note 31, Post Balance Sheet Events.

Note 19 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.

## 18 Derivative financial instruments

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

	2018 £m	2017 £m
Notional amount – sterling contract value	113.9	94.2
Fair value of (liability)/asset recognised	(6.0)	2.5

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 observable market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

Changes in the fair value of liabilities/assets recognised, being non-hedging currency derivatives, amounted to a charge of £8.5m (2017: credit of £0.2m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2017: 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 (i.e. as prices) or indirectly (i.e. derived from prices).

There were no transfers between Level 1 and Level 2 during the period (2017: same).

# Notes to the Group Accounts

continued

## 19 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 17, cash and cash equivalents disclosed in note 25 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 24 and the Statement of Changes in Equity.

### Gearing ratio

The gearing ratio at the year end is as follows:

	2018 £m	2017 £m
Debt	405.0	355.0
Cash and cash equivalents	58.2	64.1
Net debt	346.8	290.9
Equity	459.7	478.2
Gearing ratio	75%	61%

Debt is defined as long and short-term borrowings, as detailed in note 17.

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:

	2018 £m	2017 £m
Less than 6 months	32.9	32.6
6 to 12 months	35.3	47.4
12 to 18 months	38.6	14.2
Greater than 18 months	7.1	–
	113.9	94.2

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	
	2018 £m	2017 £m	2018 £m	2017 £m
Euro	2.9	4.1	18.4	14.0
US dollar	20.2	15.5	19.3	–

### 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	
	2018 £m	2017 £m	2018 £m	2017 £m
Income statement				
Sterling strengthens by 10%	(0.9)	(0.5)	0.6	1.3
Sterling weakens by 10%	1.7	1.6	0.5	(1.8)

### Categories of financial instruments

Financial assets	2018 £m	2017 £m
Cash and bank balances	58.2	64.1
Derivatives at fair value through profit and loss – held for trading	–	2.5
Loans and receivables	598.8	534.8
	657.0	601.4
Financial liabilities	2018 £m	2017 £m
Derivatives at fair value through profit and loss – held for trading	6.0	–
Amortised cost	494.2	419.2
	500.2	419.2

### 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 52 weeks ended 3 March 2018 would have decreased by £2.0m (2017: £1.8m).

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 16.

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.

# Notes to the Group Accounts

continued

## 19 Financial instruments continued

### 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 17 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:

	2018 Carrying Amount £m	2018 Contractual Cash flows £m	2018 1 year or less £m	2018 1 to <2 years £m	2018 2 to <5 years £m	2018 5 years and over £m
<b>2018</b>						
<b>Non derivative financial liabilities</b>						
Secured bank loans	(405.0)	(420.2)	(9.3)	(9.3)	(401.6)	–
Trade payables	(89.2)	(89.2)	(89.2)	–	–	–
<b>Derivative financial liabilities</b>						
Forward exchange contracts Outflow	(6.0)	(6.0)	(4.4)	(1.6)	–	–
	<b>(500.2)</b>	<b>(515.4)</b>	<b>(102.9)</b>	<b>(10.9)</b>	<b>(401.6)</b>	<b>–</b>
	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
<b>2017</b>						
<b>Non derivative financial liabilities</b>						
Secured bank loans	(355.0)	(381.9)	(7.6)	(7.6)	(366.7)	–
Trade payables	(64.2)	(64.2)	(64.2)	–	–	–
<b>Derivative financial assets</b>						
Forward exchange contracts Inflow	2.5	2.5	–	2.5	–	–
	<b>(416.7)</b>	<b>(443.6)</b>	<b>(71.8)</b>	<b>(5.1)</b>	<b>(366.7)</b>	<b>–</b>

### 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 16, 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 £606.7m (2017: £524.1m). This is considered a IFRS 13 Level 3 valuation (2017: same) as the valuation relies on unobservable inputs.

Derivative financial instruments are recorded at fair value (IFRS 13: Level 2) as discussed in note 18. A Level 2 valuation uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).



## 20 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 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)
(Charge)/credit to income	(0.8)	0.1	(2.5)	(0.1)	1.5	(1.8)
Credit/(charge) to equity	–	0.1	–	(1.9)	–	(1.8)
<b>At 3 March 2018</b>	<b>0.8</b>	<b>0.8</b>	<b>(8.9)</b>	<b>(3.3)</b>	<b>1.2</b>	<b>(9.4)</b>

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:

	2018 £m	2017 £m
Deferred tax assets	2.8	2.4
Deferred tax liabilities	(12.2)	(8.2)
	(9.4)	(5.8)

At the balance sheet date, the Group has unused tax losses of £0.1m (2017: £0.1m) and capital losses of £3.2m (2017: £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.

