

A customer centric strategy to drive profitable digital growth

N Brown Group plc
Annual Report & Accounts 2019



Strategic report

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[View online](https://ar2019.nbrown.co.uk)
ar2019.nbrown.co.uk

200+

body measurements
to develop 2D patterns
to improve fit

Emails

targeting highest
responding customers



Loyal

customers identified

N Brown is a top 10 UK clothing & footwear digital retailer. We are size inclusive, focusing on the needs of the 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 2,400 people across the UK.

914.4 ↓

Revenue £m
2018: £922.2m

128.0 ↑

Adjusted EBITDA¹ £m
2018: £118.6m

83.6 ↑

Adjusted pre-tax profit² £m
2018: £81.6m

-57.5 ↓

Statutory (loss)/profit before tax £m
2018: £16.2m

1 Adjusted EBITDA is defined as operating profit, excluding exceptionals, with depreciation and amortisation added back. The directors believe adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance.

2 Defined as excluding exceptionals and fair value movement on financial instruments.

Leading inclusive fashion retailer



JDWILLIAMS

A modern, digital 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.

-2.4% ⬇️

Revenue decrease

£159.5m

Revenue performance



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 here in the UK.

+1.1% ⬆️

Revenue growth

+4.4% ⬆️

Revenue growth excluding stores

£134.2m

Revenue performance



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.

-2.8% ⬇️

Revenue decrease

+3.9% ⬆️

Revenue growth excluding stores

£66.7m

Revenue performance

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.

Secondary Brands

Secondary Brands are focused on distinct customer niches which are not served by JD Williams, Simply Be and Jacamo.

HIGH AND MIGHTY

fashion

FIGLEAVES

Marisota

£139.2m

Revenue excluding stores

-4.6% ↓

Revenue decrease excluding stores

Traditional Segment

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.

ambrose
Wilson

HOUSE OF BATH
HOME OF INSPIRATION

Jūlipa
your personal department store

PREMIER MAN

£114.7m

Revenue performance

-17.2% ↓

Revenue decrease

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 purchase over time.

£298.6m

Revenue performance

+10.8% ↑

Revenue growth

Working together for the future



Matt Davies
Non-Executive Chairman

80%

Product revenue now digital¹



This is my first annual report as Chairman of N Brown, having started in the role on 1 May 2018. It is a privilege to chair the Group and I am delighted to have taken on this role. I have been hugely impressed by the energy which runs through the business and the dedication of our colleagues to deliver for our customers.

Review of the year

This has been a year of continued transition for the business with revenue declining 0.8% to £914.4m, reflecting the managed decline of our legacy offline business and our focus on delivering profitable digital growth. Our focus on becoming a truly digital retailer continues and 80% of our product revenue is now digital¹. Financial Services performed well in the year with revenue up 10.8%. As we continue to shift our focus from offline to digital we are improving our marketing efficiency, which has resulted in an improved operating cost performance. As a result, we are pleased to report adjusted pre-tax profit of £83.6m, an increase of 2.5% compared to last year. During the year we experienced a high level of exceptional items relating to legacy customer redress payments, costs associated with the closure of the store estate and an impairment charge on the Group's VAT debtor asset. The quantum of exceptional items in the year was a disappointment, albeit largely relating to legacy matters, and resulted in a statutory loss before tax of £57.5m.

Board changes

During the year, Angela Spindler stepped down as Chief Executive Officer. We recognised that it was an appropriate time to search for a new leader to take the business forward through the next phase of its development. I'd like to thank Angela for her significant contribution as CEO. She led with passion and energy and brought her great personal qualities and values to the way she led the N Brown Group.

Upon Angela's departure Steve Johnson was appointed Interim Chief Executive Officer and we were delighted that after conducting a thorough and extensive search process, the Board appointed Steve as Chief Executive Officer in February 2019. I'm really looking forward to working with Steve and his team to further develop the N Brown business.

Dividend

We understand the importance of the dividend to all shareholders; however, our dividend cover during the year was low and the level of exceptional items meant that distributions were not covered by free cash flow. Therefore, in October the Board took the decision to rebase the dividend to a more sustainable level from which we will seek to grow as earnings progress. As a result, we are recommending a full year dividend of 7.1p per share.

¹ Revenue excluding stores.



Looking forward

The Board has undertaken a thorough review of the strategy and the plans are laid out in the Chief Executive's Statement. We are in a period of realigning the business to focus on our customers' changing shopping habits and to drive digital profitable growth. We have a good base on which to build. 80% of our product revenue is now digital¹, and we have industry leading expertise in fit and a strong Financial Services business. We look forward to the future with confidence, however the retail backdrop remains challenging and there is more to do to develop our digital retail model, as Steve outlines, and deliver sustainable growth and returns for shareholders.

People

I would like to thank and recognise our great colleagues across all parts of the business for their continued commitment, energy and focus throughout the year.

Matt Davies

Non-Executive Chairman

Our strategy for the future

+4.1%

Digital revenue



Steve Johnson
Chief Executive

FY19 Overview

Group revenue declined 0.8% to £914.4m, with Product revenue down 5.6% and Financial services revenue up 10.8%.

JD Williams revenue was down 2.4% during the year due to the drag from migrated Fifty Plus customers, one of our legacy offline brands. Excluding Fifty Plus, JD Williams revenue increased 6.8%. JD Williams also displayed strong growth in digital sales with an 8.8% increase in digital revenue compared to the previous year. Simply Be delivered another good performance, growing revenue by 4.4% during the period excluding stores. Simply Be also reported an 8.7% growth in digital revenue compared to the prior year. Within the second half of FY19 we increasingly moved to customer lifetime value modelling which will continue to impact Simply Be digital revenue growth in the first half of FY20. Jacamo product revenue was up 3.9% excluding stores. Jacamo digital revenue increased by 5.1% compared to the prior year.

Secondary brands revenue decreased by 4.6% excluding stores, reflecting our continued shift in marketing investment towards profitable, digital growth. Following the success of its Simply Be and JD Williams apps, the Group launched its third app in August, Fashion World. This is targeted at improving the digital experience for our Fashion World customers.

Revenue in the Traditional segment decreased by 17.2% as the Group continued to increase its focus on its digital business and scaled back its unprofitable offline marketing and recruitment. Within the Traditional segment we were pleased with the performance of Ambrose Wilson which delivered digital growth of 7.4% in the year. Given that this segment is more heavily weighted towards offline than the rest of the Group, as it typically serves more mature customers, it is expected to experience the fastest rate of offline revenue decline going forward.

The Group's transformation to a leading digital retailer continues, with digital sales now accounting for 80% of product revenue¹ in the year. In FY19 digital revenue grew by 4.1% and was ahead by 8.0% for JD Williams, Simply Be and Jacamo combined. Offline revenue decreased by 29.9% as the Group continued to shift its focus to its growing digital businesses. As the Group focuses more of its resources on growing its digital businesses, going forward it expects a continued double-digit decline in offline revenue.

International revenue declined 6.6% to £32.4m. Ireland delivered revenues of £18.5m, up 5.9% year on year (up 5.1% in constant currency terms) and continues to perform well. USA revenue was £13.9m, down 19.3% year on year (down 18.0% in constant currency terms).

During the year we undertook a review of our store estate. Given the continuation of very disappointing footfall, and despite significant cost efficiencies being achieved,

we entered into a consultation with store colleagues to consider closing our 20 stores ahead of lease expiry. Following the consultation, we took the decision to close all 20 stores and at the end of the financial year the Group had no physical stores. In FY19 the Group's stores generated £6.9m revenue all within the first half of the financial year (FY18: Revenue of £17.3m).

Financial Services delivered a strong performance during the year, driven by increased interest revenue and a continued strong management of arrears. Financial Services revenue was up 10.8% year on year. Within this, interest payments were up 12.7% reflecting the increased level of receivables and the impact of management initiatives such as risk-based pricing which was implemented in the year. This increase was offset by a 3.6% reduction in other fees and income reflecting general improvements in the early arrears profile.

In a challenging and highly promotional market we delivered a stable product gross margin at 52.1%, down 10bps for the year as a whole. As expected, Financial Services gross margin decreased by 200bps to 59.2%. This was driven by the change in accounting methodology to provide for receivables under IFRS 9, which results in a provision being made against every customer account regardless of whether they are in arrears. As a result of this change, the impairment charge for the year was £19.5m higher than that charged in FY18 under the previous accounting standard IAS 39. The increased level of provision also increased the level of profit generated from the sale of payment arrangement debtors, with total profits on debt sales of £10.7m, £4.9m higher than the prior year. These two factors contributed to a net £14.6m increase in bad debt charges during the year. Compared to the same period last year (restated on an IFRS 9 basis), the provision rate decreased by 370bps due to an underlying improvement in the quality of the loan book and the disposal of some high-risk payment debt which was sold at a better rate than the book value.

¹ Revenue excluding stores.

Operating expenses excluding exceptional costs continue to be tightly controlled, decreasing by 4.5% for the year. Admin & Payroll and Marketing expenses were the primary drivers. Admin & Payroll expenses as a percentage of Group revenue declined from 14.9% to 14.0%, driven both by the actions taken to close our store estate during FY18 and FY19 as well as increased Head Office efficiencies. Marketing costs improved as a percentage of Group revenue from 17.8% to 17.3% as a result of our continued focus on shifting our marketing expenditure to drive digital growth. Warehouse and fulfilment costs as a ratio of Group revenue declined from 9.3% to 9.2% driven by lower volumes and operational efficiencies.

Depreciation and amortisation increased by 7.1% to £30.1m due to historical and ongoing investment in IT systems.

Adjusted EBITDA increased by 7.9% to £128.0m and adjusted EBITDA margin increased from 12.9% to 14.0%. Adjusted profit before tax was £83.6m, up 2.5% year on year as a result of a strong Financial Services performance and the delivery of marketing and other operational efficiencies. The statutory loss for the year of £57.5m was wholly driven by exceptional costs of £145.6m which in the main relate to legacy issues and our decision to close the store portfolio.

In October, the Board took the decision to rebase the dividend to a more sustainable level from which we will seek to grow as its earnings progress. As a result, we are proposing a full year dividend of 7.1p per share.

A customer centric strategy to drive profitable digital growth

The rapidly changing shopping habits of our customers, coupled with a continually challenging consumer environment, emphasises the need for a retail-led strategy which is robustly focused on profitable digital revenue growth.

To this end, we have assessed the business to ensure that N Brown is well placed to take advantage of the opportunities in its markets and remains resilient to present and future challenges.

N Brown is a business with a clearly differentiated position and areas of market-leading innovation, underpinned by a strong enabler of customer choice and loyalty from our Financial Services proposition. From this core, we believe that we have a real opportunity to delight our customers more consistently – customers who understandably expect more and demand continued relevance and personalisation in their N Brown shopping experience.

A customer centric strategy to drive profitable digital growth

Core market

We will focus on the UK.

Customer experience

We will simplify the business to improve the customer experience.

Product

We will deliver better products for our customers.

Data

We will trade smarter with Data.

People

We will inspire colleagues toward further delighting our customers.

[▶ Turn over to read more](#)

We have a solid foundation from which to build, with 80%, or around £500m, of our product revenue now digital, meaning we are a top 10 UK Clothing & Footwear retailer by digital revenue. We also have industry leading expertise in fit, and a Financial Services business which continues to perform well. Whilst we have made solid progress in growing our online market, we know that there is more to do to improve our digital retail model, and our proposition is not yet well enough developed. A re-focusing of our strategy on delighting our customers is now required.

The past year has seen a marked acceleration in the business's transition as we continue to target profitable, digital growth by focusing on our digital customers and managing the decline of our offline business. We have increased our profitability despite this significant change and against a backdrop of an ongoing challenging retail climate and decline in consumer confidence. This represents the start of a material shift for N Brown as it further strengthens its digital offering.

Our assessment of the business has identified a number of core focus areas around which we are aligning our operational planning and delivery. We will focus on the UK and target a simplification of our customer brand proposition; continue to enhance our product offering; and accelerate our use of data and analytics to enhance operational efficiency. Underpinning all of this will be improvements in our colleague engagement, as we inspire our colleagues to further delight our customers.

Our vision is to be the leading inclusive fashion retailer and we will pursue this vision by executing on our purpose of responsibly improving people's lives by making our customers look and feel amazing.

Strategy summary

There is a substantial amount of activity already underway at N Brown but a refocusing of our strategy on delighting our customers is fundamental to successful delivery of the Group's potential. Decisions taken in the previous financial year are in the short-term likely to marginally hold back Group revenue growth. Notwithstanding this, our strategy is expected to maintain short-term profitability. Going forward, our strategy is very much focused on driving sustainable digital revenue, profit and free cash flow growth to deliver improved shareholder value.

On behalf of the Board, I would like to thank all of our colleagues for their very significant contributions in what has been a challenging but developmental year for the business. This commitment, together with our recent progress in a number of our focus areas, has embedded momentum for N Brown to now measurably deliver upon its digital retail proposition for customers.

Outlook

We have made solid progress focusing on profitable, digital growth in the second half of the year despite the challenging external environment. Whilst mindful of the continued challenging macro-economic environment and uncertainties surrounding Brexit, we are focused on driving sustainable digital revenue, profit and free cashflow growth to deliver improved shareholder value.

Steve Johnson
Chief Executive

Focusing on the UK core market and improving the customer experience

Core market

1 We will focus on the UK

Strategic objective

Maximise the UK core market before leveraging our international opportunity.

What we are doing

The UK is our core market and we can do much more to enhance our offering to UK customers every day before focusing time and resource elsewhere. In the UK, the online clothing & footwear market is forecast to grow by 7% per year for the next five years. We currently have online market shares of 4.0% and 3.2% respectively in our addressable womenswear and menswear markets, giving us plenty of headroom to grow in the UK.

We remain confident that the international opportunity continues to exist following a detailed review of the potential for our brands – but the way in which we go to market in the USA will mean an immediate step back from solely driving direct customer business in that market. We will continue to explore international territories through selected, targeted partnerships. To this end, we have recently closed JD Williams in the USA and, for now, will only focus on servicing our existing Simply Be USA customers. Our Irish business, Oxendales, continues to perform well and the strategy there remains unchanged.

Customer experience

2 We will simplify the business to improve the customer experience

Strategic objective

A crisper, clearer brand proposition for our customers.

What we are doing

We will start by simplifying our customer brand proposition. Our brands will be 'fashion' led and there will be an increased focus on the older customer. We currently trade through 11 brands and categorise them under Power Brands, Traditional and Secondary; from FY20 onwards we will not be using these descriptions and will move to 'Womenswear' and 'Menswear'. Within Womenswear our brands will be Simply Be, for fashionable size 12-32 women; JD Williams, for 45-60-year-old women; and Ambrose Wilson for women 60 and over. Menswear will be the Jacamo brand. Our other brands will remain complementary to Womenswear and Menswear while we finalise our plans and we will provide an update in due course.

To support this, we are continuing to invest in our core technology platforms to streamline digital user experience in both our product and Financial Services areas. At the same time, we expect to accelerate the pace of simplification in our IT estate to increase efficiency but optimise further investment for innovation. This will make

us more agile and we will be able to develop new customer propositions more quickly. We anticipate the migration of our brands to an enhanced technology infrastructure in the medium term which will deliver a better customer experience.

We are focused on further improving our customer proposition. Recent improvements include an enhanced Mobile Web experience bridging the gap between desktop and mobile functionality; the launch of mobile apps on our in-house mobile app framework for iOS & Android with a 4.8* rating; and a simplified account registration process which has reduced dropout by a substantive degree. We have also recently opened Europe's largest Hyphen Interactive Live Photo (HILP) technology for our new in-house photo studio, which will transform our ecommerce photography capabilities and deliver cost efficiencies. Our plans incorporate ongoing investment and innovation in our supply chain. These already include the commencement of a new returns automation facility at our distribution centre in Shaw.

Finally, Financial Services remains an integral part of the N Brown proposition and we will focus on both increasing customer loyalty through our credit offer as well as continuing to improve the experience for those currently using our personal account.

Our People delivering the strategy



We focus on the needs of the underserved customer groups, and our brands will champion inclusivity and inspire customers by delivering the product and experience to which they aspire."



We are customer obsessed and believe that we have a great opportunity to give a much improved experience for our amazing customers."

Similar style

Others with similar style viewed this item

New

Others who searched "New in" bought this item



You'll love these

personalised recommendations are based on customers' previous purchase history



19

people are looking at this right now



18

Size 18 recommended based on previous purchase history



78

Selling fast!
We have sold 78 in the last 48 hours

Delivering a best in class fit proposition



Product

3

We will deliver better products for our customers

Strategic objective

Increase the number of customers, purchase frequency and basket size.

What we are doing

We will drive further innovation through our market-leading body scanning technology and pioneering 3D design & product development to deliver continued fit improvements in quality products at affordable prices. In addition, we will continue to evolve from design influenced by seasonal trends to key product 'shouts' dropped cohesively in three weekly cycles and thus allow substantially reduced lead times. Our experience of recent peak trading periods gives us confidence in our ability to buy more promotional product to complement our core ranges and maintain a freshness in our offering. In our Home and Gift proposition, we anticipate a tightened curation, built on a strong central range with more brand specific product.

The purpose of the Group is to be as customer-inclusive as possible which ensures we remain focused on our product truly resonating with our customers' needs. Here, our fit-focus expertise remains an essential part of our DNA. The strongest customer feedback we receive is the emotional response that a good or poorly fitting piece of clothing elicits. Harnessing this feedback ever more quickly and channelling it into agile product re-orders or improvements in quality is essential.

We will invest further in design and sourcing. All these areas will be underpinned with a renewed and enhanced sustainability and ethical sourcing investment plan to build upon strong foundations in this area.

Finally, we will continue to evolve the way we engage with our customers, improving the quality and breadth of our brand and influencer reach, and substantively better targeted marketing and promotional activity to ensure a more personalised experience.

Our People delivering the strategy



It's all about ensuring our customers receive the perfect fitting product every time they shop with us."



Through customer and market insight, we are building curated ranges that have been uniquely designed and responsibly sourced through a highly flexible supply chain, to make our customers look and feel amazing."



Our plan to become a truly digital retailer

Data

4 We will trade smarter with Data

Strategic objective

Improve operating efficiency and customer targeting.

What we are doing

Enhanced use of our rich data has already unlocked operational efficiencies and improved customer insight in our business, but our strategy is underpinned by a further step change in how we harness and use this data. Substantive investment in new skills and technology platforms, established partnerships with third-party analytics leaders and a “test-and-learn” data culture embedded throughout the organisation are progressing, and there remains significant opportunity to develop these much further.

Through a mix of tactical quick wins and longer-term initiatives, we will enhance personalisation and use data to optimise fit for our customers to ensure we create the right product for them. We have used Artificial Intelligence modelling, which predicts size profiles and return rates, along with the effectiveness of product attribution and image data in predication. Early results from this have been successful and will be further developed in this financial year.

In addition, specific opportunities have been identified targeting a more optimised product range in terms of breadth, frequency of newness/lifecycle analysis, and price using historical data of product performance, customer journeys and price architecture. Recent positive peak-season success with newly implemented promotional tools in merchandising will now be more widely embedded. This will be complemented by improvements in the targeting of discount codes to each customer, as well as a further unification of all promotional planning in the business to ensure enhanced forecasting of marketing promotions.

Data and analytics initiatives are also driving innovation to ensure we appeal to more customers who value a flexible credit offering. During FY19, we significantly reduced our headline interest rates and launched an introductory six-month interest free offer for new credit accounts. Analytics has also supported a new arrears management strategy which has led to an improved level of balances in arrears at our year end. We will also launch an initiative to enhance new customers’ credit assessment in the account opening process.

People

5 We will inspire colleagues toward further delighting our customers

Strategic objective

Better engaged colleagues will deliver a better customer experience.

What we are doing

Our people strategy is focused on creating the right culture and environment which attracts, retains and inspires colleagues to thrive and deliver a great experience for our customers. As our customers’ shopping habits have rapidly changed, we are supporting colleagues to be more customer focused. Changes to our internal reward and performance management processes will reflect this – notably to ensure a more nimble, real-time feedback and appraisal approach.

We have already made changes to a variety of commercial teams to increase pace and customer ownership, whilst at the same time we are also investing further in critical skills in data science and user experience. Engaging our colleagues in the new strategy and more closely aligning their roles to delight our customers, we believe fundamentally underpins the business in delivering sustainable profit growth.

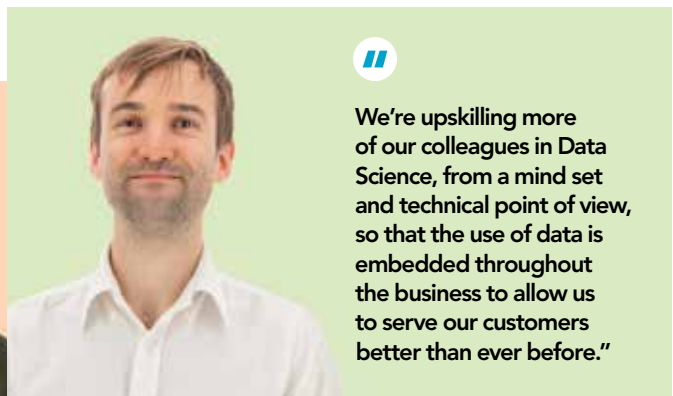
Our People delivering the strategy



Our People work relentlessly with the energy and dedication to ensure that our customers are made to look and feel fabulous. In a new digital age, a change of People strategy is needed to ensure that our colleagues continue to drive our business forward.”



We’re upskilling more of our colleagues in Data Science, from a mind set and technical point of view, so that the use of data is embedded throughout the business to allow us to serve our customers better than ever before.”



Promotions

Customer responds well to selective promotions



6pm

Customer responds better to emails sent after 6pm

Discount

Display discount message as customer exits website



A developing online market

Global trends

Overall the global economy continued to grow in 2018, at an estimated rate of 3.7% according to the latest update from the International Monetary Fund (Source: WEO Update, January 2019). Slower growth was seen in the UK and Europe due to the political uncertainty of the UK's departure from the EU. We continue to work to ensure that the impact to our customers and our business is minimised as much as possible throughout the transition and exit from the EU.

Demographic trends

UK obesity rates have continued to rise to 26% of the population according to the most recent data from the Office for National Statistics (Source: Health Survey for England, 2016). Improvements in healthcare and lifestyle are also resulting in an ageing UK population, with over 18% of the population now aged 65+ according to latest figures from the Office for National Statistics. Our size and age inclusive approach are important differentiators which benefit from these population trends.

Retail

Online fuelling growth.



How we are responding

Continuing to improve our customer service and experience using data.

Continuing to improve our fit specialism.

Trends

The landscape for retail continues to transform at pace, and with emerging technology, the fragmentation of consumer spend across a greater array of channels and marketplaces contributing to the changing landscape. Despite the uncertainty in the UK economic environment putting pressure on retail spending, growth in the retail market is however predicted, fuelled by online. In the UK, the online clothing and footwear market is forecast to grow by 7% per year for the next five years.

Opportunities for growth

Our fit specialism and product innovations are important loyalty drivers for our customers who are looking for more than just great value from our inclusive product offering. Our credit facility drives loyalty by allowing our customers to spread the cost of shopping with us. We have a strong focus on data to innovate our customer service and experience, with personalisation a key opportunity for us to continue to capture customer loyalty.

Macro-economic trends

Consumer outlook cautious.



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.

Trends

Inflationary pressures remain across the retail sector, something which is expected to continue to challenge the UK retail sector this year. Household disposable income has remained steady, however the uncertainty surrounding Brexit has led to a cautious approach to retail spending, with many consumers choosing to prioritise their spending on experiences.

Opportunities for growth

Our personal credit account facility is a helpful customer service proposition when household disposable income is under pressure. Our multi-category credentials also allow us to maximise our offering to customers, widening share of basket and offering customers even greater choice.

80%

Digital product revenue¹

+20bps

Ladieswear market share



Online

The single fastest growing retail channel.



How we are responding

We use data and analytics to deliver an improved digital customer experience.

Continuous improvements to our mobile app offering.

Trends

Online remains the single fastest growing retail channel, growing from £40.3bn in 2017 to a projected £75.2bn in 2023. Mobile continues to develop as the device of choice with the second highest device penetration at 48.1%, meaning it has a significant role to play throughout the customer journey. Spend via mobile is growing as retailers enhance their mobile sites and apps and consumers continue to seek convenience. (Source: GlobalData November 2018)

Opportunities for growth

As we fully transition to a digital retailer, we continue to make improvements to win more share online and to further improve the customer experience. We now have a mobile app offering for four of our key brands: JD Williams, Simply Be, Jacamo and Fashion World, as we recognise the growing importance of mobile.

Consumer credit

Continuing improvement in the quality of our credit customer loan book.



How we are responding

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

Trends

Retail credit is growing strongly and is expected to grow between 3% – 7% annually over the next five years according to recent research by Mintel (Source: Mintel, Credit Cards UK Aug 2018). Growth is driven by low interest rates and good credit availability. The competition that 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

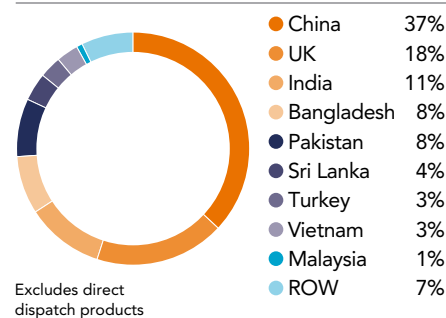
Our variable rate pricing strategy is fully implemented and our headline rate for JD Williams, Simply Be and Jacamo has been reduced to 24.9%, allowing us to drive an improvement in the risk quality of credit customers and increased acceptance rates.

Ethical sourcing

As a business our key focus is to rebalance the sourcing mix to ensure that we can serve our customers through flexibility and delivering key products and trends at the right time.

China remains our key territory for Homewares, however our sourcing from China decreased this year as we explore new territories to support an improved service level.

Sourcing breakdown FY19



¹ Revenue excluding stores.

Creating value for the future

Inputs

1 Brand portfolio

We operate a trusted family of retail brands. We sell womenswear, menswear, footwear, homewares and gifting across our brands.

£615.8m

Total brand portfolio revenue 2019

2 Engaged customer base

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

3.9m

Active customers

3 N Brown people

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

>2,400

People employed across the UK

4 Systems and infrastructure

Ongoing development and investment in our systems and infrastructure remains crucial against a competitive sector. We continue to deploy leading edge AI techniques throughout the business and make improvements to our mobile app offering.

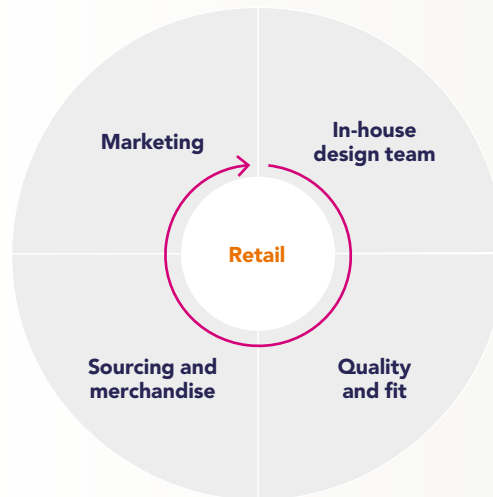
£36.3m

Capex investment in 2019

Core activities

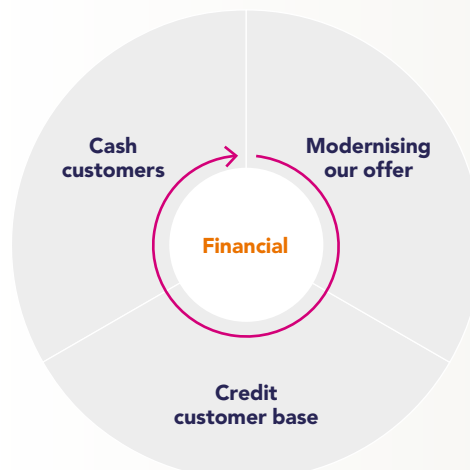
Retail products

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.





Read more in
Our Strategy on p8



Read more in
Performance
Review on p28

Value

£615.8m
Total product revenue 2019

-5.6%
Decrease in revenue



● JD Williams	26%
● Simply Be	22%
● Jacamo	11%
● Secondary Brands	23%
● Traditional Segment	19%

Note: Chart totals 101% due to rounding.

£298.6m
Total Financial Services
revenue 2019

+10.8%
Increase in Financial Services
revenue

Outputs

Financial

1 Value back to shareholders

Grow EBITDA to support value creation.

£128.0m
Adjusted EBITDA in 2019

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.

£36.3m
Capex investment in 2019

Non-financial

1 Customer satisfaction

We're proud to make great products that people love. Our clothes make our customers look and feel amazing.

2 Responsibility

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



Measuring progress against our strategy

Customers

Active customer accounts m	JD Williams, Simply Be & Jacamo active customers m	Growth of our most loyal customers %	Customer satisfaction rating %																
<p>-12.4%</p> <table border="1"> <tr><td>2018</td><td>4.45</td></tr> <tr><td>2019</td><td>3.90</td></tr> </table>	2018	4.45	2019	3.90	<p>-3.2%</p> <table border="1"> <tr><td>2018</td><td>2.22</td></tr> <tr><td>2019</td><td>2.15</td></tr> </table>	2018	2.22	2019	2.15	<p>-240bps</p> <table border="1"> <tr><td>2018</td><td>-0.2</td></tr> <tr><td>2019</td><td>-2.6</td></tr> </table>	2018	-0.2	2019	-2.6	<p>+50bps</p> <table border="1"> <tr><td>2018</td><td>85.8</td></tr> <tr><td>2019</td><td>86.3</td></tr> </table>	2018	85.8	2019	86.3
2018	4.45																		
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<p>Relevance to strategy</p>	<p>Relevance to strategy</p>	<p>Relevance to strategy</p>	<p>Relevance to strategy</p>																
<p>Definition</p> <p>The number of customer accounts which made a retail purchase in the last 12 months. The figures include all brands aside from Figleaves.</p>	<p>Definition</p> <p>The number of JD Williams, Simply Be and Jacamo customer accounts which made a retail purchase in the last 12 months.</p>	<p>Definition</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>Definition</p> <p>Our latest overall customer satisfaction score, as measured independently by the UK Customer Services Institute.</p>																
<p>Performance</p> <p>Our customer metrics reflect the managed decline in our legacy offline business. USA performance this year has also impacted this metric. Digital active customers were flat at 2.95m.</p>	<p>Performance</p> <p>In line with last year's strategy to prioritise new customer recruitment to JD Williams, Simply Be and Jacamo, both Simply Be and Jacamo showed growth in active customer accounts. As expected, the migration of the Fifty Plus title into the JD Williams brand (these customers are included within the JD Williams customers) was a headwind to this metric.</p>	<p>Performance</p> <p>Offline customers tend to be more loyal and the managed decline of our offline business has, as expected, impacted the growth of our most loyal customers.</p>	<p>Performance</p> <p>We were pleased to improve on our customer satisfaction rating again and score over 4ppts higher than the retail sector average.</p>																
<p>Outlook</p> <p>We will continue to attract new customers to our business as we focus on delivering profitable digital growth in our UK brands.</p>	<p>Outlook</p> <p>In line with our new strategy, we will focus on fewer, bigger retail brands, all of which have significant room to grow and increase the number of active customers.</p>	<p>Outlook</p> <p>As we focus on building our digital customer base, we will continue to strengthen customer loyalty, through improving the digital customer experience.</p>	<p>Outlook</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 that we are doing the best job we can to make our customers look and feel amazing.</p>																
<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition • People • Business interruption 	<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition • People 	<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition 	<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition 																

Product

Ladieswear market share size 16+ %

+20bps



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 10 February 2019.

Performance

We were pleased to grow our market share in the competitive market, as we continue to reinforce our leading position in the plus size market.

Outlook

We continue to drive improvement in our product offering and fit USP to ensure we offer our 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"+ %

-20bps



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 10 February 2019.

Performance

The managed decline of our offline business and the subsequent performance of Premier Man has resulted in a slight decrease in our market share in UK menswear in chest size 44"+.

Outlook

We continue to drive improvement in our product offering and fit USP to ensure we continue to offer our customers the best choice of products to fit and flatter them, whatever their size.

Risk

- Failure to change
- Competition
- People

Group returns rate (rolling 12 months) %

+90bps



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, which remains below the industry average.

Outlook

As we increase our digital business, we look to maintain our below industry average returns rate with product improvements and new cash customers.

Risk

- Failure to change
- Competition

Key to strategic drivers

- Core market
- Customer experience
- Product
- Data
- People

Digital

Digital penetration¹ %

+7ppts



Relevance to strategy



Definition

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

Performance

Digital penetration was 80% for the year and digital revenue was up 4.1%.

Outlook

We continue to improve the digital customer experience and to develop user experience testing to ensure that our digital proposition meets that of a leading digital retailer.

Risk

- Failure to change
- Competition
- People
- Business interruption

Digital penetration of new customers %

+10ppts



Relevance to strategy



Definition

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

Performance

Digital penetration of new customers increased significantly by 10ppts to 91%, demonstrating the digital nature of our business as we focus on driving digital growth.

Outlook

We expect our digital metrics to continue to increase as we focus on our strategy to drive digital growth.

Risk

- Failure to change
- Competition
- People

Conversion rate %

-40bps



Relevance to strategy



Definition

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

Performance

The ongoing increase in mobile devices as a proportion of traffic represents a drag on overall conversion rates which coincides with the browsing habits of mobile shoppers.

Outlook

We are focused on increasing the conversion rate of each device type.

Risk

- Failure to change
- Competition

Traffic from mobile devices %

+2ppts



Relevance to strategy



Definition

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

Performance

Mobile devices include both smartphones and tablets; of these, smartphones remain the device of choice for customers, with web smartphone sessions accounting for 61% of all traffic.

Outlook

We adopt a 'mobile first' approach to all our digital improvements. During the year we migrated away from the third party app platform to bring our apps in house and deliver upgrades via our in-house development team.

Risk

- Failure to change
- Competition

¹ Revenue excluding stores.

Financial Services

Arrears rate (>28 days) %	Provisions rate %	New credit recruits (rollers)												
<p>+20bps</p> <table border="1"> <tr><td>2018</td><td>8.7</td></tr> <tr><td>2019</td><td>8.9</td></tr> </table>	2018	8.7	2019	8.9	<p>-370bps</p> <table border="1"> <tr><td>2018</td><td>17.9</td></tr> <tr><td>2019</td><td>14.2</td></tr> </table>	2018	17.9	2019	14.2	<p>-8.9%</p> <table border="1"> <tr><td>2018</td><td>122,000</td></tr> <tr><td>2019</td><td>111,000</td></tr> </table>	2018	122,000	2019	111,000
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<p>Relevance to strategy</p> <p>☆ 👕</p>	<p>Relevance to strategy</p> <p>☆ 👕</p>	<p>Relevance to strategy</p> <p>☆ 👕</p>												
<p>Definition</p> <p>Arrears over 28 days are defined as customer debts with two or more missed payments.</p>	<p>Definition</p> <p>Closing bad debt provision as a percentage of gross trade receivables.</p>	<p>Definition</p> <p>The number of new customers opening a credit account and rolling a balance in the last six months.</p>												
<p>Performance</p> <p>We saw a slight increase in our arrears rate of 20bps to 8.9%, against two years of decline. This marginal increase reflected the prior year level being suppressed by the impact of the change to the minimum payment rate.</p>	<p>Performance</p> <p>Compared to the same period last year (restated on an IFRS 9 basis), the provision rate decreased by 370bps due to an underlying improvement in the quality of the loan book and the disposal of some high-risk payment debt which was sold at a better rate than the book value.</p>	<p>Performance</p> <p>In the last 6 months we recruited 111k new credit customers who rolled a balance, down from 122k in the prior year, albeit an improvement from the 90k recruited in the first half of the financial year. The reduction was largely driven by tighter control around lending decisions.</p>												
<p>Outlook</p> <p>As rates have now normalised following the change to the minimum payment rate we expect arrears rates to remain broadly stable in the future.</p>	<p>Outlook</p> <p>Subject to management actions regarding the level and timing of future debt sales, we would expect the IFRS 9 impairment provision rate to remain broadly flat going forwards.</p>	<p>Outlook</p> <p>We will continue to attract new customers to our business as we focus on delivering profitable digital growth in our UK brands.</p>												
<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition • People 	<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition • People 	<p>Risk</p> <ul style="list-style-type: none"> • Failure to change • Competition 												

Key to strategic drivers

	Core market
	Customer experience
	Product
	Data
	People

Protecting the integrity of our business strategy

Risk management

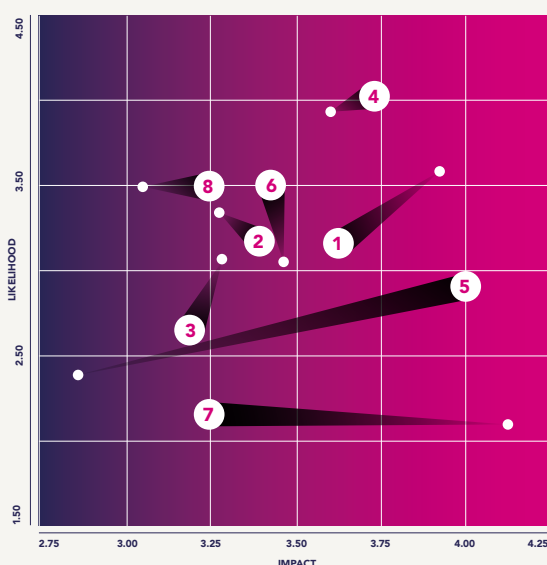
The Board of Directors has overall responsibility for ensuring that the Group maintains sound systems of internal control and risk management and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process is intended to provide reasonable assurance regarding its commercial operations as well as compliance with laws and regulations. However, the Group recognises that no system can provide absolute assurance against material misstatement, loss or failure to meet its business objectives.

To ensure key business developments and emerging risks are appropriately factored into the risk management process, the Group's internal auditors facilitated three Board level risk assessment sessions and two risk appetite sessions during the year. The CEO, CFO and Group Head of Internal Audit, together with the operational Directors, ranked and reviewed the key risks facing the business, appraised the structure of internal controls and identified current and proposed activities to mitigate these risks. The Audit Committee, which convenes annually as a Risk Committee, comprehensively reviewed the outcomes from this process which were also used by Internal Audit as a key driver in developing the annual Internal Audit Plan.

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.

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

Principal risk rating matrix



Top principal risks	Change in year
1/ Business change	↕
2/ Competition	➤
3/ Regulatory environment	↕
4/ Consumer confidence	⬆
5/ Bad debt	⬆
6/ Cyber security	➤
7/ Business interruption	⬆
8/ IT systems	⬆

process is reported to the Audit Committee and used to drive the content of the annual Internal Audit Plan.

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

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

The Group's Financial Services and Data Governance Compliance teams continue to play key roles in the monitoring and mitigation of regulatory risk across the business.

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

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

The Group continues to comply with the provisions of the Code on 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 Audit Committee and the Executive 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.

Brexit

Brexit is one of the most significant economic events for the UK at the time of this report, its effects are subject to significant levels of uncertainty as to outcome. The full range of potential economic, regulatory and business environment impacts are therefore unknown.

The uncertainty surrounding the impact of Brexit and potentially reduced consumer confidence give rise to the risk of increased bad debts from a potential deterioration in customer discretionary spending capacity. In addition, the sensitivity of the Group's IFRS 9 model to adverse shifts in arrears rates increases this risk. The Group has continued to mitigate this risk through a focus on maintaining and improving the quality of the debt book.

The retail sector experienced a number of business failures in 2018 and trading conditions are expected to remain challenging for at least the next 12 months. The impact of Brexit on the Group remains a key consideration with a wide range of potential risks including increases in cost prices, impact on our Irish operations, decreased customer spending power to potential loss of personnel. Management are proactively planning in respect of Brexit and a Brexit Impact Steering Committee has been created to identify risks and drive mitigation actions against those risks, although Brexit is likely to compound challenges identified in the sector. However, the high level of uncertainty in both the financial and political implications of Brexit makes the success of mitigation activities very difficult to predict.

Taxation

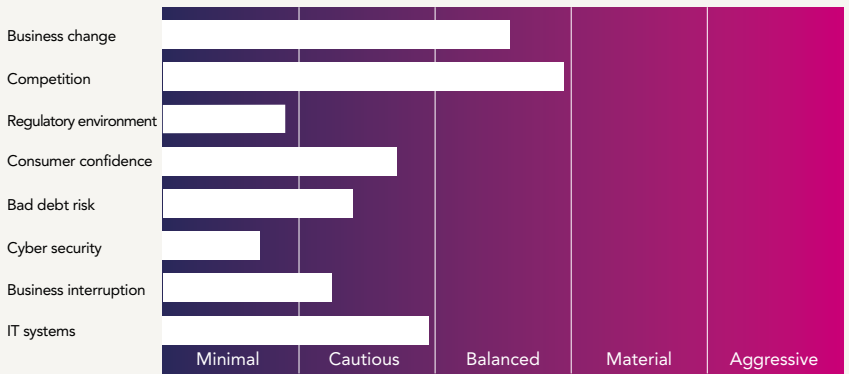
Taxation has historically been included as a key risk for the Group. Given the progress management have made in the year with respect to a number of the Group's legacy tax cases and in particular the ruling which has been received with respect to the Group's Partial Exemption case, the risk arising from taxation has not been specifically identified as a key risk this year. Ongoing management and mitigation of tax risk continues to be a priority for the Group.

A continuous process for identifying risks

The Directors have overall responsibility for ensuring that the Group maintains a sound system of internal control.



Risk appetite



Risk appetite

The Group's framework for managing its consideration of risk appetite forms part of the annual Risk Management cycle and is used to drive and inform any actions undertaken in response to the principal risks identified by the Board. The Group's internal auditors facilitated two Board level assessments of risk appetite during the financial year. Within this framework, the Group's appetite for risk is identified 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 above 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.

Identify, evaluate and manage risks facing the Group

Key risk

Consumer confidence

Description

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

Change from last year



Potential impact on business

Increased headwinds and uncertainty in the retail market coupled with an uncertain Brexit outcome have caused an increased risk to consumer confidence and consequently an increased risk to Group performance and cash flow. Potential impacts arising from a loss of confidence by customers include reduction in revenue, market share or profits, increased bad debt provision, cash flow volatility and declining customer satisfaction ratings.

Mitigation

- Customer insight team tracking customer behaviours and expectations.
- Benchmarking against competitor activity in marketing, product offering and pricing strategy.
- Continuous improvement in IT systems and business processes throughout the Group's change programmes.
- Agile trade and supply capabilities to adapt to changing trends or macro-economic shifts.
- Reduction in minimum payments to reduce risk of arrears.
- Proactive engagement with FCA to ensure continuous compliance in Financial Services.

What we have done in 2018/19

- Delivered website enhancements and new applications to improve customer experience.
- Launched customer loyalty scheme.
- Enhanced data analytics capability to identify customer experience improvements.
- Launched new Financial Services products.
- Group Customer Satisfaction Index rating (CSI) is the highest it's ever been, currently ranked number 3 in the UK Retail (non-food) Business Benchmarking.

Key risk

Business change

Description

Business change plans are unsuccessful in delivering the best course of action to achieve successful competition and growth.

Change from last year



Potential impact on business

The capacity of the Group to achieve its desired technological and cultural change is necessary to remain competitive and improve performance and market position. The Group's continuous change programmes are intended to deliver incremental, value added changes 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.

Mitigation

- Continuous, agile IT change processes through the Digital Launchpad initiative.
- Integrated approach to technological upgrades and business process improvements.
- Cultural change group to drive internal and cultural change.
- Data driven decision making feeding into the Group's change delivery programme.
- Continued focus on removal of barriers to loyalty through the development of the customer service experience.
- Customer Insights team ensures up to date information on customer trends and expectations.

What we have done in 2018/19

- Successfully established in-house Data Science team.
- Introduced cross-functional 'squad' approach to change projects including key IT and business owner representation.
- Implemented prioritisation matrix to drive the change focus.
- Developed new suite of internal measurements and indicators to align the business with the Group's strategic priorities.
- Group CSI is the highest it's ever been, currently ranking number 3 in the UK Retail (non-food) Business Benchmarking.

Key risk**Bad debt****Description**

Impact from Brexit and decreasing consumer confidence increases the level of bad debt provisions and write off.

Change from last year**Potential impact on business**

The current state of the consumer credit market as well as the uncertainty of Brexit places additional constraints on customer discretionary spending and may lead to an increased risk of missed Financial Services repayments and arrears rates.

The potential consequences of increased bad debt provision include: constrained working capital and cash flow, lowered additional borrowing capacity, underachievement against growth targets and loss of flexibility.

Mitigation

- Increased quality of credit on book to mitigate risk of arrears.
- Automated monthly disposal process of debts passing through the arrears cycle.
- Reduced minimum payments rate to make repayments easier for customers.
- Dedicated and proactive in-house Financial Services and Customer Service teams.

What we have done in 2018/19

- Enhanced lending criteria for new customers and ongoing credit limit assessment.
- Continued focus on fraud prevention to protect customers and the Group.
- Improved arrears management process.
- Enhanced use of data analytics and procurement of a new data analytics platform.

Key risk**IT systems****Description**

Residual dependency on legacy IT systems leads to lack of agility to respond to changing market conditions.

Change from last year**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.

Mitigation

- Improved operations systems stability and introduced performance monitoring.
- Migration of legacy IT systems to cloud service providers for improved resilience.
- Continued use of outsource provider for IT legacy architecture support.

What we have done in 2018/19

- Enhanced process and accountability definition across the architecture and engineering teams.
- Appointed external consultants to appraise Technology strategy and direction.
- Introduced Design Authority process to ensure Technology decisions align to business strategy.
- Reduced dependence on legacy product management platform through a combination of new process and tactical IT changes.
- Continued migration from legacy systems to cloud based systems.
- Architecture team designed and re-focused the technology roadmaps.

Key risk

Cyber security

Description

Malicious activity leading to significant loss of data or disruption to trading and potentially impacting income, profitability, customers and the Group reputation.

Change from last year



Potential impact on business

Increased online presence and reliance on digital systems raises the importance of cyber security to the Group. GDPR regulations increase the Group's focus in this area.

Potential impacts on the business include:

- Loss of customer data
- Business interruption
- Potential fines or reputation damage if regulatory response plans are delayed or not adequate

Mitigation

- Group Cyber Security team designs and implements security controls.
- Security Operation Centre (SOC) continuously monitors, manages and responds to cyber security attacks.
- Operating system software security hardening.
- Anti Distributed Denial of Service (DDoS) processes.

What we have done in 2018/19

- Implemented a vulnerability management and remediation process.
- Introduced continuous security monitoring and third party vendor security assessment processes.
- Recruited a qualified Penetration Tester and introduced a Penetration Testing programme.
- Development of a Security Event and Incident Management (SEIM) tool.
- Defined Centre Internal Security (CIS) configuration benchmarks for all operating systems software.
- Data Loss Prevention (DLP) set to 'Block' mode to prevent fraud.

Key risk

Competition

Description

Failure to compete effectively through Retail, Customer Service and Financial Services propositions.

Change from last year



Potential impact on business

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.

Mitigation

- Customer Insight team uses the Customer Services Index to drive continuous improvement programme.
- Integrated merchandising and marketing squads under new Trading Director.
- Ongoing benchmarking against competitor activity.
- Continuous improvement in IT systems and culture through the Group's change programmes.
- Brexit response steering committee to drive strategy for response to Brexit.
- Hedging of foreign exchange rate exposure to provide certainty over input costs.

What we have done in 2018/19

- Refocused brand strategy to be more customer centric.
- Re-aligned key objectives to focus on profit and digital growth.
- Launched variable APR and new financial service products.
- Reduced legacy, offline customer recruitment.
- Commenced automation of the customer returns process.
- 'Cross-functional' 'squads' introduced to enhance customer focus.

Key risk**Regulatory environment****Description**

Failure to ensure the Group complies with existing and emerging regulation.

Change from last year**Potential impact on business**

Recent and forthcoming changes in regulation remain a key consideration for the Group. The recent GDPR regulations are now fully embedded and operating. However, the introduction of the FCA Senior Managers Regime in December 2019 represents a continuing focus on key regulation for the Group.

Potential impacts arising from changes in regulation are: increased costs, erosion of margins and potential fines or reputation damage if response plans are not achieved.

Mitigation

- Financial Services Governance Committees oversee all changes and improvement to Financial Services processes.
- Data Governance team responsible for ensuring compliance with data security provisions of GDPR.
- In-house Customer Service team specialising in the treatment of vulnerable customers.
- Continued active membership of the British Retail Consortium and the Finance and Leasing Association.
- Proactive engagement with the FCA and other regulatory bodies.

What we have done in 2018/19

- Embedded Data Governance and GDPR compliance reporting in standard management information reports.
- Ongoing development of the Group's accountability model to identify and update roles and responsibilities in preparation for the Senior Managers and Certification Regime.
- Established a steering group to govern and control the introduction of the Senior Managers Regime.

Key risk**Business interruption****Description**

A significant event impacts the ability of the Group to continue trading.

Change from last year**Potential impact on business**

Business interruption events are an ever present possibility for the Group. Potential impacts are broad ranging and include:

- Disruption to trade and customer service
- Impact on revenue, margin or reputation

Mitigation

- Business Continuity framework is underpinned by a Crisis Management plan and supported by individual Business Continuity plans for each business area across the Group.
- Third party service providers have Business Continuity plans.
- The business change programme includes migration to cloud based systems which increases resilience.
- Outsource provider for IT legacy systems.