## 21 Trade and other payables

	2018 £m	2017 £m
Trade payables	89.2	64.2
Other creditors	0.1	0.1
Accruals and deferred income	42.4	34.6
	131.7	98.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2017: 26 days).

The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

## 22 Provisions

	Customer redress £m	Store closure £m	Total £m
Balance as at 4 March 2017	19.9	–	19.9
Provisions made during the period	40.0	11.1	51.1
Provisions used during the period	(17.1)	(4.2)	(21.3)
Provisions reversed during the period	–	(0.5)	(0.5)
<b>Balance as at 3 March 2018</b>	<b>42.8</b>	<b>6.4</b>	<b>49.2</b>
Non-current	1.3	4.1	5.4
Current	41.5	2.3	43.8
<b>Balance as at 3 March 2018</b>	<b>42.8</b>	<b>6.4</b>	<b>49.2</b>

### Store Closures

In August 2017, five loss making stores were closed. The related costs of £13.8m have been treated as an exceptional item and detailed separately on the income statement, as reflected in note 6. Included within the charge was £11.1m in respect of onerous lease obligations and other related store closure costs, of which the majority of these costs have been settled by the year end leaving the onerous lease provision which will run to the earlier of the break clause or lease expiry for all four remaining store leases which will be between two to four years. The provision is net of an estimate of potential sub-letting income.

# Notes to the Group Accounts

continued

## 22 Provisions continued

### Customer Redress

The provision relates to the Group's liabilities in respect of costs expected to be incurred in respect of payments for historic financial services customer redress, which represents the best estimate of the known regulatory obligations, taking into account factors including risk and uncertainty.

As at 3 March 2018 the Group holds a provision of £42.8m (2017 £19.9m) in respect of the anticipated costs of historic financial services customer redress. Of this amount £39.8m relates to certain insurance products where management have identified flaws in the product design, the remaining £3.0m relates to historical customer redress. These amounts include a provision of £1.4m in relation to administration expenses. All liabilities will be settled in line with the current FCA deadline of August 2019. 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 year end, (based on historical and forecasted claim rates and amounts, along with known legal and regulatory obligations) are a reasonable estimate of the cost to the Group.

The principal sensitivities in the customer redress calculation are: volumes of policies affected; claim rate; uphold rate and average redress amount.

	2018 £m
+/- 10% in customer claims volumes	+/-9.9
+/- 10% in uphold rate	+/-4.4
+/- 10% in average redress amount	+/-9.9

## 23 Share capital

	2018 Number	2017 Number	2018 £m	2017 £m
<b>Allotted, called-up and fully paid</b>				
Ordinary shares of 111/19p each				
At 3 March 2018 and 4 March 2017	284,458,148	283,429,454	31.4	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.

## 24 Own shares

	2018 £m	2017 £m
Balance at 4 March 2017	0.1	0.2
Issue of own shares	0.1	(0.1)
<b>Balance at 3 March 2018</b>	<b>0.2</b>	0.1

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 28).

At 3 March 2018 the employee trusts held 85,171 shares in the Company (2017: 635,022).

## 25 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:

	2018 £m	2017 £m
Sterling	37.5	61.2
Euro	9.2	7.4
US Dollar	11.5	(4.5)
	<b>58.2</b>	64.1

## 26 Contingent liabilities

Parent Company bank overdrafts which at 3 March 2018 amounted to £40.2m (2017: £27.2m) have been guaranteed by certain subsidiary undertakings.

## 27 Operating lease arrangements

	2018 £m	2017 £m
Minimum lease payments under operating leases recognised as an expense for the period	4.5	6.5

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:

	2018 £m	2017 £m
Within one year	6.9	7.5
In the second to fifth years inclusive	9.1	14.3
After five years	1.9	2.2
	<b>17.9</b>	<b>24.0</b>

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.