What we have done in 2018/19

- Continued our planned migration to cloud services to improve resilience in our business systems.
- Completed a major incident walk through with senior managers using various scenarios to assess the effectiveness of the Crisis Management plan.
- Appointed a Business Continuity specialist to review and refresh our Business Continuity Plan framework and supporting Business Continuity plans.

A transforming digital retailer

Our performance in detail

Our transformation to a digital retailer continues with 80% of product revenue now digital¹, and with digital revenue for JD Williams, Simply Be and Jacamo +8.0%.

Simply Be

+4.4% 

Product revenue increase excluding stores

JD Williams

-2.4% 

Product revenue decrease

Jacamo

+3.9% 

Product revenue increase excluding stores

Targeted

Low conversion on this product prompts targeted follow-up email

¹ Revenue excluding stores.

12

Customer browses for an average of 12 minutes before purchasing



Loyalty

Curated offers to drive loyalty



FY19 Performance Review

JD Williams

JD Williams revenue increase of 6.8% excluding Fifty Plus

Digital revenue up 8.8%

JD Williams saw strong growth in digital sales with an 8.8% increase in digital revenue compared to the previous year.

-2.4%

Revenue decrease to £159.5m



JD Williams is our modern digital department store, positioned for 45+ customers and their families. Revenue was down 2.4% during the year due to the drag from migrated Fifty Plus customers, one of our legacy offline brands. Excluding Fifty Plus, JD Williams revenue increased 6.8%. JD Williams also displayed strong growth in digital sales with an 8.8% increase in digital revenue compared to the previous year.

Last summer JD Williams conducted research which highlighted that more than half of women aged 45+ are unhappy with what the high street has to offer their age group, despite 60% of this age group having more money to spend on fashion now than they did in their twenties.

In response JD Williams staged 'JDW Live AW18' in London on the eve of London Fashion Week – a celebration of fashion for women aged 45+. The show included the winners of the JD Williams' Model search, a nationwide competition to find two unsigned models in their mid-life years, as part of its ongoing commitment to use age-appropriate models in its brand and advertising campaigns. This event kick started London Fashion Week and was live

streamed on jdwilliams.co.uk with a click to buy functionality – allowing customers to buy the clothes they see on the catwalk.

This year, JD Williams has adopted the campaign mantra of 'I AM...' shot and directed by an all-female crew aged between 45-60 – our target customer. The campaigns celebrate everything about life after 45, and the bold and empowering campaigns have featured a mix of models and real women, diverse in age and shape, who the audience can really relate to, showcasing the AW18 and SS19 collections, available in sizes 10 – 32.

In October we launched JD Williams Rewards; a loyalty scheme which gives our customers personalised rewards. We use customer data to tailor the rewards to different types of customers depending on their shopping habits and preferences.

Simply Be

Championing inclusivity, holding a London Fashion Week 'More Than Our Bodies' demonstration

Simply Be active customers up 6%.

Simply Be product revenue was up 4.4% excluding stores, with digital revenue up 8.7%.

+4.4% — £

Revenue increase to £131.5m excluding stores

Simply Be is the go-to digital destination for fashionable size 12-32 women, offering a range of own and third-party brands, often in larger sizes on an exclusive basis, reinforcing our fit USP. Simply Be delivered another good performance, growing revenue by 4.4% during the period excluding stores. Simply Be also reported an 8.7% growth in digital revenue compared to the prior year.

Simply Be's Autumn Winter campaign and latest Spring campaign, More Than Our Bodies, champion the new message that women are more than just their bodies. The women in the campaigns each have a story to tell and showcase snippets of their real lives, and how they use their style and ideas to further themselves.

To support the 'More Than Our Bodies' campaign and its inclusivity message, Simply Be staged a demonstration during London Fashion Week, where models, diversity campaigners and influencers boarded an open-top bus to celebrate the individuality of all women regardless of size and shape. Led by influencers Hayley Hasselhoff, Sonny Turner and Felicity Hayward, the demonstration created a bold fashion moment that celebrated women of all shapes and sizes and demonstrated that all women have a story to tell.



Jacamo

Jacamo product revenue was up 3.9% excluding stores

Jacamo active customers up 6%



Jacamo saw good growth in digital sales with a 5.1% increase compared to the previous year.

Jacamo caters for 25-45 year-old men of all body shapes and sizes. Jacamo product revenue was up 3.9% excluding stores, and digital revenue increased by 5.1% compared to the prior year. Building on our successful distinctive and aspirational Live YOUR Moment campaign, as part of our summer edition we collaborated with former England international and Match of the Day pundit Jermaine Jenas and rapper Wretch 32. Extending over an 11-week period, this was our largest Jacamo campaign to date.

Following its success, we continued this campaign into the Autumn Winter season, showing a diverse range of men reliving their inspirational life moments using three different influencers: snowboarder and Olympic medal holder Billy Morgan, Rugby League player Luke Burgess and model and body confidence ambassador Raul Samuel. All were chosen for their ability to convey their inspirational life moments and to promote body shape inclusivity supporting our size inclusive offer from small to 5XL.

+3.9% — £

Revenue increase to £64.0m excluding stores

Secondary & Traditional



Secondary brands revenue decreased by 4.6% excluding stores, reflecting our continued shift in marketing investment towards profitable digital growth. Following the success of its Simply Be and JD Williams apps, the Group launched its third app in August, Fashion World. This is targeted at improving the digital experience for our Fashion World customers.

Revenue in the Traditional segment decreased by 17.2% as the Group continued to increase its focus on its digital business and scaled back its unprofitable offline marketing and recruitment. Within the Traditional segment we were pleased with the performance of Ambrose Wilson which delivered digital growth of 7.4% in the year. Given that this segment is more heavily weighted towards offline than the rest of the Group, as it typically serves more mature customers, this segment is expected to experience the fastest rate of offline revenue decline going forward.

Fashion World mobile app launched

Ambrose Wilson delivered digital growth of 7.4% in the year

Secondary brands revenue decreased by 4.6% excluding stores, reflecting our continued shift in marketing investment towards profitable digital growth

-4.6%

Revenue decrease to £139.2m excluding stores



Closure of store portfolio

During the year we undertook a review of our store estate. Given the continuation of very disappointing footfall, and despite significant cost efficiencies being achieved, we entered into a consultation with store colleagues to consider closing our 20 stores ahead of lease expiry. Following the consultation, we took the decision to close all 20 stores and at the end of the financial year the Group had no physical stores. In FY19 the Group's stores generated £6.9m revenue all within the first half of the financial year (FY18: revenue of £17.3m).

International

International revenue declined 6.6% to £32.4m. Ireland delivered revenues of £18.5m, up 5.9% year on year (up 5.1% in constant currency terms) and continues to perform well. USA revenue was £13.9m, down 19.3% year on year (down 18.0% in constant currency terms).

-6.6%

International revenue declined to £32.4m



Financial Services

111k new credit recruit (rollers), down 8.9%, driven by tighter control around lending decisions

Gross margin was down 200 bps year on year to 59.2%



Financial Services delivered a strong performance during the year, driven by an increased interest revenue and continued strong management of arrears.

Financial services delivered a strong performance during the year, driven by increased interest revenue and a continued strong management of arrears. Financial services revenue was up 10.8% year on year. Within this, interest payments were up 12.7% reflecting the increased level of receivables and the impact of management initiatives such as risk-based pricing which was implemented in the year. This increase was offset by a 3.6% reduction in other fees and income reflecting general improvements in the early arrears profile.

Financial services gross margin decreased by 200bps to 59.2%. This was driven by the change in accounting methodology to provide for receivables under IFRS 9, which results in a provision being made against

every customer account regardless of whether they are in arrears. As a result of this change, the impairment charge for the year was £19.5m higher than that charged in FY18 under the previous accounting standard IAS 39. The increased level of provision also increased the level of profit generated from the sale of payment arrangement debtors, with total profits on debt sales of £10.7m, £4.9m higher than the prior year. These two factors contributed to a net £14.6m increase in bad debt charges during the year. Compared to the same period last year (restated on an IFRS 9 basis), the provision rate decreased by 370bps due to an underlying improvement in the quality of the loan book and the disposal of some high-risk payment debt which was sold at a better rate than the book value.

+10.8%

Revenue increase to £298.6m



Digital revenue growth



Craig Lovelace
Chief Financial Officer

£615.8m

Product revenue



Revenue

Group revenue declined 0.8% to £914.4m with product revenue declining 5.6% offset by a 10.8% increase in Financial Services revenue. Product revenue was £615.8m, reflecting a continued shift in focus from our legacy offline business to digital growth, the ongoing challenging market conditions for fashion retail and the closure of our store portfolio. Excluding stores, which are all now closed, product revenue was down 4.2%. Financial Services revenue was £298.6m as we benefited from increased interest received from the Group's growing customer loan book.

Product category performance was impacted by the managed decline of the offline business and the closure of stores in the year. Ladieswear declined as a result of lower sales in branded ladies clothing. Both Menswear and Footwear & Accessories declined largely due to Premier Man. Home & Gifts performance was principally due to lower revenue at House of Bath.

Gross margin

The Group's gross margin was 54.4%, down 40bps compared to FY18. This decline was as a result of a 10bps decline in the product gross margin to 52.1% and a 200bps decline in the Financial Services margin to 59.2%.

The product gross margin represented a solid performance in a highly promotional retail environment. The decline in the Financial Services gross margin was driven by the requirement under IFRS 9 to make a provision against every new credit customer, including those that are trading normally.

Operating costs

Warehouse and fulfilment costs decreased by 2.1% to £84.0m. This was driven by lower volumes and continued efficiencies. The decrease in warehouse and fulfilment was greater during the second half, with 3.7%, compared to the first half decrease of 0.3%.

Revenue performance by quarter

	Q1 13 weeks	Q2 13 weeks	Q3 18 weeks	Q4 8 weeks
% yoy growth				
Product	(2.8)%	(4.6)%	(8.4)%	(4.8)%
Financial Services	+9.0%	+16.0%	+9.7%	+7.5%
Group revenue	+0.4%	+1.5%	(3.5)%	(0.3)%

Revenue by category

£m	FY19	FY18	Change
Ladieswear	256.5	267.6	(4.1)%
Menswear	85.0	89.2	(4.7)%
Footwear & Accessories	70.8	74.9	(5.5)%
Home & Gift	203.5	220.9	(7.9)%
Product total	615.8	652.6	(5.6)%

Marketing costs were down 3.8% year on year, as the Group continued to scale back offline marketing and recruitment, consistent with the strategy of focusing on digital growth and improving marketing efficiency.

Admin and payroll costs decreased by 6.8%, driven both by the actions taken to close our store estate during FY18 and FY19 as well as increased Head Office efficiencies.

Adjusted EBITDA increased by 7.9% to £128.0m, with Adjusted EBITDA margin increasing by 1.1ppts to 14.0% (FY18: 12.9%). Depreciation and amortisation increased by 7.1% reflecting historical and ongoing investments in IT systems. Overall, operating profit before exceptional items was £97.9m, up 8.2% year on year, with adjusted operating margin increasing by 0.9ppts to 10.7%. Adjusted profit before tax was £83.6m, up 2.5% year on year as a result of a good margin performance, strong Financial Services and the delivery of marketing and other operational efficiencies. Statutory loss before tax was £57.5m, as a result of the exceptional costs incurred during the year.

£298.6m
Financial Services revenue

£914.4m
Group revenue



Operating performance

£m	FY19	FY18	Change
Product revenue	615.8	652.6	(5.6)%
Financial Services revenue	298.6	269.6	+10.8%
Group revenue	914.4	922.2	(0.8)%
Product gross profit	320.8	340.5	(5.8)%
Product gross margin	52.1%	52.2%	(0.1)ppts
Financial Services gross profit	176.9	165.1	+7.1%
Financial Services gross margin	59.2%	61.2%	(2.0)ppts
Group gross profit	497.7	505.6	(1.6)%
Group gross margin %	54.4%	54.8%	(0.4)%
Warehouse & fulfilment	(84.0)	(85.8)	(2.1)%
Marketing & production	(157.8)	(164.0)	(3.8)%
Admin & payroll	(127.9)	(137.2)	(6.8)%
Total operating costs	(369.7)	(387.0)	(4.5)%
Adjusted EBITDA ¹	128.0	118.6	+7.9%
Adjusted EBITDA ¹ margin	14.0%	12.9%	+1.1ppts
Depreciation & amortisation	(30.1)	(28.1)	+7.1%
Adjusted operating profit²	97.9	90.5	+8.2%
Adjusted operating margin %	10.7%	9.8%	+0.9ppts
Operating (loss)/profit	(47.7)	33.6	(242.0)%
Net finance costs	(14.3)	(8.9)	+60.7%
Adjusted PBT²	83.6	81.6	+2.5%
Exceptional items	(145.6)	(56.9)	+155.9%
Unrealised FX movement	4.5	(8.5)	(152.9)%
Statutory LBT / PBT	(57.5)	16.2	(454.9)%

£m		Change	
Core net debt³	77.7	66.8	16.3%
Overall net debt⁴	467.9	346.8	34.9%

1 Adjusted EBITDA is defined as operating profit, excluding exceptionals, with depreciation and amortisation added back. The directors believe that adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance.

2 Defined as excluding exceptionals and fair value movement on financial instruments.

3 Excludes debt securitised against receivables (customer loan book) of £390.2m (2018: £280.0m).

4 Total liabilities from financing activities less cash.

Net finance costs

Net finance costs were £14.3m, up 60.7% compared to FY18, due to the increase in net debt driven by growth in our customer loan book.

Financial Services and IFRS 9

IFRS 9 has replaced the IAS 39 standard and came into effect in FY19, therefore this is the first full year in which we are reporting under IFRS 9. 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. As a result of IFRS 9 our gross bad debt charge increased by 19.6% to £119.0m (FY18: £99.5m).

Compared to the same period last year (restated on an IFRS 9 basis), the provision rate decreased by 370bps due to an underlying improvement in the quality of the loan book and the disposal of some high-risk payment debt which was sold at a better rate than the book value.

Exceptional items

Exceptional costs of £65.4m were incurred during the first half, as previously announced. In the second half we incurred £80.2m primarily relating to an impairment charge on the Group's VAT debtor asset, legacy customer redress payments and costs associated with the closure of the store estate. Of the £22.7m additional provision made for customer redress in the second half of the financial year, £14.1m has already been paid out in cash.

Taxation

The effective underlying rate of corporation tax is 26.9% (FY18: 23.3%). The overall tax charge is £0.8m (FY18: £3.7m charge).

Operating performance

£m	2 Mar 2019	3 Mar 2018	Change
Gross customer loan balances	682.2	647.6	5.3%
IFRS 9 bad debt provision	(97.1)	(116.0)*	-16.3%
IFRS 9 provision ratio	14.2%	17.9%*	-370bps
Net customer loan balances	585.1	531.6*	10.1%

* restated for IFRS 9. The bad debt provision previously reported under IAS 39 was £48.8m (provision ratio of 7.5%).

Exceptional items

£m	FY19	FY18
Customer redress for historic insurance products	45.0	40.0
Store closures	22.0	13.8
Impairment of intangible assets and brands	20.0	-
VAT debtor impairment	49.4	-
GMP equalisation	0.3	-
Other VAT matters including associated legal and professional fees	8.9	3.1
Total exceptional costs	145.6	56.9

See Note 6 for more details.

VAT partial exemption

The Group has been in a long running dispute with HMRC with respect to the VAT treatment of certain marketing and non-marketing costs and the allocation of those costs between our retail and credit business. The case in respect of marketing costs was heard in a first tier VAT tribunal in May 2018 with a draft decision being issued in November 2018 which was published in March 2019.

The case has two key aspects, those being attribution which is in respect of whether marketing costs can be directly attributed to product revenue or Financial Services income and secondly apportionment which is surrounding the allocation of marketing costs between the retail and Financial Services business. With respect to attribution, the judge agreed with HMRC, finding that when the Group is marketing goods it is also in effect marketing financial services, even if there is no reference to this in its marketing materials.

The judge however ruled against HMRC's standard method of apportionment of costs (which is based upon the proportion of total UK revenue which is generated from product sales).

Whilst discussions are ongoing with HMRC and a final outcome not yet achieved, following the ruling management have reviewed the likelihood of recovering the carrying value of the asset held as at February 2018 of £43.8m and as a result of this review have written down the value by £37.9m.

As the Group has not yet been assessed by HMRC for the period June 2017 to March 2019 this has also resulted in an additional charge of £11.5m. This results in a total exceptional charge of £49.4m and a VAT creditor at year end of £6.6m (2018: £43.8m asset).

Earnings per share

Loss per share from continuing operations was (20.50)p (FY18 earnings per share: 4.41p). Adjusted earnings per share from continuing operations were 21.38p (FY18: 23.06p).

Dividends

In October, the Board took the decision to rebase the dividend to a more sustainable level from which we will seek to grow as earnings progress. As a result, we are proposing a full year dividend of 7.1p per share (FY18: 14.23p per share).

Balance sheet and cash flow

Capital expenditure was £36.3m (FY18: £39.2m). Inventory levels at the period end were down 9.8%, to £99.8m (FY18: £110.6m) as a result of tighter stock management.

Gross trade receivables increased by 5.3% to £682.2m (FY18: £647.6m) as a result of the growth in the loan book.

Net cash used in operations (excluding taxation) was £35.0m compared to £44.3m last year, principally driven by a cash outflow of £84.6m related to exceptional items. After funding capital expenditure, finance costs, taxation and dividends, net debt increased from £346.8m to £467.9m, in line with guidance. The £585.1m net customer loan book significantly exceeds this net debt figure.

The Group has an available financing facility totalling £625m, made up of a securitisation facility of £500m and an RCF of £125m, both secured until 2021.

The Group's balance sheet is underpinned by its customer loan book, which at 2 March 2019 was £682.2m on a gross basis and £585.1m on a net basis, calculated under IFRS 9.

Compared to 3 March 2018 the Group's overall net debt increased by £121.1m to £467.9m, in line with guidance, principally due to exceptional cash outflows of £84.6m and the growth in the loan book of £34.6m.

Core debt, which is defined as the amount drawn on the Group's RCF less cash was £77.7m. On this basis, the Group's leverage is 0.6x on a net debt/EBITDA basis.

The Group's defined benefit pension scheme has a surplus of £23.9m (FY18: £19.3m surplus). The increase in the surplus is as a result of general market changes in asset returns during the year.

FX sensitivity

For FY20 we have hedged 100% of our net purchases at a blended rate of \$/£1.34. At a rate of \$/£1.30, and before any mitigating actions or changes, this would result in a c.£0.3m PBT tailwind compared to FY19 (hedged rate \$/£1.33).

For FY21 we have, to date, hedged 60% of our net purchases at a blended rate of \$/£1.32. At a rate of \$/£1.30 and before any mitigating actions or changes in annual requirements, this would also result in a c.£2.0m PBT tailwind compared to FY20. Every 5 cents move from this rate in our unhedged position would result in a PBT sensitivity of c.£2m.

FY20 guidance

We are providing the following guidance for FY20:

- Product gross margin flat to -100bps
- Financial Services gross margin flat to -100bps
- Group operating costs -2.5% to -4.5%
- Depreciation & amortisation £31m to £33m
- Net interest £17m to £18m
- Tax rate 20-21%
- Capex c.£35-40m
- FY20 Year-end net debt £440m to £460m, although half year net debt will be in the range £475m to £500m given continued customer redress and tax settlement payments.

Craig Lovelace

Chief Financial Officer

Acting responsibly for our future

3 we continue to support our three customer charities

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

2022

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

#Vibe Survey

Our annual survey of our people allows us to create an action plan to ensure we improve the experience of all colleagues



Taking care of our world



Michael Ross
Chair of the CSR Committee

Dear Shareholder

I am pleased to present this report following my first full year as Chair of the CSR Committee.

During the year we have continued to align our CSR agenda with our commercial strategy which has resulted, amongst other things, in a significant reduction in our paper usage. We have pioneered innovation in data and fit and are delighted to have agreed our Ethical Principles for Trustworthy AI.

Progress in 2018

ESOS 2019 review underway with all main sites assessed by an approved assessor



Significant reduction in paper usage



Adoption of Ethical Principles for Trustworthy AI



Priorities in 2019

Delivery of the first phase of a lighting efficiency project at the Group's logistics sites

Implementation of sustainable alternatives to plastics usage across the Group and its supply chain

Improve diversity and inclusivity for customers and colleagues through the innovative use of data

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



All People

Performance and opportunity for all

Understanding and celebrating the diversity of our customers and our colleagues is central to our success.

We give as much importance to our colleague experience as we do to our customer experience, developing engagement policies and practices that enable people to bring their best self to work, promoting dignity and respect and encouraging flexible working practices that encourage opportunity for all to grow a balanced pool of leadership talent.

We expect everyone in our supply chain, call centre and distribution partners to be treated with dignity and respect, and to be provided with fair opportunity and reward.

Always striving to find new ways of listening to, and involving, our colleagues, our regular #Vibe Surveys encourage feedback from all and inform action plans to drive improvements in our customer and colleague journeys.

Our Central Data Science teams have been strengthened to respond to our diverse customer base through deeper insights, and our investment in Data Fellowship Apprenticeships continues to harness talent from across the North West to drive our business growth through better capacity in data analysis and Artificial Intelligence (AI).

Our diversity and inclusion strategy is underpinned by the introduction of our new People System which will improve transparency through detailed workforce profiling and talent mapping. This will enable us to improve our Gender Pay Gap position, which already tracks ahead of the national and retail average. Our Women Like Us workshop programme continues to help us understand issues faced by women, raising aspirations and providing practical development support.

We continue to refine our leadership development programmes for our leaders. Through the Apprenticeship Levy we have created 26 new digital roles as well as 86 internal learning opportunities. 2019 will see the introduction of a new bonus scheme to drive performance and opportunity for all.

We continue to encourage and support our colleagues to play a positive role within the local community. This year we asked our colleagues to choose a local cause to get behind. Through a calendar of fundraising events colleagues are supporting Maggie's, the national cancer support charity which has local centres in Manchester and near to our distribution centre in Oldham.

One Planet

Protecting the earth begins with respecting it

We remain 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 always looking for ways to make our business more efficient and less impactful on the environment. This year a key focus for the business has been reviewing our product and delivery packaging. We have reduced excess by streamlining the number of different packaging sizes distributed to customers and have sourced more environmentally friendly materials for our packaging.

We have continued to report voluntarily to both the Carbon Disclosure Project (CDP) and the Forestry Disclosure Project (FDP) and are pleased with our progress to date, maintaining a B score in CDP and A minus in FDP both of which are above the sector average.

Other successes to note during the year:

- ESOS assessments are well underway and on the back of these, certain minor efficiency projects have been completed and a major project tender conducted for a lighting efficiency upgrade at our logistic sites will be implemented in 2019.
- The business continued to purchase green electricity for all UK sites.
- A review was completed of our 2022 targets, aligning them to the business strategy and making them more stretching in order to reduce our carbon footprint even further.

Further information on our emissions profile can be found on pages 43 to 45.

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 and 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 IndustriALL, 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.

Closer to home we continue to improve supplier engagement by visiting key suppliers regularly. This remains an important 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 ongoing monitoring to ensure factory compliance standards.

Ethical Principles for Trustworthy AI

Introduction

As a digital-first organisation, innovative data analytics are key to our success. As an inclusive retailer our customers are at the heart of everything we do. In order to ensure that the interests of our customers remain paramount, we have created our Ethical Principles for Trustworthy AI.

Our Principles have been developed within the framework set by the European Commission and take into account the helpful guidance published by the Information Commissioners Office.

All policies and processes which relate to the use and handling of data align with these Principles.

Oversight of these Principles sits with the CSR Committee, which will ensure that they continue to serve the best interests of our customers.

The principle of transparency: "Design for all"

AI and machine learning are applied where there is a clear and obvious benefit to its use.

The principle of integrity: "Respect for privacy"

We ensure that any use of AI does not impact on people's privacy rights in a way which could be considered harmful.

The principle of non-discrimination: "Explicability"

We seek to avoid creating algorithms which create or reinforce unfair bias, particularly where we process special category data such as gender, nationality and age.

The principle of autonomy: "Human-centricity and accountability"

Humans choose how and whether to delegate decisions to AI systems, to accomplish human-set objectives.

The principle of responsibility: "A continual focus"

We continually review and evolve our Ethical Principles for Trustworthy AI.



Environment

Overview

We are delighted to have maintained our previous environmental achievements and to have reduced our absolute and relative emissions compared to our previous reporting period. We continue to work alongside our long-term environmental partners: Envantage Limited and Viridor Limited (specialising in energy & carbon, and waste), to ensure full compliance with all relevant legislation and work to continuously improve our environmental performance, quantification and disclosure.

Group-wide responsibility for sustainability sits with Ralph Tucker, Chief Product and Trading Officer. He reports to the Chief Executive Officer and sits on the Executive Board of N Brown and the CSR Committee.

We have expanded our environmental commitments this year to include our impacts associated with our supply chain and plastics and paper usage. We have a range of initiatives both planned and underway, including a project to replace the lighting across various sites and improve lighting controls. We are looking forward to developing these initiatives and feel positive about taking the next step to expand the scope of our environmental reporting and targeting.

Emissions profile¹

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. We have this year expanded our scope 3 reporting to include our supply chain emissions which we plan to report from next year, along with the below figures.

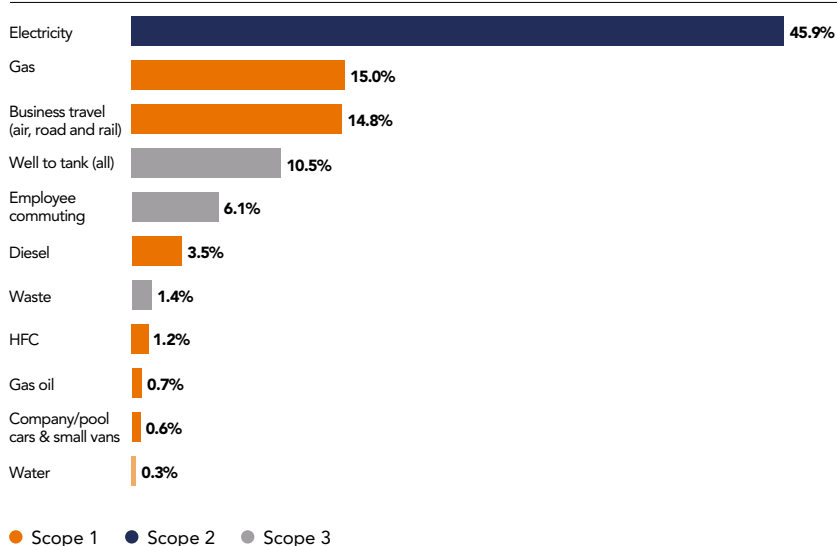
The table and chart to the right illustrate our GHG emissions across all our reporting areas, for the global Group from 1 March 2018 to 28 February 2019 and the previous year.



We have once again reduced our Group GHG emissions, this time by a substantial 22%, compared to the previous reporting period. This reduction is mainly attributed to a decrease in our buildings' energy consumption and a decrease in staff driving to work, supported by the electricity grid increasing its use of renewable energy sources.

Scope	Source	Total GHG tCO ₂ e		% change
		2017 – 2018 (Previous year)	2018 – 2019 (Current year)	
Scope 1	Gas	1,804.8	1,607.6	-11%
	Diesel	346.6	370.9	+7%
	HFCs	106.2	134.4	+27%
	Gas oil	79.9	78.5	-2%
	Company and pool car	84.4	64.0	-24%
Scope 2	Electricity	6,455.7	4,913.9	-24%
Total scope 1 and 2		8,877.6	7,169.3	-19%
Scope 3	Water	29.2	27.9	-4%
	Employee commuting	863.7	655.5	-24%
	Business travel (air, road and rail)	2,253.4	1,582.9	-30%
	Waste	219.5	146.0	33%
	Well to tank (all)	1,477.3	1,118.2	-24%
Total		13,720.7	10,699.8	-22%
Outside scopes – Biogenic element – Diesel		8.7	8.1	-7%

N Brown Emissions Profile 2018-2019 (tCO₂e)



¹ Our Greenhouse Gas (GHG) emissions inventory is calculated for the global Group under the operational control approach, in accordance with the GHG Protocol and GHG emissions factors published by BEIS. The inventory is independently calculated by our partner carbon consultants, Envantage Ltd. Emissions figures detailed cover all active entities during the reporting year.

Relative performance using intensity ratios

As a growing organisation, evaluation of scope 1 and 2 emissions performance using an intensity ratio allows a more meaningful comparison to be made between inventory periods.

Our relative GHG emissions (scope 1 & 2) against items dispatched² have decreased year-on-year since we started reporting in 2015. We are pleased to report a significant reduction of 14% compared to our previous reporting year.

Continued success

We are pleased to have maintained previous achievements, including:

- Continued reduction in scope 1 and 2 emissions per items shipped.
- 98% of electricity supplied from zero carbon and renewable sources³.
- 100% of waste diverted from landfill across head office and distribution sites.
- Maintained Carbon Disclosure Project disclosure and performance scores (A- for Forests and B for Climate).

Improvement targets and commitments

As well as maintaining performance in the above areas, we are committed to continually drive for environmental improvements. In 2017, we set five year-long environmental targets, focusing on our buildings and haulage emissions, and waste disposal. Due to various changes within the business and external factors impacting last year's performance against targets, it was decided that targets should be reviewed, realigned and expanded upon to ensure they are challenging and focused on the areas which the Group has the most potential to reduce our impact on the planet.

The key areas of focus are now:

1/ Buildings Emissions

We have retained our target to reduce our emissions across our corporate buildings. Our corporate buildings activities contribute to over half of the emissions associated with our core business operations, so it is an important area to focus on. We have made this target more stretching and relevant to our current business activities.

Target:

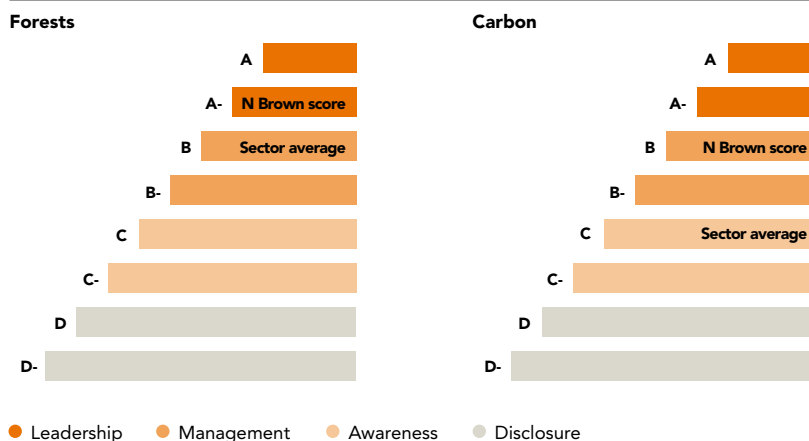
35%
reduction in GHG emissions
(tCO₂e / items shipped)

Emissions against items shipped Previous year and current year (tCO₂e/million items)



14% decrease in emissions against items shipped

N Brown Group Plc sector benchmarking 2018-2019



2/ Supply chain carbon footprint

Over the past year, our Supply Chain Management Team have reviewed our end-to-end supply chain from source to customer, to understand the carbon impact of moving goods to our sites and delivering orders to our customers. The supply chain is large and complex, but with the support of our logistics partners, the Group has estimated the supply chain emissions associated with logistics to be approximately 30,000 tonnes of CO₂e.

The Group's aim of developing an overall picture of end-to-end supply chain emissions has been achieved, allowing us to identify key carbon hotspots to focus on. We will continue to work both internally and with logistics partners on refining the emissions calculation. The Supply Chain Management Team are working on setting targets and putting action plans in place to cut emissions.

3/ Paper

The Group has a strategy to shift from traditional catalogues and move towards digital in some areas. We have already carried out a lot of work to understand our environmental impact associated with our paper usage, as part of our participation in the Forests module of the Carbon Disclosure Project. We will set targets to reduce our impact in this area.

4/ Plastic

N Brown recognises that plastic waste is one of the biggest environmental challenges facing the world today. We are committed to play our part to reduce the impact of plastics pollution and have already carried out work to reduce, reuse and recycle our plastics at all stages of our operations. We plan to improve the understanding that our operations have on this impact area and to set targets to drive us to continually reduce our impact.

² Items shipped figures used for intensity ratio cover all active entities during the reporting year.

³ This covers sites where we have control over the purchase of electricity. A small number of electricity supplies (2%) where we do not have control over the purchase of electricity for (e.g. landlord sites) have not been included in this assessment. We have a small number of sites outside the UK for which we have control over the purchase of electricity but are unable to purchase green electricity for.

Mandatory GHG reporting notes

The data disclosed is in conformance with the companies Act 2006 (Strategic Report and Directors' Report Regulations). GHG emissions disclosed under the required reporting categories fall within the Group's consolidated financial statements. Scope 1 and 2 emissions have been calculated on a global scale where the Group has operational control using the GHG protocol. The quantified emissions are for the reporting year 1 March 2018 to 28 February 2019.

GHG emissions factors published by BEIS for 2017 and 2018 have been used to calculate GHG emissions.

Noted change in emissions for 2017–2018

- Data accuracy: Some data for the 2017-2018 inventory has been updated based on actual data or more accurate data for some sources.
- Update in BEIS emissions factors: Emissions from the previous published report for the period 2017-2018 have been recalculated with the newly published factors for 2018, affecting the months of January and February 2018 (2018 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: Emissions are 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 standby 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 cars/vans: 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. Some small vans are used to transport items between logistics sites; the emissions are calculated based on mileage for the vans.

HFC: Refrigeration emissions have been calculated from the F-Gas register for the applicable plant where provided. Where this is not possible, leakages have been estimated using BEIS 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 BEIS leakage tables and the screening method. For a very small number of shops details of the systems were not known and therefore estimation of emissions has not been possible.

Waste: Most of the Group's waste (Head Office, logistics sites, some shops) is managed by Viridor. Viridor provide a breakdown of weights of waste disposed of by N Brown split by waste type and disposal method. For the remaining sites which are not managed by Viridor, waste audits are completed over a week and figures are extrapolated to a full year.

Employee commuting: Employee commuting habits are captured using an annual online staff survey.

Business travel (air, rail): There are two types of air travel carried out by N Brown: traditional business travel and travel for photoshoots. The business air travel is recorded by Portman Travel who provide a breakdown, by journey, including distance travelled, type of journey (long-haul, domestic etc.) and journey class (e.g. business or economy). The same details are provided for photoshoot travel but these details are recorded internally by N Brown. Rail figures are provided by Portman Travel who provide a breakdown, by journey, including distance travelled and journey type (underground / national rail).

Business travel (road): Data is calculated for the Group using data logged in our internal Concur system which records distance travelled, and vehicle information for each business travel expense claimed.

Water: Emissions are primarily calculated based on invoiced water consumption and volume sent for treatment. Where invoices are not available (e.g. for non-metered water supplies), water consumption and treatment is estimated based on a standard benchmark against full time staff equivalent.

Setting a high standard of governance



Matt Davies
Independent Non-Executive Chairman

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. Given the financial year in question began before 1 January 2019, this report is compliant 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.

I look forward to reporting on our compliance activities within the scope of the new 2018 UK Corporate Governance Code in next year's report.

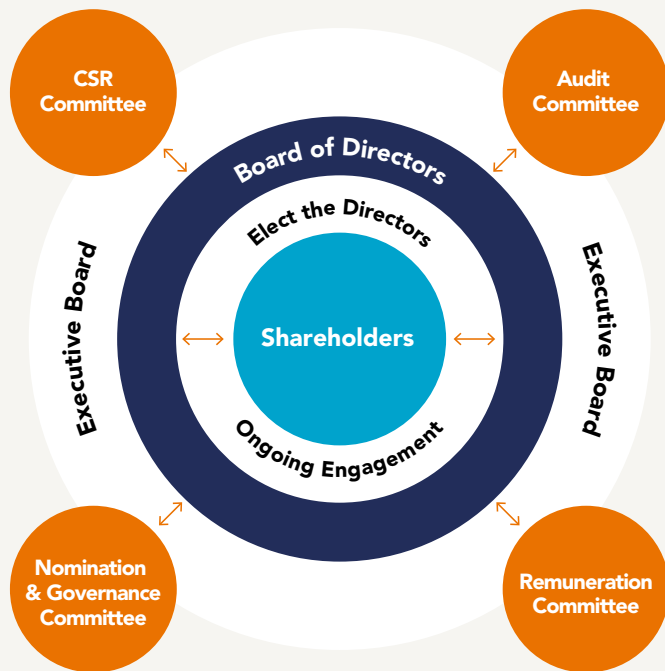
Statement of compliance with the Code

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 64 to 81. In addition, disclosures required by the Disclosure Guidance and Transparency Rules (rule 7.2.6) regarding share capital can be found on page 52.

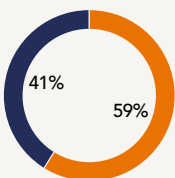


Corporate structure and framework

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). 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.

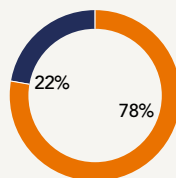


Employee diversity (%)



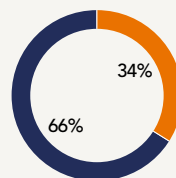
Female 1,523
Male 1,052

Board composition (%)



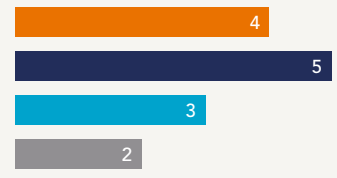
Non-Executive Directors 7
Executive Directors 2

Senior management (%)




Female 14
Male 27

Committee meetings during 2018/19



Audit Committee
Remuneration Committee
Nomination and Governance Committee
CSR Committee

Board of Directors



Matt Davies
Independent
Non-Executive
Chairman

Appointed to the Board
February 2018

R C N

Relevant skills, qualifications and experience

Matt was appointed as Chairman on 1 May 2018 after joining the Board in February 2018 as Independent Non-Executive Director and Chairman Elect. 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 is Chairman of the boards of Hobbycraft Trading Limited, Travel Counsellors Group Limited and Mission Mars Limited.

Meetings attended

9/9



Steve Johnson
Chief Executive
Officer

Appointed to the Board
September 2018

C

Relevant skills, qualifications and experience

Steve was appointed CEO of N Brown in February 2019, having been appointed Interim CEO in October 2018. Steve joined the Group as Financial Services Director in February 2016 and was appointed CEO of the Financial Services Operating Board in November 2017. Steve joined N Brown from Shop Direct where he was Financial Services Marketing and Product Director for four years and prior to that held senior roles at Sainsbury's and Halifax.

Key strengths

- Retail
- Financial Services
- Strategy
- Change Management

External appointments

None.

Meetings attended

4/4



Craig Lovelace
Chief Financial Officer

Appointed to the Board
May 2015

Relevant skills, qualifications and experience

Craig was appointed CFO 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



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

8/9¹



Ron McMillan
Independent Senior
Non-Executive
Director

Appointed to the Board
April 2013

R A N

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 the Senior Independent Director and Chair of the Audit Committee of B&M European Value Retail SA and SCS PLC and a Non-Executive Director and Chair of the Audit Committee of Homeserve PLC.

Meetings attended

9/9



Lesley Jones
Independent
Non-Executive
Director

Appointed to the Board
October 2014

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

In April 2019 Lesley was appointed as a Non-Executive Director and Chair of the Board Risk Committee at ReAssure Group Limited. She serves as Non-Executive Director and Board Risk Committee Chair at Close Brothers and 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



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.

Key strengths

- Digital retail
- Technology
- Change management
- Entrepreneurship

External appointments

Richard is Executive Director of Moo Print Ltd and Modern Organisation Limited

Meetings attended

9/9



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

In April 2019, Gill was appointed as a Non-Executive Director of McCarthy & Stone Plc. She is a Non-Executive Director of PayPoint plc and Wincanton plc, and is also the Chair of the Customer Challenge Group for Severn Trent Water Plc.

Meetings attended

9/9



Relevant skills, qualifications and experience

Michael is the co-founder and Chief Scientist of Dynamic Action 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

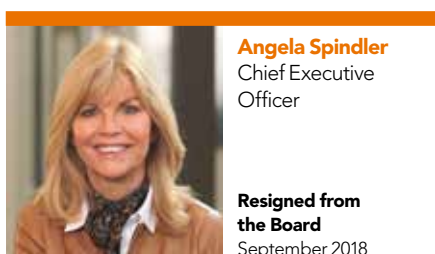
- Digital retail
- Data analytics
- Artificial intelligence

External appointments

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

Meetings attended

9/9



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

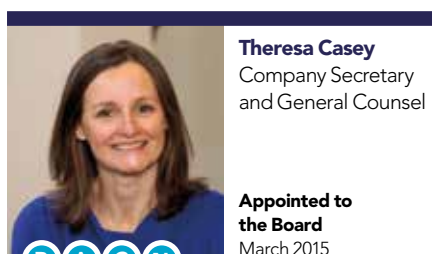
- Change management
- Retail
- Multi-channel retail
- Strategy development
- Management
- Marketing
- Business planning

External appointments

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

Meetings attended

6/6



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. Theresa acts as Secretary to all Board Committees and is a member of the Executive Board.

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

1 On one occasion, Lord Alliance was unable to attend a meeting in person; he was represented by Mr Joshua Alliance.

Indicates member of the:

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

Executive Board



Steve Johnson
Chief Executive Officer

Appointed to the Board
February 2016

Relevant skills, qualifications and experience

Steve was appointed CEO of N Brown in February 2019, having been appointed Interim CEO in October 2018. Steve joined the Group as Financial Services Director in February 2016 and was appointed CEO of the Financial Services Operating Board in November 2017. Steve joined N Brown from Shop Direct where he was Financial Services Marketing and Product Director for four years and prior to that held senior roles at Sainsbury's and Halifax.

Meetings attended

9/9



Craig Lovelace
Chief Financial Officer


Appointed to the Board
May 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. Fellow of the ICAEW.

Meetings attended

9/9



Ralph Tucker
Chief Product and Trading Officer


Appointed to the Board
March 2015

Relevant skills, qualifications and experience

Ralph joined the business in July 2014, and became Product Director in March 2015. Since March 2016 Ralph has also been responsible for the Group's Retail Operations and in November 2017 added Logistics to his remit, becoming Chief Product and Supply Officer. Prior to N Brown, Ralph led teams in buying & merchandising at Marks & Spencer and Shop Direct, before widening his experience in digital and marketing at Sainsbury's and Kitbag.com.

Meetings attended

9/9



Adam Warne
Chief Information Officer


Appointed to the Board
April 2018

Relevant skills, qualifications and experience

Adam joined in April 2018 as Chief Information Officer following ten years in a position leading the technology capability at AO World PLC. Prior to this Adam held senior technology roles building successful teams within Skipton Building Society and EDS.

Meetings attended

8/8



Alyson Fadil
Chief People Officer


Appointed to the Board
April 2018

Relevant skills, qualifications and experience

Alyson joined N Brown in April 2018, with 20 years' experience in developing culture, people policy and talent in dynamic, fast paced retail businesses. Alyson joined N Brown from Missguided, prior to which she held senior posts at Sofology and Selfridges.

Meetings attended

8/8



Theresa Casey
Company Secretary and General Counsel

Appointed to the Board
March 2015

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. Theresa acts as Secretary to all Board Committees.

Meetings attended

8/9

Directors' Report

Activities and results

The Directors have pleasure in presenting their Annual Report and audited financial statements for the year ended 2 March 2019. 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 45 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 2 March 2019 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 22 to 27.

UK Corporate Governance Code

As required by the UK Corporate Governance Code 2016 (the 'Code'), pages 16 to 17 provide an explanation of the basis on which the Group generates value and preserves it over the long term (its business model) and its strategy for delivering its objectives. The Corporate Governance Statement on pages 55 to 57 forms part of the Directors' Report.

Results, dividends and reserves

The financial statements set out the Group's results for the year ended 2 March 2019 and are contained in pages 90 to 134.

An interim dividend of 2.83p per share (2018: 5.67p) was paid on the ordinary shares of the Group on 11 January 2019. The net cost of this dividend was £8.0m (2018: £16.0m).

The Directors recommend a final dividend of 4.27p per share (2018: 8.56p) for the year ended 2 March 2019, the net cost of which will be £12.1m (2018: £24.2m). The dividend will be paid on 2 August 2019.

Movements in reserves are shown in the Statement of Changes in Equity on page 94.

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 121.

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 123 to 124. The Directors have no current plans to issue shares other than in connection with employee share options.

2019 annual general meeting

The annual general meeting will be held at 12:30pm on Tuesday, 9 July 2019.

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 be available online and accessible to all shareholders unless they have specifically requested to receive hard copies.

Directors

The biographies of the current Directors are shown on pages 48 and 49. 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 2019 annual general meeting all of the Directors will retire and will offer themselves for re-election with the exception of Steve Johnson who will be seeking ratification of his appointment to the Board made in September 2018.

Details of Directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on page 77 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 55 to 57. The terms of reference for the Board and its Committees are available on the Group's website www.nbrown.co.uk.

Other than a contract of service, no 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

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

Matt Davies ¹	Non-Executive Chairman
Lord Alliance of Manchester CBE	Non-Executive Director
Steve Johnson ²	Chief Executive Officer (appointed 12 September 2018)
Craig Lovelace	Chief Financial Officer
Ron McMillan	Non-Executive Director
Lesley Jones	Non-Executive Director
Richard Moross	Non-Executive Director
Gill Barr	Non-Executive Director
Michael Ross	Non-Executive Director
Andrew Higginson	Non-Executive Chairman (resigned 30 April 2018)
Angela Spindler	Chief Executive Officer (resigned 30 September 2018)

¹ Matt Davies served as a Non-Executive Director and Chairman elect from 19 February 2018 until his election to Chairman on 1 May 2018.

² Steve Johnson served as interim CEO from 1 October 2018 until his appointment as CEO on 26 February 2019.

liabilities incurred by them whilst acting on behalf of the Group. Both the insurance and indemnities applied throughout the financial year ended 2 March 2019 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 auditor is unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Governance

The Board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement on pages 55 to 57.

Corporate social responsibility and greenhouse gas emissions

Details on corporate social responsibility and greenhouse gas emissions are set out on pages 43 to 45.

Charitable and political donations

During the year, the Group made charitable donations of £116,377 (2018: £93,670). No political donations have been made (2018: nil). No contributions have been made to non-EU political parties (2018: 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 2019, 90.4% of all employees were members of a qualifying pension scheme with 1,450 employees being auto-enrolled as at the date of this report. At the date of this report the opt out rate is 2.6%.

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 115 to 118. The Group's risk management policies and procedures and the table of principal risks and mitigations can be found on pages 22 to 27.

Major shareholders

In addition to the Directors' shareholdings shown in the Remuneration Report on page 77 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 15 March 2019:

Shareholder	Holding share capital	% of issues
Nigel Alliance OBE	31,489,256	11.07
UBS Global Asset Mgt (London)	26,517,494	9.32
Invesco	15,898,942	5.59

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 auditor, 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 auditor 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 61.

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 2018 annual general meeting, the Directors were given the power to issue new shares up to a nominal amount of £10,372,776. This power will expire on the earlier of the conclusion of the 2019 annual general meeting or 18 July 2019.

Accordingly, a resolution will be proposed at the 2019 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 £10,505,659 in connection with an offer by way of a rights issue.

An approval will be sought at the 2019 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 2019 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 102.

Viability statement

As required by Provision C.2.2 of the 2016 revision of the Corporate Governance Code, the Directors have assessed the prospects of the Group over a three-year period to March 2022.

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 24 to 27 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 8 and 16 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 Group's 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 Group revenue, cash collections and arrears levels; reflecting the principal risks of the business, primarily through 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. In addition, the uncertainty around the impact of Brexit and the reduced consumer confidence has also been incorporated into these sensitivities.

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 comply with that law and those regulations.

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

The Strategic Report on pages 1 to 45 and the Directors' Report on pages 51 to 54 are hereby approved by the Board and signed on behalf of the Board.



Theresa Casey LL.B (Hons) (Solicitor)
Company Secretary

15 May 2019

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

15 May 2019

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')

Board activities

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

Strategy

- Comprehensive assessment of the Company's standing business model, resulting in the implementation of a new three-year strategy
- In-depth reviews of strategy in key areas of the business such as our core market and customer proposition

Operational

- Reviewing the budget for FY20
- Assessing marketing return on investment
- Monitoring brand progress

Regulatory

- Overseeing preparations ahead of the SM&CR Regime implementation in December 2019
- Implementation of High Cost Credit rules
- Incorporating new processes as mandated by the 2018 UK Corporate Governance Code which we will be required to report upon in our 2020 Annual Report

Stakeholder issues

- Review of product strategy to enhance the quality of design, sourcing, pricing and trading
- Approving the Annual Report

Governance

- Recruiting a new Chief Executive Officer

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 48 and 49.

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

Name	Attendance
Matt Davies	9/9
Andrew Higginson (resigned April 2018)	2/2
Lord Alliance of Manchester CBE	8/9 ¹
Steve Johnson (appointed 12 September 2018)	4/4
Angela Spindler (resigned 30 September 2018)	6/6
Ron McMillan	9/9
Lesley Jones	9/9
Richard Moross	9/9
Michael Ross	9/9
Gill Barr	9/9
Craig Lovelace	9/9

¹ On one occasion, Lord Alliance was unable to attend a meeting in person; he was represented by Mr Joshua Alliance.