## 28 Equity settled share based payments

The Directors' Remuneration Report on pages 68 to 84 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 2018	Number of shares 2017
<b>Option scheme</b>				
2010 Savings related scheme	189 – 420	May 2010 – February 2022	1,089,453	1,049,859
2010 Executive scheme	nil – 459	May 2010 – August 2024	89,049	220,429
Unapproved executive scheme	211 – 459	May 2010 – August 2024	60,450	90,107
<b>Long-term incentive scheme awards (LTIPs)</b>				
July 2013	–	July 2016 – December 2016	–	–
August 2013	–	August 2016 – February 2017	–	–
August 2014	–	August 2017 – July 2024	–	623,527
June 2015	–	June 2018 – June 2025	892,747	895,427
August 2016	–	August 2019 – August 2026	2,516,884	2,619,067
August 2017	–	August 2020 – August 2027	1,351,055	–
<b>Deferred annual bonus scheme awards (DABs)</b>				
May 2014	–	May 2016 – November 2016	–	–
May 2015	–	May 2017 – November 2017	–	1,562
May 2016	–	May 2018 – November 2018	38,304	41,335
September 2017	–	September 2019 – March 2020	94,955	–

# Notes to the Group Accounts

continued

## 28 Equity settled share based payments continued

Movements in share options are summarised as follows:

	2018		2017	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	1,360,395	2.78	2,634,203	3.20
Granted during the period	462,183	2.26	543,146	2.18
Forfeited during the period	(409,262)	3.48	(1,531,647)	3.72
Exercised during the period	(174,364)	1.89	(285,307)	0.51
<b>Outstanding at the end of the period</b>	<b>1,238,952</b>	<b>2.45</b>	<b>1,360,395</b>	<b>2.78</b>
<b>Exercisable at the end of the period</b>	<b>149,499</b>	<b>2.49</b>	<b>151,597</b>	<b>2.51</b>

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 276 pence (2017: 225 pence). The options outstanding at 3 March 2018 had a weighted average remaining contractual life of 2.6 years (2017: 3.5 years). The aggregate estimated fair values of options granted in the period is £409,956 (2017: £309,128).

Movements in management share awards (LTIPs and DABs) are summarised as follows:

	2018		2017	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	4,180,918	–	2,737,614	–
Granted during the period	1,449,376	–	2,696,993	–
Forfeited during the period	(736,849)	–	(1,253,689)	–
Exercised during the period	–	–	–	–
<b>Outstanding at the end of the period</b>	<b>4,893,445</b>	<b>–</b>	<b>4,180,918</b>	<b>–</b>
<b>Exercisable at the end of the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The awards outstanding at 3 March 2018 had a weighted average remaining contractual life of 8.3 years (2017: 8.8 years). The aggregate estimated fair values of options granted in the period is £4,162,242 (2017: £4,369,877).

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:

	2018	2017
Weighted average share price at date of grant (pence)	322	189
Weighted average exercise price (pence)	55	37
Expected volatility (%)	38.0	29.2 – 35.0
Expected life (years)	2.5 – 3.5	2.5 – 5.5
Risk-free rate (%)	0.2	0.1
Dividend yield (%)	4.6	4.0

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 £0.6m and £0.5m related to equity-settled share based payment transactions in 2018 and 2017 respectively.

## 29 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 £4.2m (2017: £3.9m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 3 March 2018, contributions of £0.1m (2017: £0.1m) 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 it was closed to new members from 31 January 2002. On 29 February 2016 the scheme was closed to future accrual. 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 (e.g. 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:

	2018	2017
Discount rate	2.75%	2.65%
Future pension increases	2.05%	2.3%
Inflation – Retail Price Index	3.35%	3.4%
Inflation – Consumer Price Index	2.35%	2.4%
Life expectancy at age 65 (years)		
Pensioner aged 65	23.0	23.4
Non-pensioner aged 45	24.5	25.2

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2018 £m	2017 £m
Current service cost	–	–
Past service credit	–	–
Net interest credit	(0.2)	(0.4)
Profit recognised in the income statement	(0.2)	(0.4)

The actual return on scheme assets was £4.6m (2017: £30.1m).

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:

	2018 £m	2017 £m
Present value of defined benefit obligations	(120.7)	(135.2)
Fair value of scheme assets	140.0	143.5
Surplus in the scheme and asset recognised in the balance sheet	19.3	8.3

The amount included in the statement of comprehensive income is as follows:

	2018 £m	2017 £m
Remeasurement gain/(loss)	9.5	(28.7)
Return on scheme assets	1.0	25.6
Gain/(Loss) recognised in the statement of comprehensive income	10.5	(3.1)

# Notes to the Group Accounts

continued

## 29 Retirement benefit schemes continued

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. There are no restrictions on the recovery of the surplus. There are no specific regulatory requirements that impact on the retirement benefit scheme.

Movements in the present value of defined benefit obligations were as follows:

	2018 £m	2017 £m
At 4 March 2017	135.2	108.1
Current service cost	–	–
Past service cost/(credit)	–	–
Interest cost	3.5	4.1
Remeasurement (gain)/loss		
a. Effect of changes in financial assumptions	(6.0)	42.2
b. Effect of experience adjustments	(3.5)	(13.5)
Benefits paid	(8.5)	(5.7)
<b>At 3 March 2018</b>	<b>120.7</b>	<b>135.2</b>

Movements in the fair value of the scheme assets were as follows:

	2018 £m	2017 £m
At 4 March 2017	143.5	118.9
Interest income	3.7	4.5
Return on scheme assets excluding interest income	1.0	25.6
Contributions from sponsoring companies	0.3	0.2
Benefits paid	(8.5)	(5.7)
<b>At 3 March 2018</b>	<b>140.0</b>	<b>143.5</b>

The analysis of the scheme assets at the balance sheet date was as follows:

	2018		2017	
	£m	%	£m	%
Equities	27.4	19.6	38.1	26.6
Fixed-interest government bonds	27.7	19.8	16.5	11.5
Index-linked government bonds	33.9	24.2	40.2	28.0
Corporate Bonds	20.2	14.5	14.7	10.2
Property	2.6	1.8	2.4	1.7
Growth fixed income	13.3	9.5	16.9	11.8
Alternatives	14.0	10.0	13.5	9.4
Cash and cash equivalents	0.9	0.6	1.2	0.8
	<b>140.0</b>	<b>100.0</b>	<b>143.5</b>	<b>100.0</b>

All assets had an observable market price (2017: 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 £6.5m (2017: £7.4m).
- An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £5.4m (2017: £6.0m).
- An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £3.9m (2017: £4.2m)

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 and deficit contributions 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 £0.5m (2017: £0.3m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 3 March 2018 is approximately 24 years (2017: 24 years).

The defined benefit obligation at 4 March 2017 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2017: 0%)
- Deferred members: 67% (2017: 68%)
- Pensioner members; 33% (2017: 32%)

All benefits are vested at 3 March 2018 (unchanged from 4 March 2017).

### 30 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. Remuneration paid to key management personnel (who comprise the Group Directors and members of the Executive Board) was £4.8m (2017: £4.2m). This was split as follows: employment benefits of £3.9m (2017: £3.1m), other benefits of £0.4m (2017: £0.7m) and share based payments of £0.5m (2017: £0.4m).

### 31 Post balance sheet event

To take advantage of strong market conditions and favourable pricing, on the 4 May 2018 the Directors completed the process for a new finance agreement which will replace the existing £280m securitisation and £125m RCF with a new £500m securitisation and £125m RCF, which will be committed until September 2021. In addition, the Group has retained its existing £27m overdraft facility.

# Company Balance Sheet

	Note	As at 3 March 2018 £m	As at 4 March 2017 £m
<b>Fixed assets</b>			
Investments	34	367.2	366.5
<b>Current assets</b>			
Debtors	35	135.6	73.2
<b>Creditors</b>			
Amounts falling due within one year	36	(232.7)	(212.7)
<b>Net current liabilities</b>		(97.1)	(139.5)
<b>Total assets less current liabilities</b>		270.1	227.0
<b>Non current liabilities</b>			
Bank loans	37	(125.0)	(85.0)
<b>Net assets</b>		145.1	142.0
<b>Capital and reserves</b>			
Called-up share capital	38	31.4	31.3
Share premium account		11.0	11.0
Own shares		(0.2)	(0.1)
Profit and loss account		102.9	99.8
<b>Shareholders' funds</b>		145.1	142.0

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 17 May 2018.