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.

In addition, once each year the Audit Committee formally convenes as an Audit and Risk 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). Matters reserved for the Board include, amongst other things, decisions on business strategy, the approval of financial statements, the annual capital and operating expenditure plans, investment, treasury and dividend policies, governance issues, major capital projects, overseeing the Group's risk control procedures, Board membership and the composition of its Committees and the Group's ethical, social and environmental policies.

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

Responsibilities

There is a clear division of responsibilities between the Chairman, Matt Davies, who is responsible for the effective operation of the Board and the new Chief Executive, Steve Johnson, who is responsible for the Group's operational performance. Equally there is a clear distinction between the Chair, the Senior Independent Director and the Non-Executive Directors. The table below summarises the position:

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

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

The Board understands the need for Non-Executive Directors to be and remain independent of 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 2 March 2019 were:

- Matt Davies (appointed as Chairman on 1 May 2018)
- Andrew Higginson (resigned as Chairman on 30 April 2018)
- Lord Alliance of Manchester
- Ron McMillan (Senior Independent Director)
- Lesley Jones
- Richard Moross
- Gill Barr
- Michael Ross

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 Steve Johnson and Craig Lovelace sit as Chief Executive Officer and Chief Financial Officer respectively.

In January 2019 the members of the Board met with the Executive Board over a two-day period to develop a new three-year strategy for the Group.

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 refreshed. Changes which took place during the year included the appointment of Matt Davies as Non-Executive Chairman and the appointment of Michael Ross to the Audit Committee in succession to Richard Moross. Where appropriate, the Committees will invite other members of management to attend meetings.

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 seven male Directors and two 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 22% female representation at Board level and 22% on the Executive Board. This means we have fallen below the 33% target for 2020 set by the Davies report, and are slightly behind the current FTSE 250, which has achieved average representation at 23.7%.

Strengthening our executive pipeline remains a priority for us and, as our business evolves, we will 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.

Our 'Women Like Us' network provides role models, mentors and the skills and knowledge for women to achieve their full potential. The initiative has gone from strength to strength over the past year and remains a priority in our mission to develop female talent. Open to all employees across the Group, events have featured inspiring women from our workforce alongside guest speakers who have shared experiences from their own professional lives.

At the date of this report the gender split (male/female, senior management and entire workforce) is as per the diagrams on page 47.

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 Steve Johnson is provided in the Nomination and Governance Committee report.

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 48 and 49.

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

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

Board development

The Company Secretary provides an ongoing programme of briefings for Directors covering legal and regulatory changes and developments relevant to the Group's activities and Directors' 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 have reviewed in detail requirements of the new UK Corporate Governance Code and ensured that any necessary changes to Board practice or composition have been effectively implemented.

Non-Executive Directors meet with operational teams and the Executive 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 has regular contact with each Director and is able to address 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 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 questionnaires and assessments completed by individual Directors.

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.

Based on the outcomes of the evaluation, the Chairman will work with the Non-Executive Directors to assess their training and development requirements for 2019/20.

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 Steve Johnson, who will be seeking ratification of his appointment 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 principal 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 58 to 61 and the risk report on pages 22 to 27 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 pages 64 to 81.

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 64 to 81. 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.

UK Corporate Governance Code 2018

The Group will be required to report upon how it has applied the new Corporate Governance Code in the 2020 Annual Report. In preparation for this, the Board is overseeing a number of initiatives which include, amongst others:

- A new Directors' Remuneration Policy which seeks to better link rewards to culture as well as supporting and driving the five key pillars of the new Group strategy.
- Establishment of the 'Culture Club', an employee forum which allows for direct exchange between employees of the Group and its Directors.
- Plans to review the skill distribution and diversity of the Board and its Committees and ensure effective succession planning.
- A review of the Group's risk assessment and risk management process, with a particular focus on emerging risks.



Ron McMillan
Chair of the Audit Committee

Member	No. of meetings
Ron McMillan (Chair)	4/4
Lesley Jones	4/4
Richard Moross (resigned July 2018)	2/2
Michael Ross (appointed July 2018)	2/2

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; and

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

Dear Shareholder,

During the year, the Audit Committee has continued to carry out a key role within the Group's governance framework, supporting the Board in risk management, internal control and financial reporting. The Committee also 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.

Whilst risk management is a Board responsibility, the Committee works closely with the Board and Group management to ensure that all significant risks are considered on an ongoing basis and that all communications with shareholders are properly considered.

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 53 to 54 in the Directors' Report. The Committee also monitored the implementation of IFRS 9, which replaces IAS 39.

The Committee considered whether the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information to shareholders to assess the Group's performance, business model and strategy. The Committee considered management's assessment of items included in the financial statements and the prominence given to them. The Committee, and subsequently the Board, were satisfied that, taken as a whole, the 2019 Annual Report and Accounts are fair, balanced and understandable.

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

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

Ron McMillan
Chair of the Audit Committee

Committee composition

The Committee comprises three members, each of whom is an independent Non-Executive Director. Two members constitutes a quorum. The Committee requires the inclusion of one financially qualified member with recent and relevant financial experience. The Committee chair fulfils that requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and function of internal and external audit and the regulatory framework of the business. As reflected in the biographical details on pages 48 and 49, 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 the UK Corporate Governance Code.

The members of the Committee during the year were:

- Ron McMillan (Chair)
- Lesley Jones
- Richard Moross (resigned July 2018)
- Michael Ross (appointed July 2018)

Details of Committee meetings and attendances are set out on pages 58 and 60 and the timing of Committee meetings are 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 several occasions during the year.

Although not members of the Committee, Steve Johnson 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.

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 considers the provisions recorded to be appropriate.

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 internal 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 requirements set out in IFRS 9 and has monitored how these have been applied by the Group.

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.

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 risks 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 24 to 27.

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 of, 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 and viability

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the Code. In accordance with provision C.1.3, the assessment included a review of the principal risks facing the Group, their financial impact, how they are managed, the availability of finance and the appropriate period for assessment. The Group's viability statement is on page 53.

Activities of the Audit Committee

Recurring agenda items of the meetings included matters relating to the review and approval of: the internal audit function, risk mapping and appetite, financial reporting, legacy tax matters and whistleblowing (no incidents of the latter were reported in FY2018/19). Additional matters covered at each of the meetings were as follows:

April 2018*	October 2018	January 2019
Approval of the full year results for FY2017/18 which included reviews of the Group's going concern and viability statement	Review and approval of the Group's half-year audit results and announcement. This included consideration of the impact of exceptional costs on the financial statements and interim dividend	Review and approval of the external auditor's plan for assessment of the full year results, including their terms of reference and fees
Review of the full year external audit report and internal audit report	Consideration of IFRS 9 accounting and reporting standards	Approval of the Group's Tax Policy and Tax Strategy for 2019
Performance reviews of the: <ul style="list-style-type: none"> • Internal auditor • External auditor • Audit Committee 	Ongoing litigation and taxation matters	Review of Brexit stress-testing on the Group's operational functions
Ratification of non-audit external service provider fees	Risk management review and update	Review and approval of the Group's Q3 trading statement
Consideration of the IFRS 9 reporting implementation strategy	Review of inventory provisioning process and setting of targets in relation to stock holding	
Overview of the Group's FS regulatory compliance activity		
Review of the implementation of the requirements of the GDPR regulation		
Reports on anti-money laundering, anti-bribery and corruption and fraud		

* Two meetings in April 2018

During the year the Committee considered the carrying value of brand, 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.

Reviewing the half year results 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.

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.

Performance of the Audit Committee

The Audit Committee's performance was evaluated as part of the Board's evaluation carried out over December 2018–January 2019, as detailed on page 57. The overall conclusion of the review was that the Committee remains effective in discharging its functions and reporting to the Board.

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 2019 were £0.6m, of which £0.1m 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 auditor). 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.

Whilst there was no specific FRC review of the Group's audit this year, the Committee discussed with KPMG the results of its FRC Audit Quality Inspection of the firm as a whole and the proposed improvement plans arising from the mixed findings of the report. The Committee will closely monitor progress against these plans.

In relation to the Group's audit, the Committee has reviewed the performance of KPMG with input from management, the Group's finance and internal audit functions 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 9 July 2019. Given that this is only the fourth 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.



Matt Davies
Chair of the Nomination and Governance Committee

Member	No. of meetings
Matt Davies (Chair – appointed 1 May 2018)	3/3
Ron McMillan	3/3
Lesley Jones (Chair – resigned 30 April 2018)	0/0

The Committee met three times 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

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

Overseeing succession planning for the Executive and Non-Executive Directors to ensure it aligns to the Group's long-term strategy; and

Reviewing the composition of the Board and its committees in light of the incoming revisions to the UK Corporate Governance Code (the "Code"), engaging with external shareholders where appropriate.

Dear Shareholder,

I am pleased to present the Nomination and Governance Committee report.

I became Chair of the Committee following my appointment as Chairman of the Board, effective 1 May 2018, taking over from Lesley Jones. The other current member of the Committee is Ron McMillan.

During the year, the Committee held three meetings.

The key objectives of the Committee are to ensure that the Board is comprised of individuals possessing the requisite skills, knowledge, diversity and experience and ensuring that corporate governance meets best practice standards.

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

The CEO is not a member of the Committee but may be invited to attend its meetings from time to time when required.

During the year the Committee oversaw the search for and appointment of a new Chief Executive Officer. MWM Consulting Limited were appointed by the Committee to support the search. They ran a comprehensive external candidate search and selection process that produced a diverse short-list of excellent candidates. The incumbent interim CEO, Steve Johnson, was included in the process. Following a thorough and competitive process, the Committee recommended the appointment of Steve, a recommendation supported unanimously by the Board. Steve Johnson was appointed as Group CEO on 26 February 2019.

During the year the Committee also considered the impact of the forthcoming changes to the Code and, in accordance with the current requirements of the Code, undertook an internal evaluation of the Board and its committees. It will monitor the action plan to reflect the outcomes of that review.

Matt Davies

Chair of the Nomination and Governance Committee



Michael Ross
Chair of the CSR Committee



Member	No. of meetings
Michael Ross (Chair)	2/2
Matt Davies (appointed 1 May 2018)	2/2
Steve Johnson (appointed 26 February 2019)	1/1
Ralph Tucker (Chief Product and Trading Officer)	1/2
Alyson Fadil (Chief People Officer, appointed 2 April 2018)	1/1

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

Responsibilities

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

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

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

Priorities for 2019

Delivering the first phase of a lighting efficiency project at the Group's logistics sites;

Implementing sustainable alternatives to plastics usage across the Group and its supply chain;

Improving diversity and inclusivity for customers and colleagues through the innovative use of data;

Reviewing the CSR strategy in light of the Group's increased focus on sustainability and inclusivity; and

Refocusing our environmental targets to ensure they are fit for purpose and sufficiently challenging.

Dear Shareholder,

The Committee has overseen significant progress in a number of new and exciting initiatives during the year. We have developed a sustainability matrix to ensure that CSR implications remain at the forefront of key business decisions. We have significantly reduced the volume of paper sent to customers through investment in digital solutions for customer communications. We have also taken steps to reduce the use of paper across the wider business operations and will continue to improve this over the coming year.

The Committee has worked with subject matter experts to pioneer a new policy on our ethical use of AI, an initiative achieved by only a handful of other organisations to date.

The Group continues to participate in a number of significant international stakeholder forms, engaging with the United Nations, Ethical Trading Initiative and the ACT living wage project in the textile and garment supply chain. We continue to be a member of the UN's global goals working group and remain active supporters of the Modern Slavery peer working group, offering support to other brands.

I look forward to reporting on our progress in relation to the priorities outlined above in the next Annual Report.

Michael Ross

Chair of the CSR Committee



Gill Barr
Chair of the Remuneration Committee

Member	No. of meetings
Gill Barr (Chair)	5/5
Ron McMillan	5/5
Richard Moross*	4/5
Matt Davies (appointed 1 May 2018)	3/3

* Richard Moross was unable to attend one of the meetings in person but provided feedback to the Committee Chair on the matters being considered in advance of the meeting

The Committee met five times during the year and the 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, taking into account the policies, practices, pay and employment conditions of the Group.

Reviewing Group policies and practices and working with management and the Board to ensure alignment of policies and practices across the Group as well as the culture of the business.

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.

Ensuring that the Company engages as appropriate with its principal shareholders about remuneration.

Priorities for 2020

The Committee's focus for the coming year is two fold. Firstly, it is to ensure the operation of the new policy for FY20 is effective in driving our refocused strategy to deliver sustainable digital revenue, profit and free cash flow to improve shareholder value. Secondly, the Committee will focus on ensuring smooth management of the changes required by the new UK Corporate Governance Code. A fundamental part of the changes is the oversight of workforce pay policies and practices. We will increase employee engagement which we believe is key to attract and retain colleagues, inspiring them to deliver great experience for our customers.

Dear Shareholder,

This is my first complete financial year as Chair of the Remuneration Committee and I am pleased to present the Directors' Remuneration Report for FY19 on behalf of the Board.

It has been a busy year for the Committee. It has overseen the departure of our former Chief Executive Angela Spindler and the appointment of our new Chief Executive Steve Johnson.

Following a thorough review of the strategy by the Board, the Committee considered how the remuneration policy could motivate delivery of the strategy whilst, at the same time, providing ever closer alignment with the shareholder experience.

Our triennial review of the policy has not made fundamental changes in structure, but there have been changes to some metrics to closer align with the key elements of our refocused strategy and which have the potential to improve outcomes for all stakeholders. The new policy and its operation for the year ahead will be presented for shareholder approval at our AGM on 9 July 2019. As part of the policy review, I have consulted extensively with shareholders whom I am pleased to say are supportive of the changes. I would like to thank them for their time and comments. Finally, the Committee has reviewed performance for FY19 and the remuneration outcomes in respect of that year. I set out further detail on all of these matters below.

Appointment of our new CEO

Our Chief Executive Officer Steve Johnson was appointed on 26 February 2019, having been acting Chief Executive since 1 October 2018.

Steve's salary was increased on his appointment from £375,000 (as acting Chief Executive) to £425,000, which is significantly less than that of his predecessor Angela Spindler, at £566,000. His pension contribution is 8% of salary (compared to 15% for his predecessor) and is now in line with the average for the workforce. His annual bonus maximum remains at 150% of salary and the normal LTIP award level is 150% of salary.

Steve spent part of the year as the Head of our Financial Services business and part as Chief Executive Officer (acting or permanent). Accordingly, his remuneration and deferral of annual bonus reflects the structure and quantum paid for each of these different roles. This is clearly explained in the Annual Report on Remuneration.

CEO arrangements on cessation of employment

Our former Chief Executive Officer Angela Spindler's employment was terminated on 30 September 2018. Full details of her remuneration on cessation of employment are set out in the Annual Report on Remuneration, are in line with our shareholder approved remuneration policy and have been set out on our website since 6 November 2018.

Remuneration outcomes for FY19

Salary increases were effective from 1 June 2018 and our CFO received a 2% increase, in line with the average workforce increase.

The FY19 annual bonus was determined by the same measures and weightings as the FY18 annual bonus: 70% by Group profit targets, 20% by corporate objectives and 10% by personal objectives. Following a solid corporate performance during a year of transformation across the Group, bonuses have been awarded to the CEO of 38.5% of the maximum opportunity (in respect of the part of the year as a Director) and to the CFO of 38.3% of the maximum opportunity. Further details of performance against the targets, and the resultant bonuses payable, are 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 performance against the formulaic bonus targets and has considered the overall underlying performance of the Group as a whole and is satisfied that the bonuses being paid are appropriate in the circumstances. The PBT target range set by the Committee for FY19 required significantly higher performance than the range set for the FY18 bonus and the resulting bonus outturn of 28.6% of maximum for that element of the bonus comes from a year of robust PBT performance. The Committee is comfortable with the level of annual bonus payment and that the exercise of discretion to adjust the formulaic outcome is not required.

The performance conditions attached to the LTIP awards granted in August 2016, which were measured by reference to performance up to 2 March 2019, have not been achieved, so the awards will lapse in full.

LTIP awards were granted during the year subject to performance over the three-year period to FY21. Recognising the low share price at the time of grant, the Committee determined that the grant level should be scaled back by 25% to reflect investor concerns about dilution and the potential for resulting increased gains on vesting for even a modest share price recovery. The CFO therefore received an award of 93.75% of salary compared to a normal award of 125% of salary and the former CEO 112.5% of salary compared to a normal award of 150% of salary (and whose award has since lapsed as a result of her leaving the Company).

New Directors' Remuneration Policy and implementation of policy for FY20 proposals

Our current Directors' Remuneration Policy will expire at our 9 July 2019 AGM and a new policy must be put forward for shareholder approval by a binding resolution.

The Committee has reviewed the current policy and concluded that fundamental changes are not required and, accordingly, there are no changes to quantum or the weighting between annual bonus and long-term incentive.

The Committee has, however, taken the opportunity to ensure that the new policy is in line with current investor expectations and embraces the requirements set out in the 2018 UK Corporate Governance Code. In addition, and importantly, the Committee has ensured that the policy can be operated to support and drive the five key pillars of our strategy as set out below:

- Maximise the UK core market before leveraging our international opportunity
- A crisper, clearer brand proposition for our customers
- Increase the number of customers, conversion and basket size
- Improve operating efficiency and customer targeting
- Strategic objective: Better engaged colleagues will deliver a better customer experience

I consulted extensively with our largest investors regarding the new policy proposals and am pleased to report that investor feedback has been positive.

The changes to our policy are set out in the next section, with the main changes summarised below:

- Our pension contribution will be reduced from 15% of salary to 8% (aligned to the rate provided for the majority of our workforce) for all new recruits (including our new CEO). Our CFO, who was appointed with a contribution of 10% of salary, will retain this pension level for the policy period.
- An explicit provision has been added for discretion to be used to adjust incentive payments if they do not reflect, for example, the underlying performance of the Company and investor experience as well as the broader employee reward profile.
- The annual bonus structure is being changed so that the Executive Directors use 40% of the bonus paid to acquire shares in the Company, rather than receive a deferred share award, thereby enabling them to immediately acquire a direct interest in the shares of the Company, increasing their alignment with investors and longer-term performance. These shares must be retained for a three-year holding period and clawback will apply during that period.
- Shareholding guidelines for the Executive Directors are increased to 200% of salary with the requirements to retain 75% of bonus shares and LTIP awards in order to meet that guideline.

The policy will be operated for FY20 as set out below.

FY20 base salaries

Salaries are reviewed with effect from 1 June. Our CEO's salary set on appointment will not be reviewed again until FY21 and our CFO will receive an increase of 2%, in line with the average workforce increase.

FY20 annual bonus

The CEO will have an annual bonus maximum opportunity of 150% of salary and the CFO 125% of salary.

The bonus will be based 50% on EBITDA (a change from the current PBT measure), 20% on online sales growth and 30% on corporate objectives.

The corporate objectives are important to the business and the Committee is very comfortable replacing the 10% personal element and increasing the weighting provided to them. Our refocused strategy emphasises the importance of a number of key strategic goals that are reflected in the corporate objectives for this year and the higher weighting reinforces the criticality of achieving these objectives as part of the wider strategy. Details of the corporate objectives are set out in the Annual Report on Remuneration and full disclosure of the EBITDA, online sales growth and corporate objective targets with performance against them will be made next year.

Last year online sales growth was one of our corporate objectives. This year it is an independent objective accounting for 20% of the bonus acknowledging that online sales growth is a critical area of focus for the year ahead as we move further to increasing online sales with a reduction in offline sales while maintaining our focus on overall Group profit.

The bonus will be determined in part by EBITDA rather than PBT because the Committee would like to incentivise management (and the wider business) on measures which more clearly focus on cash generation. EBITDA represents a good measure to determine the business's ability to generate operating cash flows and we are clearly emphasising the importance of cash flow by basing the bonus on EBITDA this year. This is particularly important as we expect the significant historical cash impacts of exceptional legacy matters to subside and attention becomes more focused on core cash flow generation potential. The Committee understands that EBITDA risks there being no check on any overspend as interest, depreciation and amortisation are not included. We have set out in the main body of the Remuneration Report the checks and balances that the Committee has in place to manage any concerns in this regard, including the discretion to adjust any bonus payment that is not reflective of business performance overall.

FY20 LTIP awards

Following the 25% scale-back of the FY19 LTIP awards the FY20 LTIP award levels will revert to the normal policy level of 150% of salary for our CEO and 125% for our CFO. The Committee is satisfied that this award level remains appropriate in light of the performance conditions set and, in the case of our new CEO, the fact that his package (base salary and pension) has been reduced significantly compared to that of his predecessor.

As part of the policy review and following investor feedback, the Committee has reviewed the measures and weighting for the LTIP awards. Whereas the measures and weighting for the FY19 awards were Earnings per share (EPS) growth 50%, Free Cash Flow (FCF) 30% and Revenue 20%, for FY20 awards will be determined by relative total shareholder return 35%, EPS growth 35% and FCF 30%. A number of our investors were keen to see the introduction of TSR

as a measure for our LTIP and this is very much supported by the Committee. It is critical that management are aligned to the shareholders in terms in investor return and the focus on recovery of share price.

The LTIP awards are not made until August each year and the LTIP targets may need to be reviewed if there is a significant change in business outlook and performance before then. Subject to this the targets will be as follows:

- 35% based on relative TSR compared to the FTSE SmallCap excluding Investment Trusts with 25% of this element vesting for median ranking increasing in a straight line to maximum vesting for upper quartile ranking or above.
- 35% based on compound annual growth in EPS from the FY19 EPS to FY22: For growth of 5% CAGR 25% of this element would vest. For growth of 10% CAGR 75% would vest. For growth of 15% CAGR or more the award would vest at maximum, with straight line vesting in between each target.
- 30% based on aggregate free cash flow ("FCF") over FY20, FY21 and FY22: For FCF of £350m 25% of this element would vest increasing in a straight line to maximum vesting for FCF of £420m or more.

Focus for FY20

The Committee's focus for the coming year is two-fold. It is to ensure the operation of the new policy for FY20 is effective in supporting and driving our refocused strategy to provide sustainable digital revenue, profit and free cash flow growth to deliver improved shareholder value while also considering, as we draw to the end of this financial year, what changes might need to be made to further increase its effectiveness. Secondly, the Committee will focus on ensuring smooth management of the changes required by the new UK Corporate Governance Code. A fundamental part of this is the oversight of workforce pay policies and practices and employee engagement, both of which are key to our strategy to attract, retain and inspire colleagues to thrive and deliver great experience for our customers.

If you have any questions I will be available at the annual general meeting in July or contactable, via our Company Secretary, at any time before then. I very much hope that you will support the shareholder resolution on our new Remuneration Policy and also on 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 UK Corporate Governance Code.

Following a detailed review of the current policy the changes set out below are proposed. In summary, these changes ensure that the Committee is able to provide a remuneration structure that is aligned to our strategy and drives and rewards sustained growth and shareholder return. It also addresses those areas of focus set out in the updated UK Corporate Governance Code:

Aligning executive pension to the workforce:

- All new Executive Director appointments (including our new CEO) will have a pension contribution of 8% of salary, aligned to the rate provided for the majority of our workforce. The CFO joined us several years ago on a 10% of salary allowance and retains this under the new policy.

Annual bonus structure and selection of performance measures:

- A new policy enables the Committee to select financial measures generally which support the business strategy and not just profit measures (as currently).
- A further change is proposed so that Executive Directors use 40% of the bonus paid to acquire shares in the Company, rather than receive a deferred share award, thereby enabling them to immediately acquire a direct interest in the shares of the Company, increasing their alignment with investors and longer-term performance. These shares must be retained for a three-year holding period and clawback will apply during that period.

Alignment of the Directors' interests with shareholders:

- Shareholding guidelines for all Executive Directors are increased to 200% of salary with the requirement to retain (after the expiry of the relevant holding periods) 75% of bonus shares and LTIP awards in order to meet that guideline, rather than setting a specific time period for achievement.
- We already operate an LTIP two-year post vesting holding period (the current policy provides the Committee with the discretion to subject the LTIP awards to a holding period of up to two years post vesting).
- Holding periods for the annual bonus shares and LTIP awards will continue post cessation with shareholding guidelines to continue for two years post cessation in respect of 50% of the in-service guideline which equates to 100% of salary.
- The new policy includes discretion for the Committee to adjust incentive awards where the formulaic outturn does not reflect, for instance, the underlying performance of the Company, investor experience and employee reward outcome.

The full Directors' Remuneration Policy is shown on the following pages. It is subject to shareholder approval at the 2019 AGM and is effective for three years from that date.

The Company'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 provide Executive Directors with competitive remuneration packages, which are prudently constructed and reward achievement of long-term growth, profitability and sustainability of the business 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 the shareholders' interests and the longer-term growth, performance and sustainability of the business
- 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
- Linked to performance measured over annual and three-year performance periods

Summary of components of Executive Directors' remuneration

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

Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary			
<p>Reflects the performance of the Company and 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 Group performance and individual performance as well as changes to the market value of the Company.</p> <p>Set with reference to the levels of base salary for similar positions with comparable 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 and Company performance is a factor considered when setting and reviewing salaries.</p>
Annual bonus			
<p>Drives and rewards annual delivery of financial, corporate and individual strategic goals.</p> <p>Annual performance targets are aligned to the annual and longer-term financial and strategic KPIs of the Company and aimed at increasing shareholder value, whilst being prudent and safeguarding the future of the Company.</p> <p>The holding period provides alignment with shareholders and the longer-term performance of the Company.</p>	<p>The annual bonus is based on the Group's performance as set and assessed by the Committee on an annual basis.</p> <p>Bonuses will be paid 60% in cash and 40% in shares, which must be held for a further three years (including in normal circumstances post cessation).</p> <p>The payment of any earned bonus remains ultimately at the discretion of the Committee.</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 financial measures.</p> <p>Additionally, corporate and individual strategic performance objectives may be set. Individual and corporate strategic objectives will be measurable and based on the Group's longer-term strategic plan.</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>The Committee has the discretion to adjust bonus payment (including reducing to zero) if it considers that the formulaic outcome is not reflective, for instance, of the underlying performance of the Company or investor experience or wider Group employee reward.</p> <p>Recovery of payments may occur in the event of a material misstatement of the Group's financial results, error in calculation of performance or payment, individual misconduct, reputational damage, failure of risk management and Company failure.</p>
Long-term incentive plan 'LTIP'			
<p>Provides incentives to reward sustained long-term performance and success through the achievement of challenging long-term performance targets, thereby aligning the interests of shareholders and Executives.</p>	<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 which will, except in exceptional circumstances, be paid in shares.</p> <p>Shares acquired from LTIP awards must be held for a total period of five years from the date of grant. This comprises the three year performance period and a further 2 years (including in normal circumstances post cessation) before they can be disposed of (subject to sales to meet taxes payable).</p>	<p>Normal maximum of 150% of salary.</p> <p>Exceptional circumstances maximum of 200% of salary.</p>	<p>The Committee may select performance measures and weightings for awards from year to year that support the Group's business strategy.</p> <p>A sliding scale of targets is set by the Committee prior to each grant with 25% of an award vesting for threshold performance.</p> <p>The Committee has the discretion to adjust awards (including reducing to zero) if it considers that the formulaic vesting outcome is not reflective of, for instance, the underlying performance of the Company or investor experience.</p> <p>Recovery of payments may occur in the event of a material misstatement of the Group's financial results, error in calculation of performance or payment, individual misconduct, reputational damage, failure of risk management and company failure.</p>

Purpose and link to strategy	Operation	Maximum	Performance assessment
All-employee share schemes (SAYE)			
Provides all employees, including Executives, with a mechanism to acquire shares in the Group and to together participate in the success of the Group.	The Group operates an HM Revenue & Customs approved savings related share option scheme for Group employees.	The plan is subject to statutory individual limits as amended from time-to-time or such lower limits as set by the Group.	These are broad based all-employee plans and are not subject to performance targets.
Pension			
Provides retirement benefits.	The Company operates a defined contribution plan and may also pay a cash supplement in lieu.	8% of salary except for the CFO whose retirement benefit is 10% of salary.	N/A.
Other benefits			
Provides a competitive package of benefits that assists with recruitment and retention and supports the well-being of the Executive to enable them to carry out their role effectively.	<p>Main benefits currently include but are not limited to private medical insurance and a car allowance.</p> <p>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 (grossed up) 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.

Alignment of Directors' pay with broader workforce pay policies

The remuneration policy for the Executive Directors is aligned with the policy for employees across the Group as a whole. Following a broad review of wider workforce reward nearly all of our employees will now be eligible for a bonus which, as with the Executive Directors, is fully aligned with Group financial and corporate objectives. The corporate objectives are tailored to the role of the individual, so they have clear line of sight between their individual contribution, the results of the business and their reward.

Longer-term share-based incentives are provided to our Executive Directors and more senior managers through the same long-term incentive plan with vesting determined by the same Group targets. There are differences in quantum and whether participation is offered.

All employees are able to share in the longer-term performance of the business through our SAYE scheme.

With the exception of our CFO whose retirement allowance is 10% of salary, the majority of our employees including our CEO receive the same 8% of salary retirement allowance.

The Committee has taken into consideration the pay and employment conditions of all employees when determining the policy.

The Committee has not consulted with employees specifically regarding the Directors' Remuneration Policy but there has been consultation on the overall Group annual bonus arrangements at the Group's employee forum. There will be consultation with the employees forum on other elements of reward and the Committee is working with management and the Group Chief People Officer to determine the most effective form of engagement to explain the alignment of the Directors' Remuneration Policy with the wider business.

As part of the Committee's broader remit under the UK Corporate Governance Code, the Committee reviews and provides input and challenge in respect of the Group's wider remuneration policies with the objective of ensuring an appropriate cascade of policy for Executive Directors to the rest of the workforce.

Remuneration Committee discretion

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 has certain operational discretions as set out in the plan rules. These include:

- 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
- 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 or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee may 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 discretion 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.

Amendments to policy

The Committee may amend this shareholder approved policy to take account of changes to legislation, taxation and other supplemental and administrative matters without the necessity to seek shareholder approval for those changes.

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 under a previously approved Directors' Remuneration Policy. 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

Variable pay and remuneration is linked to both corporate and individual performance with measures clearly aligned to business strategy and KPIs of the business. The Committee reviews the measures to be used for the annual bonus and LTIP each year to ensure they remain appropriate before awards are granted.

Targets for the Executive Directors' annual bonuses are set by the Committee at the beginning of each financial year and for LTIP awards prior to awards being made. In setting stretching targets the Committee takes into consideration current and prospective market conditions, the economic outlook, market expectations, the business plans and long-term strategy of the Company. 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 also considers the Group's performance and forward planning on environmental, social and governance ('ESG') matters when selecting performance measures and setting targets. This ensures that the incentive arrangements for senior managers take account of ESG matters so as to mitigate any inadvertent irresponsible behaviour including the taking of undue risks with the business.

Shareholding requirement

Executive Directors are required to build and retain a minimum shareholding in the Company of 200% of salary through the retention of shares acquired from annual bonuses and the vesting of LTIP awards. Post cessation of employment the requirement is to hold shares equal in value to 100% of salary for two years post cessation.

Policy on external appointments

Subject to Board approval, Executive Directors may accept one external non-executive director position and retain the fees payable for such appointments.

How shareholders' views are taken into account when determining Directors' pay

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 and operation of that policy from year to year.

In developing the remuneration policy to be approved by shareholders at the 2019 AGM, the Committee has consulted with its largest shareholders and representative bodies such as the Investment Association, ISS and Glass Lewis.

Executive Directors' service agreements and policy on termination of employment

Executive Directors have contracts with an indefinite term providing for a maximum of 12 months' notice.

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 for any contractual payments.

The Committee will ensure that there are no payments for failure. Neither of the Executive Directors' contracts provides for liquidated damages. There are no special provisions contained in either of the Executive Directors' contracts that provide for longer periods of notice or additional remuneration 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.

The Company may negotiate settlement terms including to deal with a potential legal claim that the Committee considers to be in the best interests of the Company and to enter into a settlement agreement to affect 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
Steve Johnson	26 February 2019	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 is 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 normally lapse on cessation of employment, unless the Executive Director is deemed to be a 'good leaver' by the Committee in which case they will vest in full at the usual time or exceptionally on the date of cessation. Awards will vest early in full on a change of control subject to the plan rules. Annual bonus shares subject to a holding period must normally be retained for the remainder of the holding period post-employment.

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 is for awards to continue until the end of the original performance period and to vest to the extent targets are met, with a pro-rata reduction 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 dis-apply pro-rating in exceptional 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.

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, current remuneration package and securing the best candidate for the role. 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 be provided in accordance with the approved policy. Assistance with relocation may be provided where appropriate. Tax equalisation and an expatriate allowance may also be considered as may payment of the Executive's legal fees in connection with the appointment.

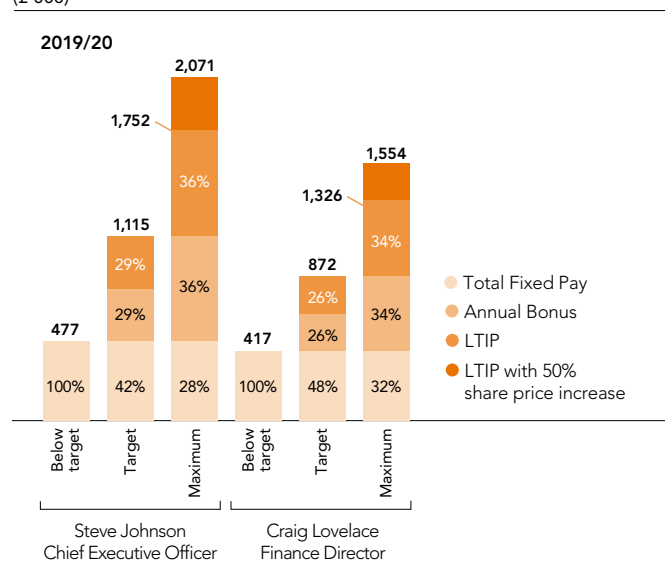
The variable pay opportunity will be in accordance with the Company's approved policy as detailed above. However, different performance measures and targets may be set for the first year in the case of the annual bonus and long-term incentives taking into account the responsibilities of the individual, and the point in the financial year at which they joined. A new employee may be granted a normal annual share award in the first year of employment in addition to any awards made with respect to prior employment being forfeited.

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 taking into account and replicating as far as possible the form (cash or shares), delivery mechanism, performance measures, timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as the Committee considers relevant. Existing arrangements may be bought out on terms that, in the Committee's judgement, are no more favourable than the remuneration being forfeited. 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. Other benefits or remuneration may also need to be "bought out" and the Committee will use its judgement as to the most appropriate way to structure this.

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.

Potential remuneration scenarios for Executive Directors (£'000)



Assumptions

Fixed pay = salary on 1 June, benefits and pension.

Target = Fixed pay plus target annual bonus and target LTIP, both at 50% of the maximum.

Maximum = Fixed pay plus maximum annual bonus and full vesting of LTIP, including an additional scenario showing the value of total remuneration assuming a 50% increase to the share price.

Policy for Non-Executive Directors' fees

Purpose and link to strategy	Operation	Maximum	Performance Assessment
Non-Executive Directors' and Chairman's fees			
To attract and retain high-calibre Non-Executives and ensure they are appropriately paid for their skills and experience, responsibilities and time commitment of their role.	<p>The Non-Executive Directors' remuneration is determined by the Board within the limits set by the Articles of Association.</p> <p>The Chairman is paid a single fee for all his responsibilities.</p> <p>The Non-Executives are paid a basic Board membership fee. The Chairs of Committees, Senior Independent Director and Non-Executives with other specific additional roles 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 or receive payments in lieu.</p> <p>Any reasonable business-related expenses (including tax thereon (grossed up) where an expense is treated as a taxable benefit) can be reimbursed and limited benefits relating to travel, accommodation, secretarial support and hospitality provided in relation to the performance of the Non-Executive Directors' duties.</p> <p>When setting and reviewing fee levels, account is taken of the experience and skills required for and responsibilities of the role, fee levels in comparable companies, 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 to six months' notice. All appointments are subject to successful re-election upon retirement at the annual general meeting. Fees are payable to the date of termination, but termination carries no right to compensation other than that provided by general law.

Brief details of Non-Executive Directors' letters of appointment 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 2019	6 months
Matt Davies	19 February 2018	19 February 2018	6 months
Ronald McMillan	1 March 2013	1 April 2019	6 months
Lesley Jones	30 September 2014	1 October 2017	6 months
Richard Moross	13 September 2016	6 October 2016	3 months
Gill Barr	6 December 2017	16 January 2018	3 months
Michael Ross	8 December 2017	16 January 2018	3 months
Andrew Higginson (resigned 30 April 2018)	3 July 2012	3 July 2016	6 months

Annual Report on Remuneration

The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2019 annual general meeting. The information on pages 73 to 77 has been audited.

Directors' remuneration payable for 2018/19 (Audited)

	Year	Salaries and fees £000's	Taxable benefits ¹ £000's	Bonus (cash and deferred shares) £000's	LTIP £000's	Pension £000's	Total £000's
Executive Directors							
Steve Johnson ² (appointed 12 September 2018)	2018/19	170	5	96	0	13	284
	2017/18	–	–	–	–	–	–
Craig Lovelace ³	2018/19	355	17	171	0	35	578
	2017/18	348	18	294	–	34	694
Angela Spindler ⁴ (ceased employment 30 September 2018)	2018/19	327	10	169	0	49	555
	2017/18	552	19	554	0	83	1,208
Non-Executive (fees)							
Matt Davies ⁵ (appointed to the Board on 19 February 2018, elected Chairman on 1 May 2018)	2018/19	220	–	–	–	–	220
	2017/18	–	–	–	–	–	–
Lord Alliance of Manchester CBE ⁶	2018/19	50	–	–	–	–	50
	2017/18	48	–	–	–	–	48
Ron McMillan	2018/19	63	–	–	–	–	63
	2017/18	62	–	–	–	–	62
Lesley Jones ⁷	2018/19	71	3	–	–	–	74
	2017/18	56	–	–	–	–	56
Richard Moross	2018/19	50	3	–	–	–	53
	2017/18	49	–	–	–	–	49
Gill Barr	2018/19	58	4	–	–	–	62
	2017/18	8	–	–	–	–	8
Michael Ross	2018/19	55	2	–	–	–	57
	2017/18	7	–	–	–	–	7
Andrew Higginson (resigned 30 April 2018)	2018/19	42	–	–	–	–	42
	2017/18	250	–	–	–	–	250

1 Taxable benefits for Executive Directors comprise private medical cover and car allowance. For Non-Executive Directors taxable benefits comprise travel and accommodation.

2 Steve Johnson's remuneration is for his role as Executive Director only and not for the period prior to being appointed a Director. He was appointed to the Board on 12 September 2018 and his salary increased to £375,000 on 01/10/2018 upon his appointment as interim CEO and to £425,000 on 26/02/2019 upon his appointment as CEO. Steve's total bonus comprises £4,656 in respect of the period 12/09/2018 to 30/09/2018 and £91,329 for the period 01/10/2018 to 02/03/2019. Total remuneration for the period 01/10/2018 to 02/03/2019 as CEO is £266,000. £2.5k of pensions paid as a supplement, not directly into pension.

3 Pension paid as supplement.

4 Figures shown for Angela Spindler are to her ceasing to be a Director on 30 September 2018. Payment in lieu of notice and other amounts owed, subject to the terms of her service contract, are detailed later in the report under the section 'Payments to Former Directors'. Until 30 September 2018, pension figure was paid as a supplement and not directly into pension.

5 Matt Davies was appointed to the Board on 19 February 2018 as a Non-Executive Director and Chairman Elect. He was appointed as Chairman on 1 May 2018. His salary therefore includes remuneration in 2018/19 for the period served as Non-Executive Director, 4 March 2018 to 30 April 2018, and then as Chairman from 1 May 2018.

6 Lord Alliance has waived his Non-Executive Director's fee.

7 The salary paid to Lesley Jones includes remuneration for her Chairmanship of the Group's Financial Services Board.

Details of variable pay earned in the year

Annual bonus (Audited)

The table below gives details of Executive Directors' bonuses payable for 2018/19:

	Measure	Weighting (% of maximum bonus activity)	Threshold (0% payout)	Target (50% of maximum payout)	Maximum (100% payout)	Actual performance	Payout % of maximum overall bonus	Total bonus £
Steve Johnson ¹	Group profit	70%	£81.0m	£85.6m	£91.1m	£83.6m	20.00%	
	Corporate objectives	20%			See table below	54.8%	10.96%	
	Personal objectives	10%			See table below	75%	7.50%	
	Total							£95,985
Craig Lovelace	Group profit	70%	£81.0m	£85.6m	£91.1m	£83.6m	20.00%	
	Corporate objectives	20%			See table below	54.8%	10.96%	
	Personal objectives	10%			See table below	73%	7.30%	
	Total							£170,527
Angela Spindler ²	Group profit	77.8%	£81.0m	£85.6m	£91.1m	£83.6m	22.23%	
	Corporate objectives	22.2%			See table below	54.8%	12.17%	
	Total							£169,155

Note:

1 Steve Johnson's annual bonus is for the period from 12 September 2018 when he was appointed to the Board. The bonus for the period 12 September 2018 to 30 September when he became interim CEO is determined by the same Group profit targets and corporate objectives that apply to the period from 1 October 2018 to 2 March 2019. The personal objectives however relate to Steve's role as Head of Financial Services and where scored at 6.90%. The total bonus for the period 12 September 2018 to 30 September 2018 is £4,656 and the total bonus for the period 1 October 2018 to 2 March 2019 is £91,329.

2 Angela Spindler ceased to be a Director on 30 September 2018 and as part of her agreed remuneration arrangements on cessation, remained eligible for a pro-rata annual bonus to that date. Performance has been determined based on Group profit (77.8% of the total bonus) and corporate objectives (22.2% of the total bonus) and not a personal objective element.

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

Corporate objectives

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

Objective	Performance required for threshold vesting (0%)	Performance required for maximum vesting (100%)	Actual performance	Payout as % of maximum for this element
Customers Growth in number of online accounts that have placed an order (which is accepted) within 12-month period	5%	10%	-0.10%	0% out of 30%
Stock Reduce stock level of last and previous stock held by the Group	£5.6m	£4.8m	£4.69.	20% out of 20%
Commercial Gross profit to OPEX ratio	1.310	1.335	1.346	20% out of 20%
Net debt The reported level of net debt after adjustment for exceptional items and growth in debtors	£371m	£341m	£348.8m	14.8% out of 20%
Colleague Engagement survey	70	72.5	68	0% out of 10%
Total				54.8% out of 100%

Personal objectives

Personal objectives, relating to 10% of the overall bonus, were set at the start of the year (on appointment as CEO for Steve Johnson) 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 as set out below:

Steve Johnson¹

Objectives	Weighting	Achievements towards objectives/performance
Deliver new insight and define a clear strategic vision to develop the JD Williams Brand	25%	18.75% out of 25% Successful review of the JD Williams Brand proposition, the outcomes of which were key contributing factors in the development of the Group's new business strategy.
Refocus the business around driving for profitable growth	25%	18.75% out of 25% Significant step forward in H2 2018/19 with a focus on profitable growth. Final delivery of PBT £83.6m. De-risking of stock position and fixed assets.
Improve the fortunes of International trading in the US	25%	25% out of 25% Trading position improvement in Q3. Comprehensive review of our offering to USA customers and identification of key strategic partnership opportunities. Renewed focus on servicing Simply Be USA customers.
Create certainty in the plan for Hybris migration	25%	12.5% out of 25% On track to achieve successful migration of initial brand to the new Hybris platform in 2019/20 and clear objectives set to achieve further progression on subsequent brands.
Total		75%

¹ Steve Johnson's objectives were set on his appointment as interim CEO on 1 October 2018 and his bonus for the period 1 October 2018 to 2 March 2019 is determined based on performance from that date.

Craig Lovelace

Objectives	Weighting	Achievements towards objectives/performance
Meaningful progression in our legacy tax matters	25%	18% out of 25% VAT Partial Exemption; despite negative attribution ruling in Q4, judge praised the depth and robustness of the Company's submission and has ruled against HMRC on apportionment. Ongoing discussion continues in this respect. During 2018/19, achieved agreed positions with HMRC for all bar one of the remaining/in process VAT and CT related legacy matters. Final cash settlements expected in 2019/20, final remaining provisions made in 2018/19 given status.
Enhanced insight and outcomes in customer profitability	25%	19% out of 25% Significant progression in enhanced development and wider use of real-time contribution modelling and decision making. Substantive developments in strategic modelling capabilities in business, in particular continuing focus on promotional spend ROI and customer profitability. Meaningful progression in, and delivery of, a wide variety of data and analytics initiatives, in particular in product and marketing areas. Supporting critical pillar of 2019/20 strategy.
Improved commercial outcome from significant contractual negotiations	25%	21% out of 25% Significant year with many of the Group's largest contracts renewed, delivering materially improved terms with suppliers in pricing, service and support. Detailed, transparent and rigorous tender process. Restructured and improved supplier on-boarding and supplier management systems and processes. New procurement policy rolled out across the Group with associated training/comms upgrade. Successful and substantive business-wide GDPR implementation delivered successfully and embedded in business ongoing.
Continued development of senior finance team	25%	15% out of 25% Recruited and on-boarded new Director of Investor Relations and Corp Comms with material experience. Finance first functional area in the business to roll out and embed new leadership pathways in the Group. New targeted recruitment at Senior Manager level to provide additional commercial and technical horsepower.
Total		73%

LTIP awards granted in 2018/19 (Audited)

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

Executive	Type of award	Date of grant	% of condition	Salary ¹	Face value	Number of shares	Share price at grant	Performance period	Threshold target (25% vesting)	Stretch target (100% vesting)
Steve Johnson ²	LTIP	22/08/2018	50% EPS	75%	£176,715	126,225	140p	3 yrs to end of financial year 2020/21	At least 3% CAGR	At least 8% CAGR
			30% Free cash flow						Free cash flow at least £350m	Free cash flow at least £420m
			20% Revenue						At least 3% CAGR	At least 5% CAGR
Craig Lovelace ²	LTIP	22/08/2018	As above	93.75%	£334,280	238,771	140p	As above	As above	As above
Angela Spindler ²	LTIP	22/08/2018	As above	112.5%	£636,327	454,519	140p	As above	As above	As above

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

2 The Remuneration Committee determined that the award should be scaled back by 25% from the usual policy level.

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 for the CEO and CFO.

Executive	3 March 2018	Awarded during the year	Lapsed during the year	Vested and exercised during the year	2 March 2019	Date granted	Type of award
Steve Johnson ¹	273	–	273	–	–	June 2016	DABS
	115,774	–	–	–	115,774	August 2016	LTIP
	7,242	–	–	–	7,242	September 2017	DABS
	65,645	–	–	–	65,645	August 2017	LTIP
	–	17,316	–	–	17,316	August 2018	DABS
	–	126,225	–	–	126,225	August 2018	LTIP
Craig Lovelace	119,117	–	119,117	–	–	August 2015	LTIP
	4,731	–	–	–	4,731	June 2016	DSBP
	243,125	–	–	–	243,125	August 2016	LTIP
	133,915	–	–	–	133,915	August 2017	LTIP
	12,586	–	–	–	12,586	July 2017	DSBP
	–	29,355	–	–	29,355	June 2018	DSBP
Angela Spindler ²	–	238,771	–	–	238,771	August 2018	LTIP
	238,087	–	238,087	–	–	August 2015	LTIP
	12,790	–	–	12,790	–	June 2016	DSBP
	472,063	–	–	–	472,036	August 2016	LTIP
	254,918	–	–	–	254,918	August 2017	LTIP
	23,135	–	–	23,135	–	September 2017	DSBP
–	454,519	454,519	–	–	August 2018	LTIP	
–	55,299	–	55,299	–	August 2018	DSBP	

1 Deferred annual bonus matching share awards ("DABS") were granted to Steve Johnson prior to him being appointed as CEO and are part of the below Board incentive arrangements where part of the annual bonus is paid to employees in shares (and not as a deferred share award) and there is a share matching element. Vesting is determined by earnings per share performance target. No matching share awards will be granted to the CEO going forward and are discontinued for all employees of N Brown with effect from 2019/20.

2 Angela Spindler's Deferred share bonus awards (DSBP) vested on cessation of her employment as part of her agreed package on leaving. The 2018 LTIP award lapsed on cessation of employment. The 2016 LTIP award has now lapsed as performance targets have not been met. The 2017 LTIP award remains outstanding and to the extent it vests, will be scaled back pro rata for the shorter period of service from the date of grant to 30 September 2018 (date of cessation of employment).

LTIP awards with performance periods ending in 2018/19 (Audited)

The awards granted on 10 August 2016 with EPS, Cash flow and Revenue performance periods ending 2 March 2019 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
EPS growth 50%	3 years ending 2018/19	RPI + 2.5% p.a.	RPI + 9% p.a.	(27.3%)	0% out of 50%
Cash flow 30%	3 years ending 2018/19	at least £370m	at least £450m	£237m	0% out of 30%
Revenue 20%	3 years ending 2018/19	at least 5% CAGR	at least 10% CAGR	1.8%	0% out of 20%
Total					0%

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

Executive	% Salary	Face value	Share price at grant (rounded)	Number of shares awarded	Percentage of award vesting	Number of shares vesting	Value of shares vesting
Steve Johnson	100%	£200,000	173p	115,774	0%	Nil	£0
Angela Spindler	150%	£815,490	173p	472,063	0%	Nil	£0
Craig Lovelace	125%	£420,000	173p	243,125	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 to 200% and 100% of their base salary respectively and to have met this guideline within five years of appointment. Under the new policy the shareholding requirement has been increased to 200% of base salary for both Executive Directors.