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
<b>Changes in equity for the 52 weeks ended 3 March 2018</b>					
Balance at 4 March 2017	31.3	11.0	(0.1)	99.8	142.0
<b>Comprehensive income for the period</b>					
Profit for the period	–	–	–	42.8	42.8
Total comprehensive income for the period	–	–	–	42.8	42.8
<b>Transactions with owners recorded directly in equity</b>					
Equity dividends	–	–	–	(40.3)	(40.3)
Issue of own shares by ESOT	0.1	–	(0.1)	–	–
Share based payment charge	–	–	–	0.6	0.6
Total contributions by and distributions to owners	–	–	(0.1)	(39.7)	(39.6)
<b>Balance at 3 March 2018</b>	<b>31.4</b>	<b>11.0</b>	<b>(0.2)</b>	<b>102.9</b>	<b>145.1</b>
<b>Changes in equity for the 53 weeks ended 4 March 2017</b>					
Balance at 28 February 2016	31.3	11.0	(0.2)	98.3	140.4
<b>Comprehensive income for the period</b>					
Profit for the period	–	–	–	41.2	41.2
Total comprehensive income for the period	–	–	–	41.2	41.2
<b>Transactions with owners recorded directly in equity</b>					
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	39.8
<b>Balance at 4 March 2017</b>	<b>31.3</b>	<b>11.0</b>	<b>(0.1)</b>	<b>99.8</b>	<b>142.0</b>

# Notes to the Company Accounts

## 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 the 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.

### Share-based payments

The Company 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 Company'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. Whilst the Company has no own employees of its own, it settles all share incentive schemes granted to employees of its subsidiaries. As subsidiaries are not recharged for the share based payment charge, the amount is debited to cost of investment.

## 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 3 March 2018 of £42.8m (2017: profit £41.2m) which includes dividends received of £50.0m (2017: £48.2m).

The Non-Executive Directors' remuneration was £549,000 (2017: £538,000) and eight Non-Executive Directors were remunerated (2017: seven). The Executive Directors were remunerated by a subsidiary company in both years, the total was £1,892,000 (2017: £1,954,000). Further details are provided on page 78 of the Directors' Remuneration Report.

The auditor's remuneration for audit services to the Company of £16,000 (2017: £15,000) was borne by subsidiary undertakings.

# Notes to the Company Accounts

continued

## 34 Fixed asset investment

	2018 £m	2017 £m
Cost and net book value	367.2	366.5

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 & Heeley 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 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
NB Funding Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	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

Company	Registered Office Address	Proportion held by the Group (%)
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
Speciality Home Shopping (US Marketing) LLC (incorporated 5 January 2018)	1209 Orange Street, Wilmington, Delaware 19801	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

	2018 £m	2017 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	135.0	72.3
Prepayments and accrued income	0.6	0.9
	<b>135.6</b>	73.2

### 36 Creditors

	2018 £m	2017 £m
Amounts falling due within one year:		
Bank overdrafts (note 37)	40.2	27.2
Amounts owed to Group undertakings	192.5	184.7
Accruals and deferred income	–	0.8
	<b>232.7</b>	212.7

# Notes to the Company Accounts

continued

## 37 Bank loans and overdrafts

	2018 £m	2017 £m
Bank overdrafts	40.2	27.2
Bank loans	125.0	85.0
	<b>165.2</b>	112.2

The Company has unsecured bank loans of £125.0m (2017: £85.0m) drawn down under a medium term bank revolving credit facility committed until September 2020.

At 3 March 2018, the Company had available £0m (2017: £40.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to a £20m (2017: £20m) undrawn revolving credit facility.

The weighted average interest rates paid were as follows:

	2018 %	2017 %
Bank overdrafts	1.8	2.0
Bank loans	1.9	1.9

## 38 Share capital

	2018 Number	2017 Number	2018 £m	2017 £m
Allotted, called-up and fully paid ordinary shares of 111/19p each				
<b>At 3 March 2018 and 4 March 2017</b>	<b>284,458,148</b>	283,429,454	<b>31.4</b>	31.3

The Company has one class of ordinary share which carries no right to fixed income.

## 39 Guarantees

Parent Company bank overdrafts which at 3 March 2018 amounted to £40.2m (2017: £27.2m) have been guaranteed by certain subsidiary undertakings.

# Shareholder Information

## Financial calendar

<b>2018</b>	October	Announcement of interim results
	December	Closing of register for interim dividend
<b>2019</b>	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](http://www.nbrown.co.uk)

### Registered office

Griffin House  
40 Lever Street  
Manchester  
M60 6ES  
Registered No. 814103  
Telephone 0161 236 8256

### Registrars

Link 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](http://www.nbrown.co.uk)







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