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 2 March 2019
	3 March 2018 ¹	2 March 2019 ¹	Value of shares (as a % of salary)	Guideline met?	Outstanding awards subject to performance conditions	Unvested awards not subject to performance condition	Vested unexercised awards	
Steve Johnson	3,811	32,369	7.7%	No	332,202	–	–	364,571
Craig Lovelace	17,317	46,672	11.2%	No	615,811	–	–	662,483
Angela Spindler (ceased employment 30 September 2018) ²	250,072	305,371	N/A	N/A	726,954	–	–	1,032,325
Matt Davies	10,000	31,130	N/A	N/A	–	–	–	31,310
Lord Alliance of Manchester CBE	95,047,966	95,047,966	N/A	N/A	–	–	–	95,047,966
Ron McMillan	–	50,000	N/A	N/A	–	–	–	50,000
Lesley Jones	–	–	N/A	N/A	–	–	–	–
Richard Moross	–	–	N/A	N/A	–	–	–	–
Gill Barr	–	8,506	N/A	N/A	–	–	–	8,506
Michael Ross	–	–	N/A	N/A	–	–	–	–
Andrew Higginson (resigned 30 April 2018) ²	104,161	104,161	N/A	N/A	–	–	–	104,161

1 The figures for the Executive Directors include the number of beneficially owned shares obtained via direct purchase and deferred bonus shares.

2 Shareholding as at date ceased employment or service.

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

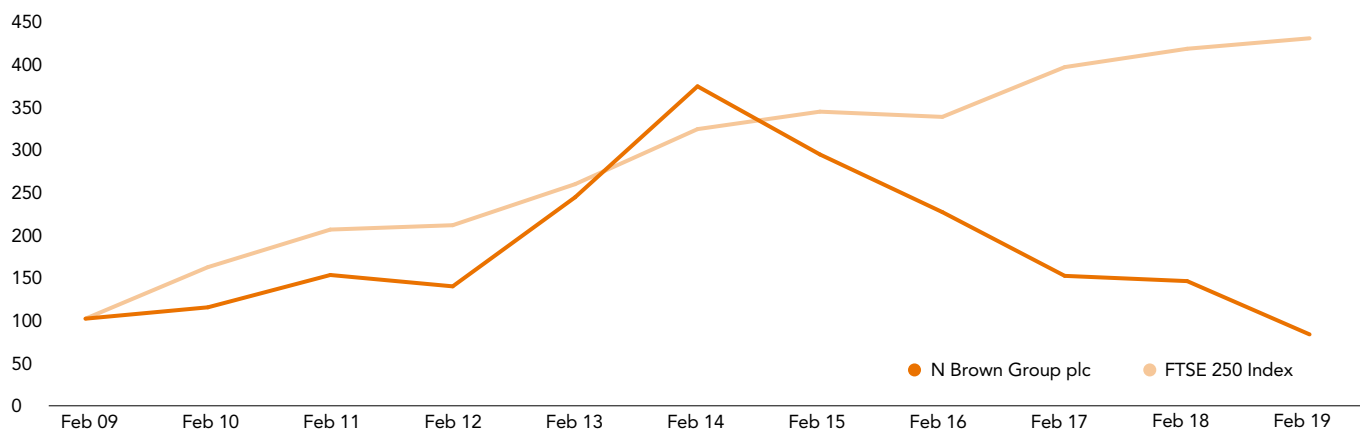
Steve Johnson purchased 20,606 shares on 2 May 2019 and 7,265 shares on 7 May 2019. There have been no other changes to the Directors' interests in shares between 3 March and 15 May 2019.

Performance graph

The graph shows the Company's 10-year performance, measured by TSR, compared to the performance of the FTSE 250 Index, also measured by TSR. The Company has been a member of this index for most of the 10-year period 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						Steve Johnson
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
Total remuneration (£'000)	2,438	3,738	2,734	1,780	2,734	1,364	728	783	1,373	1,208	555	266
Annual bonus (% of maximum)	96.9%	90.6%	38.7%	71.4%	15.8%	83.2%	0.0%	27.9%	42.1%	66.7%	34.4%	38.5%
Long-term share vesting (% of maximum)	100%	100%	100%	100%	85%	N/A	N/A	0%	0%	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

CEO pay ratio

The employee data for the CEO pay ratio has been compiled using Method B and taking the Company's gender pay gap data for 2018 to identify the individuals at each quartile. The 2018/19 pay data has then been taken for those individuals including indicative bonus payments that will be paid in May 2019.

Quartile	Total remuneration	Ratio to CEO
25th	£14,501	47:1
Median	£19,646	35:1
75th	£32,478	21:1
CEO	£678,725	

The CEO pay data is based on 12 months of the CEO's current remuneration package (which was set on his appointment in February 2019). This includes a full-year equivalent annual bonus based on the bonus payable (as a percentage of maximum) for the period 1 October 2018 to 2 March 2019 (1 October being the date of appointment as interim CEO). The CEO pay data has been provided on this basis because the Committee considers it is representative of the CEO's pay for a full year rather than including remuneration paid on an interim CEO basis or to the former CEO.

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 2017/18 and 2018/19 financial years, compared to that of the average for all employees of the Group.

	% Change from 2017/18 to 2018/19		
	Salary	Benefits	Annual bonus
Chief Executive*	+2.0%	nil	-47.8%
Average of other employees	+2.0%	nil	-25.2%

* The disclosure above is based on the remuneration of our former CEO, Angela Spindler, and for 2018/19 uses a full year bonus equivalent.

Relative importance of spend on pay

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

	% Change		
	2019	2018	2018
Staff costs (£m)	68.6	72.2	-4.9%
Dividends (£m)	32.2	40.3	-20.1%

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

Other directorships

The current CEO and CFO do not serve as Non-Executive Directors for any other companies.

During her time as CEO, Angela Spindler served as a Non-Executive Director of Dia Group which is listed on the Madrid stock exchange.

Payments to past Directors and payments for loss of office

There are no payments except as disclosed below.

As announced on 12 September 2018, Angela Spindler stepped down as Chief Executive on 30 September 2018. A statement was made on our website in accordance with section 430 (2B) of the Companies Act 2006.

In accordance with Angela Spindler's service contract and the Company's Directors' Remuneration Policy, Angela's remuneration arrangements on ceasing employment are set out below.

- The Company terminated Angela Spindler's employment on 30 September 2018 and exercised a payment in lieu of notice clause in Angela's service contract. On this basis Angela is being paid her base salary, car allowance and pension in monthly instalments until 30 September 2019. These payments will cease or be reduced by an amount equal to any executive earnings received during this period.
- Private medical cover continues until 30 September 2019 and the value of other benefits will be paid monthly in cash.
- The Committee used its discretion to allow Angela to be eligible for consideration for an annual bonus for the financial year ending 2 March 2019, reduced on a pro-rata basis for service to 30 September 2018. Any annual bonus payment would be subject to the achievement of the relevant performance targets and paid at the normal time in cash.
- The Committee used its discretion to allow the unvested 2016, 2017 and 2018 Deferred Share Bonus Plan Awards (over a total of 91,224 shares) to vest immediately.
- The 2018 long-term incentive award has lapsed.
- The Committee used its discretion to allow the 2016 and 2017 long-term incentive awards to be capable of vesting at their normal vesting dates subject to achievement of the performance targets. The number of shares capable of vesting will be reduced on a pro-rata basis for the period of service to 30 September 2018. The 2016 award has since lapsed.

- Payment of legal fees of £4,810 (exclusive of VAT) in connection with the cessation of Angela's employment. Payments made to Angela for the period to 30 September 2018 are set out in the single total figure of remuneration table and include annual bonus for the period to that date. Payments made since 30 September 2018 are set out below:

Element of payment in lieu of notice	Period 1 October 2018 to 2 March 2019
Salary	£235,767
Car allowance	£7,291
Pension	£35,351

Shareholder voting on the Directors' Remuneration Report at the 2018 annual general meeting

Voting outcome for the 2016 Remuneration Policy vote

	For	Against
% of votes cast	90.20%	8.86%
Number of votes cast ¹	181,154,278	17,796,528

Voting outcome for 2018 Remuneration Report:

	For	Against
% of votes cast	84.38%	15.62%
Number of votes cast ¹	188,335,740	34,861,410

¹ 13,294,675 votes were withheld in 2016 and 14,314,030 votes were withheld in 2018. A vote withheld is not a vote in law and is not counted in the votes for or against a resolution but would be considered by the Committee in the event of a significant number of votes being withheld.

Members of the Remuneration Committee

Name	From	To
Gill Barr (Chair)	16 January 2018	Present
Ron McMillan	1 April 2013	Present
Richard Moross	3 January 2017	Present
Matt Davies	1 May 2018	Present

The General Counsel and Company Secretary acts as secretary to the Committee and the Chief Executive, Chief Financial Officer and Chief People Officer 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 five times during the year. See page 64 for details of attendance.

Advisors to the Remuneration Committee

The Committee received advice during the year from Korn Ferry who were appointed through a formal tender process by the Committee in March 2018. Korn Ferry are a signatory to the Remuneration Consultants' Group Code of Conduct. Fees amounting to £62,450 were paid to Korn Ferry during the financial year for their services to the Committee.

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 2019/20

Subject to the new remuneration policy being approved by shareholders at the AGM on 9 July 2019, remuneration during 2019/20 will be as set out below.

Base salary

The CEO's salary was set on appointment on 26 February 2019 and will not be increased for 2019/20. The CFO's salary was reviewed in April 2019 and will be increased with effect from 1 June 2019 by 2% in line with the average received by the general workforce.

Name	Salary as at 1 June 2018	Salary as at 1 June 2019	Increase
Steve Johnson	–	£425,000	N/A
Craig Lovelace	£356,565	£363,697	2%

Pension

Steve Johnson and Craig Lovelace receive cash supplements of 8% 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. Executive Directors will be required to use 40% of the bonus paid to acquire shares in the Company. These shares must be retained for a three-year holding period and will be subject to clawback during this period.

Last year online sales growth was one of the corporate objectives. This year it is an independent objective accounting for 20% of the bonus, acknowledging that online sales growth is a critical area of focus for the year ahead as we move further to increasing online sales, with a reduction in offline sales while maintaining our focus on overall Group profit.

50% of the annual bonus will be based on EBITDA, 20% on online sales growth and 30% on corporate objectives. The Committee has decided to use EBITDA in place of PBT because it would like to incentivise management (and the wider business) on measures which more clearly focus on cash generation. The Committee believes that EBITDA represents a good measure to determine the business's ability to generate operating cash flows (rather than earnings), and that by determining the bonus using EBITDA a clear message is given to management that this is a key priority for both investors and the business. This is particularly important as the Company enters a financial year when it is expected that the very significant historic cash impact of exceptional legacy matters will subside and attention becomes more focused on the business's core cash flow generation potential.

As part of its considerations and in determining the use of EBITDA the Committee has noted the following:

- A stretching EBITDA performance target range has been set for 2019/20 which is substantially ahead of the range set for last year's bonus (the EBITDA equivalent of the PBT range that was actually used) and will be disclosed in next year's Remuneration Report.
- 40% of any bonus earned will be held by the Executive Directors in shares for three years which provides a longer-term perspective for the bonus, beyond immediate EBITDA performance for the year. Significant executive shareholding requirements (200% salary) and two year post vesting shareholding requirements for the LTIP provide a further balance.
- The Committee understands that investors may be concerned that the use of EBITDA risks there being no check on any overspend as interest, depreciation and amortisation are not included. Investment decisions are made at Board level and our approach to depreciation and amortisation is factored into the target setting for the annual bonus. In the event that the Board's policies change, the targets that are set would be adjusted commensurately.
- The Committee has the discretion to adjust the formulaic outcome of the bonus and will carefully look, not only at the overall underlying performance of the business but specifically at the reasons for any increase in interest, depreciation and amortisation.
- There is an appropriate balance of performance measures over the short and long-term annual bonus and LTIP (corporate objectives, online sales growth, TSR, Free cash flow and EPS) that, overall, provides a rounded assessment of performance.

The corporate objectives and weightings are as follows:

Objective	Weighting	Rationale for measure
Net Debt	25%	To ensure continued focus and reduction in Net Debt
VIBE survey (employee engagement)	25%	To take the necessary steps and initiatives to improve employee engagement
Net Promoter Score	25%	To measure and improve our customer experience
Financial Services Arrears	25%	To measure the quality and performance of the FS loan book

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 2019/20 Remuneration Report.

Long-term incentive awards

Following the 25% scale-back of the 2018 awards the LTIP award levels for 2019 will revert to the normal policy level of 150% of salary for our CEO and 125% for our CFO. The Committee is satisfied that this award level remains appropriate in light of the performance conditions set and, in the case of our new CEO, the fact that his package (base salary and pension) has been reduced significantly compared to that of his predecessor.

The LTIP awards are not made until August each year and targets may need to be reviewed if there is a significant change in business outlook and performance in the interim.

The expected metrics and targets are as follows:

Metric	Weighting	Target range	Rationale for measure
TSR Relative TSR compared to the FTSE SmallCap excluding Investment Trusts	35%	25% of this element vests for N Brown achieving a ranking of median. Maximum vesting for a ranking upper quartile or above. Straight line vesting in between.	To incentivise management directly to achieve superior stock market returns
EPS Growth from the 2018/19 EPS to 2021/22	35%	5% CAGR for threshold (25% of this element) 10% CAGR for 75% of this element vesting 15% CAGR for maximum vesting Straight line vesting in between each target	To reward long-term growth in profitability attributable to shareholders
FCF Based on the aggregate of the free cash flow delivered over 2019/20, 2020/21 and 2021/22	30%	£350m for threshold vesting (25% of this element) increasing in a straight line to maximum vesting for £420m or more (not adjusted for exceptional items but adjusted for debtor growth).	To focus on efficient cash management of the business and to generate surplus cash to return to shareholders

Shares from vested awards must be retained for two years before sale (subject to sales to meet and taxes payable on vesting).

Fees for the Chairman and Non-Executive Directors

Details of the Non-Executive Directors' fees are set out below. Fees have been reviewed with increases effective from 1 June 2019. The Non-Executive Directors' base Board fee is increased by 2% in line with the Executive Directors and workforce increases. Fees for the Committee Chairs and the Senior Independent Director are increased to take account of the increased responsibilities and time commitment of those roles. A fee for the role of Designated Director for employee engagement has been set at £10,000 reflecting the workload and time commitment for this role.

	Fees as at 1 June 2018	Fees as at 1 June 2019
Chair of the Board fee	£255,000	£255,000
Other Non-Executive Directors' base Board fee	£50,000	£51,000
Senior Independent Non-Executive Director	£5,000	£10,000
Chair of Audit Committee	£8,000	£15,000
Chair of Remuneration Committee	£8,000	£15,000
Chair of the CSR Committee	£5,000	£10,000
Chair of the Financial Services Operating Committee	£20,000	£20,000
Designated Director for employee engagement	–	£10,000

Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 15 May 2019.

Signed on behalf of the Board on 15 May 2019.



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 2 March 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, 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 2 March 2019 and of the Group's loss for the year 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 first appointed as auditor by the shareholders on 14 July 2015. The period of total uninterrupted engagement is for the four financial years ended 2 March 2019. 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

Materiality: group financial statements as a whole	£3,24m (2018: £3.15m) 3.7% (2018: 4.3%) of group profit before tax excluding exceptional items
Coverage	100% (2018: 100%) of group profit before tax

Risks of material misstatement	vs 2018
Recurring risks	
Allowance for doubtful debts	▲
Taxation provisions	▲
Regulatory provision	◀▶
Capitalised software and development costs	▲
Carrying value of inventories	▼
Parent company – carrying value of investments	▲
Event Driven risks	
The impact of uncertainties due to the UK exiting the European Union on our audit	New
Going concern	New

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, 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 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.

	The risk	Our response
<p>The impact of uncertainties due to the UK exiting the European Union on our audit</p> <p>Refer to pages 24-27 (principal risks), page 53 (viability statement), page 60 (Audit Committee Report), page 102 (accounting policy).</p>	<p>Unprecedented levels of uncertainty:</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in allowance for doubtful debts, regulatory provisions, taxation provisions, capitalised software and development costs and carrying value of inventories below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's and parent company's future prospects and performance.</p> <p>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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 and parent company's position and performance, business model and strategy.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> • Our Brexit knowledge: Considering the directors' assessment of Brexit-related sources of risk for the Group's and parent company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; • Sensitivity analysis: When addressing allowance for doubtful debts, regulatory provisions, taxation provisions, capitalised software and development costs and carrying value of inventories and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; • Assessing transparency: As well as assessing individual disclosures as part of our procedures on allowance for doubtful debts, regulatory provisions, capitalised software and development costs, taxation provisions and carrying value of inventories, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks; <p>Our results</p> <ul style="list-style-type: none"> • As reported in allowance for doubtful debts, regulatory provisions, taxation provisions, capitalised software and development costs and carrying value of inventories, we found the resulting estimates and related disclosures and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
<p>Going concern</p> <p>Refer to pages 24-27 (principal risks), page 53 (viability statement), page 60 (Audit Committee Report), page 102 (accounting policy).</p>	<p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Group's and Company's available financial resources over this period were:</p> <ul style="list-style-type: none"> • Market demand and increased pressure from competitors • Adverse fluctuations in foreign exchange rates • Working capital requirements as the Group continued to grow • Significant redress provisions which could represent a risk on the restriction of future activities in an FCA regulated environment <p>There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Funding assessment: Evaluating management's assessment of the Group's compliance with debt covenants and the headroom on available facilities; • Historical comparisons: Evaluating the precision of previous financial period's forecasts against actual results to assess historical accuracy; • Sensitivity analysis: Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. Using our own restructuring specialists, this included performing further stress testing on the sensitivities prepared by the directors in relation to financial forecasts and viability reporting, which included using sector and market experience. • Evaluating directors' intent: Evaluating the achievability of the actions the directors consider they would take to improve the position should the risks materialise • Assessing transparency: Assessing the completeness and accuracy of the matters covered in the going concern disclosure by ensuring the disclosure adequately discloses the risks inherent to the going concern of the Group. <p>Our results:</p> <ul style="list-style-type: none"> • We found the going concern disclosure without any material uncertainty to be acceptable (2018: acceptable).
<p>Allowance for doubtful debts</p> <p>Refer to page 25 (principal risks), page 53 (viability statement), page 59 (Audit Committee Report), pages 99-100 (accounting policy) and pages 112-113 (financial disclosures).</p>	<p>Subjective estimate:</p> <p>IFRS 9 became effective on 1 January 2018, leading to significant changes in the accounting of allowances for doubtful debts.</p> <p>The calculation of the impairment provision is an inherently judgemental area and IFRS 9 includes a number of new judgements, such as the determination of significant increases in credit risk, lifetime and 12 month Probability of Default ('PD'), Loss Given Default ('LGD') and the macroeconomic variables, all of which are highly subjective.</p> <p>There is a risk that the allowance for doubtful debts is misstated as a result of inappropriate judgements or management override.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the allowance for doubtful debts has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Our expertise: Together with our modelling specialists, performing model validation procedures, including recalculating and replicating assumption calculations. Using our sector expertise, we also performed an assessment of the macroeconomic variables included within the provision. • Tests of detail: Critically assessing key assumptions in the impairment calculation against historical experience where appropriate, such as the probability of default and loss given default. We tested the accuracy and completeness of underlying data used in the impairment models, inspecting a sample to source data including a critical assessment of management overlays applied. • Analytical Procedures: Performing analytical procedures over both IFRS 9 model outputs and underlying customer behaviour to identify outliers and unexpected trends. • Benchmarking assumption: Critically assessing key assumptions inherent in the model against recent performance and industry developments, comparative firms in the wider market and our understanding of the Group. • Assessing transparency: Considering the adequacy of the Group's disclosures in relation to the allowance for doubtful debts and credit risk for compliance with the relevant accounting standards. <p>Our results</p> <ul style="list-style-type: none"> • We found the allowance for doubtful debts to be acceptable (2018: acceptable).

	The risk	Our response
<p>Taxation provisions</p> <p>Refer to page 24-27 (principal risks), page 53 (viability statement), page 59 (Audit Committee Report), page 101 (accounting policy) and pages 119-120 (financial disclosures).</p>	<p>Dispute outcome:</p> <p>The Group has historically entered into a number of legacy tax arrangements, which have come under review from HMRC. The key remaining uncertain tax position relates to the VAT dispute with HMRC in relation to partial exemption.</p> <p>This has progressed to tribunal in the year and management have received the final ruling from the tribunal judges.</p> <p>Subjective estimate:</p> <p>The outcome still requires significant judgements to be made by the directors in regard to the basis of the calculation in order to determine the amount recorded in the financial statements, therefore there is a risk the amounts recorded in the financial statements may differ from any amounts agreed through final settlements or appeals.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the taxation provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 2) disclose the range estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Our tax specialist expertise: Analysing and challenging, using our own tax specialists, the assumptions applied by the directors in calculating the exceptional charge and year end balance. <p>We have assessed the Group's range of outcomes in comparison to the best estimate made by the directors.</p> <p>Used our sector expertise to assess the likelihood, in comparison to similar companies in the industry.</p> <ul style="list-style-type: none"> • Sensitivity analysis: Performing sensitivity analysis on the range of outcomes to assess how sensitive the provision is to changes in assumptions. • Tests of detail: Agreeing a sample of costs to supporting invoices and documentation, to determine the appropriate classification of costs in the provisioning model, which drives the overall outputs of the model and year end balance. • Assessing transparency: Considering the adequacy of the Group's disclosures in relation to taxation provisions for compliance with the relevant accounting policies. <p>Our results</p> <ul style="list-style-type: none"> • We found the taxation provisions recorded to be acceptable (2018: acceptable).
<p>Regulatory</p> <p>Refer to page 25 (principal risks), page 53 (viability statement), page 59 (Audit Committee Report), page 101 (accounting policy) and pages 120-121 (financial disclosures).</p>	<p>Subjective estimate:</p> <p>The Group's provision of credit services to customers mean that it operates within a regulated environment which requires the Group to comply with the requirements of the Financial Conduct Authority (FCA).</p> <p>Where the Group has identified areas of historical non-compliance with these regulations, provisions are made for the expected cost of redressing customers. Such provisioning requires significant judgements to be made including the identification of potential liabilities and the basis of the calculation due to regulatory matters, complaint trends, average redress and uphold rates.</p> <p>There is a risk that liabilities are misstated if customer redress provisions are not adequately assessed and measured.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the regulatory provisions have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 22) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Assessing the completeness and accuracy of the data used to calculate the provisions, recalculated a sample of claim redress payments and average redress calculations, including vouching amounts paid to cash transactions; <p>Obtaining and inspected correspondence with the FCA and assessed customer complaints for indications of significant or non-identified areas of customer detriment that may require provision in the financial statements;</p> <p>Recalculating a sample of inputs into the provisioning models, including claim redress payments and average claim redress calculations; reviewing claim forecasting data and considered the accuracy of previous forecasting and market expectations, including experienced and expected uphold rates.</p> <ul style="list-style-type: none"> • Our expertise: Using our experience of the regulatory requirements and wider industry, critically assessing the completeness of key inputs into the Group's calculation of regulatory provisions, including agreeing to supporting documentation. • Assessing transparency: Considering the adequacy of the Group's disclosures in relation to the judgements and estimation made in the regulatory provisioning <p>Our results</p> <ul style="list-style-type: none"> • We found the regulatory provisions recorded to be acceptable (2018: acceptable).

	The risk	Our response
<p>Carrying value of software and development costs under the course of construction</p> <p>Refer to page 24 (principal risks), page 53 (viability statement), page 59 (Audit Committee Report), page 98 (accounting policy) and page 110 (financial disclosures).</p>	<p>Accounting treatment:</p> <p>The Group has incurred significant software and development project costs in the current and prior year in respect of a significant systems infrastructure programme.</p> <p>The Group capitalises both internal and external eligible costs to the extent that future economic benefits are expected to be generated by the project.</p> <p>This requires judgement as to whether the costs incurred are directly attributable 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 expenditure.</p> <p>Forecast based valuation:</p> <p>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>The effect of these matters is that, as part of our risk assessment, we determined that the value in use has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Test of detail: Agreeing 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. • Our experience: With assistance from our IT specialist, challenging the Group's assessment of technical feasibility of the projects released, based on our discussions with key project leads and our assessment of impairment indicators using our understanding of project progress, discussions at Board level and performance to date. • Historical comparison: Assessing the Group's impairment model for assets under the course of construction for 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 the previous years. • Sensitivity analysis: Performing breakeven analysis on the assumptions used in the model, including discount rate and forecasts. • Assessing transparency: Considering the adequacy of the Group's disclosures in respect of capitalisation of software and development of intangible assets. <p>Our results</p> <ul style="list-style-type: none"> • We found the capitalisation and recoverability of software and development costs to be acceptable (2018: acceptable).
<p>Carrying value of inventories</p> <p>Refer to page 59 (Audit Committee Report), page 98 (accounting policy) and page 112 (financial disclosures).</p>	<p>Subjective estimate:</p> <p>The Group has significant levels of inventory and a number of judgements and estimates are made in estimating provisions for aged or slow moving inventories.</p> <p>Furthermore, the seasonal nature of retail business and changes in customer preferences and spending patterns, primarily driven by the wider fashion industry, introduces uncertainty over the recoverability of inventories.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of inventories has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Comparing aged inventory levels in the current financial year against the prior financial year to identify categories with significant slow moving or obsolete inventories. Compared current and some of the significant 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. Compared recent selling prices of inventory to the cost of inventory for a statistical sample of non-current items sold via new routes. Compared the value of write offs and scrapped items in the financial years to historic inventory provisions. • Our specialist expertise: With the assistance of our own data analytics specialists, recalculating the current year provision on non-current inventories based on the current year sales data. • Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of the inventory provisioning. <p>Our results</p> <ul style="list-style-type: none"> • We found the carrying amount of inventories to be acceptable (2018: acceptable).

	The risk	Our response
<p>Parent Company: recoverable amount of investment in subsidiary</p> <p>Refer to page 130 (accounting policy) and page 132 (financial disclosures).</p>	<p>Low risk, high value:</p> <p>The carrying amount of the Company's investment in subsidiaries, held at cost, represent 84% (2018: 73%) 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"> • Tests of detail: Comparing 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. <p>Our results</p> <ul style="list-style-type: none"> • We found the recoverable amount of the investment in subsidiary to be acceptable (2018: acceptable).

We continue to perform procedures over the carrying value of Fingleaves intangible assets. However, following the full impairment of the brand intangible assets, we have not assessed this as one of the most significant risks in our current year audit and therefore it is not separately identified in our report this year.

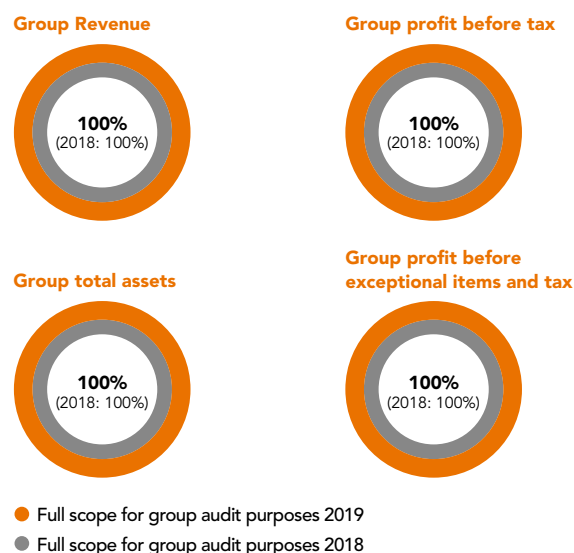
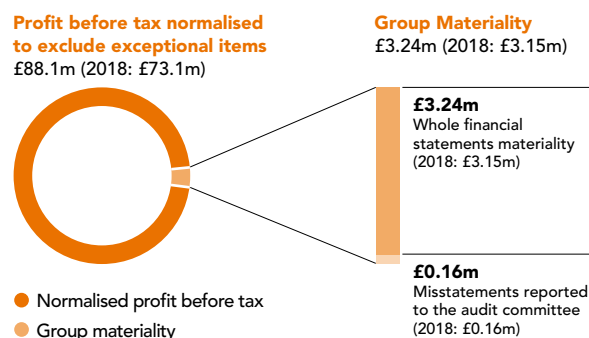
3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £3.24m (2018: £3.15m), determined with reference to a benchmark of group profit before tax excluding exceptional items (of which it represents 3.7% (2018: 4.3%).

Materiality for the parent Company financial statements as a whole was set at £2.71m (2018: £2.90m), determined with reference to a benchmark of Company total assets, of which it represents 0.6% (2018: 0.6%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.16m (2018: £0.16m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

In 2019 and 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 group profit before tax excluding exceptional items. The audit was performed using the Group materiality level set out above.



4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 1 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
- the related statement under the Listing Rules set out on page 53 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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 53 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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 54, 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.

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 general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation with explanation as necessary and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures

on the related financial statement items. Further detail in respect of regulatory legislation is set out in the key audit matter disclosures in section 2 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

15 May 2019

Consolidated Income Statement

	Note	52 weeks ended 2 March 2019			52 weeks ended 3 March 2018		
		Before exceptional items £m	Exceptional items (note 6) £m	Total £m	Before exceptional items £m	Exceptional items (note 6) £m	Total £m
Revenue	3	647.2	–	647.2	685.2	–	685.2
Credit account interest		267.2	–	267.2	237.0	–	237.0
Total revenue (including credit interest)	4	914.4	–	914.4	922.2	–	922.2
Cost of sales		(308.4)	–	(308.4)	(322.9)	–	(322.9)
Impairment losses on customer receivables	4	(119.0)	–	(119.0)	(99.5)	–	(99.5)
Profit on sale of customer receivables	4	10.7	–	10.7	5.8	–	5.8
Gross profit		497.7	–	497.7	505.6	–	505.6
Operating (loss)/profit	4,5	97.9	(145.6)	(47.7)	90.5	(56.9)	33.6
Finance costs	8	(14.3)	–	(14.3)	(8.9)	–	(8.9)
(Loss)/Profit before taxation and fair value adjustments to financial instruments		83.6	(145.6)	(62.0)	81.6	(56.9)	24.7
Fair value adjustments to financial instruments	18	4.5	–	4.5	(8.5)	–	(8.5)
(Loss)/Profit before taxation		88.1	(145.6)	(57.5)	73.1	(56.9)	16.2
Taxation	9	(23.7)	22.9	(0.8)	(14.6)	10.9	(3.7)
(Loss)/Profit for the period		64.4	(122.7)	(58.3)	58.5	(46.0)	12.5
(Loss)/Profit attributable to equity holders of the parent		64.4	(122.7)	(58.3)	58.5	(46.0)	12.5
(Loss)/Earnings per share from continuing operations							
Basic	11			(20.50)			4.41
Diluted				(20.50)			4.40

Consolidated Statement of Comprehensive Income

	Note	52 weeks ended 2 March 2019 £m	52 weeks ended 3 March 2018 £m
(Loss)/Profit for the period		(58.3)	12.5
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit pension schemes	29	3.9	10.5
Tax relating to items not reclassified	9	(4.9)	(1.8)
		(1.0)	8.7
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		0.7	(0.2)
Total comprehensive (expense)/income for the period attributable to equity holders of the parent		(58.6)	21.0

Consolidated Balance Sheet

	Note	As at 2 March 2019 £m	As at 3 March 2018 £m
Non-current assets			
Intangible assets	12	145.2	156.0
Property, plant and equipment	13	59.4	67.4
Retirement benefit surplus	29	23.9	19.3
Deferred tax assets	20	18.8	2.8
		247.3	245.5
Current assets			
Inventories	15	99.8	110.6
Trade and other receivables	16	621.0	652.7
Cash and cash equivalents	25	43.7	58.2
		764.5	821.5
Total assets			
		1,011.8	1,067.0
Current liabilities			
Bank overdraft	17	(11.4)	–
Provisions	22	(24.8)	(43.8)
Trade and other payables	21	(140.9)	(131.7)
Derivative financial instruments	18	(1.5)	(6.0)
Current tax liability		(7.1)	(3.3)
		(185.7)	(184.8)
Net current assets			
		578.8	636.7
Non-current liabilities			
Bank loans	17	(500.2)	(405.0)
Provisions	22	–	(5.4)
Deferred tax liabilities	20	(14.5)	(12.2)
		(514.7)	(422.6)
Total liabilities			
		(700.4)	(607.4)
Net assets			
		311.4	459.6
Equity attributable to equity holders of the parent			
Share capital	23	31.4	31.4
Share premium account		11.0	11.0
Own shares	24	(0.3)	(0.2)
Foreign currency translation reserve		2.8	2.1
Retained earnings		266.5	415.3
Total equity			
		311.4	459.6

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 15 May 2019.

They were signed on its behalf by:



Craig Lovelace
CFO and Executive Director

Consolidated Cash Flow Statement

	Note	For the 52 weeks ended 2 March 2019 £m	For the 52 weeks ended 3 March 2018 £m
Net cash (outflow)/inflow		(37.1)	32.2
Investing activities			
Purchases of property, plant and equipment		(3.4)	(2.6)
Purchases of intangible assets		(32.9)	(36.6)
Net cash used in investing activities		(36.3)	(39.2)
Financing activities			
Interest paid		(15.4)	(8.6)
Dividends paid		(32.2)	(40.3)
Increase in bank loans		95.2	50.0
Purchase of shares by ESOT		–	0.1
Proceeds on issue of shares held by ESOT		(0.1)	(0.1)
Net cash from financing activities		47.5	1.1
Net decrease in cash and cash equivalents and bank overdraft		(25.9)	(5.9)
Cash and cash equivalents and bank overdraft at beginning of period		58.2	64.1
Cash and cash equivalents and bank overdraft at end of period	25	32.3	58.2

Consolidated Cash Flow Statement

continued

Reconciliation of Operating Profit to Net Cash from Operating Activities

	For the 52 weeks ended 2 March 2019 £m	For the 52 weeks ended 3 March 2018 £m
Profit for the year	(58.3)	12.5
Adjustments for:		
Taxation charge	0.8	3.7
Fair value adjustments to financial instruments	(4.5)	8.5
Finance costs	14.3	8.9
Depreciation of property, plant and equipment	4.9	5.7
Loss on disposal of property, plant and equipment	5.0	2.7
Loss on disposal of intangible assets	0.7	–
Impairment of intangible assets	17.8	–
Impairment of property, plant and equipment	1.5	–
Amortisation of intangible assets	25.2	22.4
Share option charge	0.1	0.6
Operating cash flows before movements in working capital	7.5	65.0
Decrease/(increase) in inventories	10.8	(5.1)
Increase in trade and other receivables	(34.0)	(77.6)
Increase in trade and other payables	5.6	33.0
(Decrease)/Increase in provisions	(24.4)	29.3
Pension obligation adjustment	(0.5)	(0.3)
Cash (utilised)/generated by operations	(35.0)	44.3
Taxation paid	(2.1)	(12.1)
Net cash (outflow)/inflow from operating activities	(37.1)	32.2

Changes in Liabilities from Financing Activities

	52 weeks to 2 March 2019 £m	52 weeks to 3 March 2018 £m
Loans and borrowings		
Balance brought forward	405.0	355.0
Changes from financing cash flows		
Net proceeds from loans and borrowings	94.1	50.0
Increase in loans and borrowings due to interest	1.1	–
Increase in bank loans	95.2	50.0
Balance at 2 March 2019	500.2	405.0

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
Changes in equity for the 52 weeks ended 3 March 2018						
Balance as at 4 March 2017	31.3	11.0	(0.1)	2.3	433.7	478.2
Comprehensive income for the period						
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
Transactions with owners recorded directly in equity						
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)
Balance at 3 March 2018	31.4	11.0	(0.2)	2.1	415.3	459.6
Changes in equity for the 52 weeks ended 2 March 2019						
Balance at 3 March 2018	31.4	11.0	(0.2)	2.1	415.3	459.6
Adjustment on initial application of IFRS 9 (net of tax)	–	–	–	–	(55.5)	(55.5)
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	(1.5)	(1.5)
Balance at 3 March 2018	31.4	11.0	(0.2)	2.1	358.3	402.6
Comprehensive income for the period						
Loss for the period	–	–	–	–	(58.3)	(58.3)
Other items of comprehensive income for the period	–	–	–	0.7	(1.0)	(0.3)
Total comprehensive loss for the period	–	–	–	0.7	(59.3)	(58.6)
Transactions with owners recorded directly in equity						
Equity dividends	–	–	–	–	(32.2)	(32.2)
Issue of own shares by ESOT	–	–	(0.1)	–	–	(0.1)
Share option charge	–	–	–	–	0.1	0.1
Tax on items recognised directly in equity	–	–	–	–	(0.4)	(0.4)
Total contributions by and distributions to owners	–	–	(0.1)	–	(32.5)	(32.6)
Balance at 2 March 2019	31.4	11.0	(0.3)	2.8	266.5	311.4

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 135 at the end of the report. The nature of the Group's operations and its principal activities are set out on page 51 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 2 March 2019 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 128 to 134.

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

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but have not been applied in these financial statements as they were not yet effective (those marked with * have not yet been adopted by the EU):

- IFRS 16: Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments
- Amendments to IAS 28 Investments in Associates and Joint Ventures*
- Annual Improvements to IFRSs – 2015 – 2017 Cycle*
- Amendments to IAS 19 Employee Benefits
- Amendments to References to the Conceptual Framework in IFRS Standards *
- Amendments to IFRS 3 Business Combinations*
- Amendments to IAS 1 and IAS 8
- IFRS 17 Insurance Contracts

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

IFRS 9

The Group has initially applied IFRS 9 from 4 March 2018. Due to the transition methods chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

The effect of initially applying this standard has been an increase in impairment losses recognised in financial assets.

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.

Further information on the Group's accounting policies relating to the classification and measurement of financial instruments is provided in note 2.

* Not yet adopted by the EU

Impact assessment

The effect of adopting IFRS 9 on the carrying amount of trade receivables is as follows:

Financial Assets	Original classification under IAS 39 £m	New classification under IFRS 9 £m	Original carrying amount under IAS 39 £m	New carrying amount under IFRS 9 £m
Trade and other receivables	Loans and receivables	Amortised Cost	652.7	585.5
Other receivables	Other receivables	Amortised Cost	35.9	35.9
Cash and cash equivalents	Cash and cash equivalents	Amortised Cost	43.7	43.7
Forward exchange contracts	Forward exchange contracts	Fair Value	(1.5)	(1.5)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition on 4 March 2018:

Financial Assets	IAS 39 carrying amount 3 March 2018 £m	Remeasurement £m	IFRS 9 carrying amount 4 March 2018 £m
Trade and other receivables	652.7	67.2	585.5
Other receivables	35.9	–	35.9
Cash and cash equivalents	43.7	–	43.7
Forward exchange contracts	(1.5)	–	(1.5)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively except the Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement including impairment requirements.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the Consolidated Income Statement of interest revenue calculated using the effective interest rate method. Previously, the Group disclosed this amount in the notes to the financial statements.

Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 4 March 2018. Accordingly, the information presented for the period to 3 March 2018 reflects the requirements of IAS 39 rather than IFRS 9.

1 General information continued

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. As the Group has determined there is a significant financing component the ECL model introduces the concept of staging.

Stage 1: assets which have not demonstrated any significant increase in credit risk since origination

Stage 2: assets which have demonstrated a significant increase in credit risk since origination

Stage 3: assets which are credit impaired

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.

12 month ECLs are calculated for assets in Stage 1 and lifetime ECLs are calculated for assets in Stages 2 and 3. Assets can move from Stage 1 to Stage 2 if there is evidence of a significant increase in credit risk since origination.

The ECL is calculated using inputs relating to the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The Probability of Default is an estimate of the likelihood of default over 12 months and the expected lifetime of the debt.

The Exposure at Default is an estimate of the exposure at the date of default, taking into account expected changes in the exposure after the reporting date such as interest accrued.

The Loss Given Default is an estimate of the loss arising on default, including an estimation of recoveries.

Definition of default

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

Evidence that a financial asset is in default includes the following observable data:

- The account has been placed on a non-interest bearing payment arrangement (as part of forbearance measures); or
- Notification of bereavement has been received; or
- The receivable is 56 days or more days past due for new customers and 84 days past due for established customers.

Definition of write off

The Group considers that an asset should be written off when it is more than 124 days past due for new customers and 152 days past due for established customers and all arrears activity has been exhausted.

Significant increase in credit risk

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 to have experienced a significant increase in credit risk. Further information on significant increase in credit risk is provided on page 100.

Incorporation of forward looking data

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

This is 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtained control of the goods or services.

The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group have performed a comprehensive review of all revenue streams, focusing on those most likely to be impacted by IFRS 15. From this review, it was determined that no changes are required to our current revenue recognition methods.

Product revenue

Product revenue is for the sale of a product which generally includes one performance obligation. The Group has concluded that revenue from product sales should be recognised when a customer obtains control of the goods, i.e. on delivery of the product. For product sales, this is recognised upon delivery to the customer premises, as detailed in our accounting policy, see page 97. This is the point in time at which the customer accepts the risks and rewards of ownership transfer and the control passes to the customer. The impact upon transition to IFRS 15 is immaterial.

Also under IFRS 15, the Group estimates the value of goods that will be returned. Under the old standard, IAS 18, expected returns were estimated using a similar approach and therefore no adjustment was required upon transition to IFRS 15.

Based on its assessment above, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases, from 1 January 2019 therefore it will be applicable to the Group for the year ending 29 February 2020 and has not been early adopted by the Group. IFRS 16 will affect the presentation of the Group consolidated financial statements introducing a single, on balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and corresponding lease liability representing its obligation to make lease payments. There are recognition exemptions available for short-term leases and leases of low value items, which the Group plans to adopt. Through the work carried out by the Group to date to assess the impact on transition, the Group have sought professional advice and held accounting workshops to evaluate the impact on the Group's results, financial position and budgets. This will affect the Balance Sheet, Income Statement and disclosures to the financial statements, however through the work performed by the Group to date to assess the impact on transition, the net impact on all of the above Primary Financial Statements is estimated to be immaterial. The Group plans to apply IFRS 16 for the year ending 29 February 2020 using the modified retrospective approach.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group is required to adopt IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019, therefore it will be applicable to the Group for the year ending 29 February 2020. This has not been early adopted by the Group. The Group has not yet finalised their assessment of IFRIC 23 and expect the Group's open uncertain tax treatments to have progressed by the year ending 29 February 2020. However, through the draft assessment completed to date, the Group expects the impact on the Group's financial statements to be immaterial.

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 2019 means at 2 March 2019 or the 52 weeks then ended; reference to 2018 means at 3 March 2018 or the 52 weeks then ended unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the Saturday that falls closest to 28 February each year. The Employee Share Ownership Trust is also made up to a date coterminous with the financial period of the parent Company.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 delivered to the customer and control is transferred to the customer. Sales returns in the period are recognised as a deduction to revenue based on expected levels of returns. 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 liabilities (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.

2 Accounting policies continued

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 statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group may enter into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Profits and losses on financial instruments are recognised in the income statement as they arise.

Trade receivables

During the period the Group has adopted IFRS 9 Financial Instruments for the first time. The standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces IAS 39 Financial Instruments, Recognition and Measurement.

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.

A financial asset is 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.

Trade and other receivables which were classified as loans and receivables under IAS 39 are now classified as amortised cost. An increase of £67.2m in the allowance for impairment over these receivables was recognised in the opening retained earnings at 4 March 2018 on transition to IFRS 9.

The Group held financial instruments that would be classified as FVTPL at 2 March 2019. The profit on fair value adjustments was £4.5m (FY18: loss £8.5m).

Business model assessment: Policy applicable from 4 March 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income or realising cash flows from the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

2 Accounting policies continued**Assessment of whether contractual cash flows are solely payments of principal and interest; Policy applicable from 4 March 2018**

For the purpose of this assessment 'principal' is defined as the fair value of the financial asset on initial recognition. Interest is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administration costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate.

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. As the Group has determined there is a significant financing component, the ECL model introduces the concept of staging.

Stage 1 – assets which have not demonstrated any significant increase in credit risk since origination

Stage 2 – assets which have demonstrated a significant increase in credit risk since origination

Stage 3 – assets which are credit impaired

Under IFRS 9, loss allowances are 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.

12-month ECLs are calculated for assets in Stage 1 and lifetime ECLs are calculated for assets in Stages 2 and 3. Assets can move from Stage 1 to Stage 2 if there is evidence of a significant increase in credit risk since origination.

Significant increase in credit risk

A financial asset is 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.

As a general indicator, credit risk is deemed to have increased significantly since initial recognition if based on the Group's quantitative modelling the remaining lifetime probability of default is determined to have increased by more than 250% of the corresponding amount estimated on initial recognition.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 28 days past due.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which the minimum payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Definition of default

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

Evidence that a financial asset is in default includes the following observable data:

- The account has been placed on a non-interest bearing payment arrangement (as part of forbearance measures);
- Notification of bereavement has been received; or
- The receivable is 56 days or more days past due for new customers and 84 days past due for established customers.

Definition of write off

The Group consider that an asset should be written off when it is more than 124 days past due for new customers and 152 days past due for established customers and all arrears activity has been exhausted.

Impact of the new impairment model

The Group has determined that the application of IFRS 9's impairment requirements as at 4 March 2018 results in an additional impairment allowance as set out in note 16.

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

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except the Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 4 March 2018. Accordingly, the information presented for the year ended 3 March 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

For further details see note 16.

Policy applicable before 4 March 2018

Trade receivables were initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts were recognised in profit or loss when there was objective evidence that the asset was impaired based on specific customer patterns of behaviour which may be affected by external economic conditions.

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

Trade receivables were 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.

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.

2 Accounting policies continued

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 recognised in the balance sheet represents the present value of the defined benefit asset, 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 or are probable to be 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 22 to 27.

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 by applying a series of stress tests. The stress tests apply a range of sensitivities to Group revenue, cash collections and arrears levels; reflecting the principal risks of the business, primarily through potential trading restrictions and penalties arising from the impact of a cyberattack, 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. In addition, the uncertainty around the impact of Brexit and the reduced consumer confidence has also been incorporated into these sensitivities.

The Group has a £125m RCF and a £500m Securitisation which are committed to September 2021 and a £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, ultimately 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 in total, 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.

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 from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default taking into consideration forward looking macroeconomic assumptions.

Changes in the assumptions applied such as the value and frequency of future debt sales in calculating the Loss Given Default, and the estimation of customer repayments and Probability of Default rates, could have a significant impact on the carrying value of trade receivables. As a result this is continually assessed for relevance and adjusted appropriately. Revisions to estimates are recognised prospectively. Further information is given in the transition to IFRS 9 on page 95 and in note 1.

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.

Corporation tax

In respect of Corporation tax, as at 2 March 2019 the Group has provided a total of £13.9m (2018: £3.8m) 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 2 March 2019, the Directors estimate that the unfavourable settlement of these cases could result in a net cash tax payment of up to £13.9m with no further charge to the income statement. 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 £27.2m.

VAT

In respect of VAT, and excluding the issue mentioned below, the Group has provided a total of £6.6m (2018: £3.1m) 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 has been in a long running dispute with HMRC with respect to the VAT treatment of certain marketing costs and the allocation of those costs between our retail and credit businesses. The case was heard in a first tier VAT tribunal in May 2018 with a draft decision being issued in November 2018 which was published in March 2019.

The case has two key aspects, being attribution which is in respect of whether marketing costs can be directly attributed to product revenue or financial services income and secondly apportionment which is surrounding the allocation of marketing costs between the retail and financial services business. With respect to attribution, the judge agreed with HMRC, finding that when the Group is marketing goods it is also in effect marketing financial services, even if there is no reference to this in its marketing materials. The judge however ruled against HMRC's standard method of apportionment of costs (which is based on the proportion of total UK revenue which is generated from product sales).

As at 3 March 2018, the Group had an asset of £43.8m which had arisen as a result of cash payments made under protective assessments raised by HMRC.

Whilst discussions are on-going with HMRC and a final outcome has not yet been achieved, following the final ruling management have reviewed the likelihood of recovering the carrying value of the asset held as at March 2018 and as a result of this review have written down the value by £37.9m. As the Group has not yet been assessed by HMRC for the period June 2017 to March 2019 this has also resulted in an additional charge of £11.5m. This results in a total exceptional charge of £49.4m and a VAT creditor at year end of £6.6m (2018: £43.8m asset).

As the judge did not fully conclude on the apportionment issue, inherent uncertainty regarding the outcome of this position remains which means the eventual realisation could differ from the accounting estimates and therefore impact the Group's future results and cash flows. Discussions with HMRC are ongoing and if no agreement is reached, there will be a second tribunal hearing on this issue.

Based upon the details of the ruling and further external advice received by management, the Directors estimate that a more favourable outcome could result in a cash receipt of up to £12.1m and an associated credit to the income statement of £18.7m, whilst an unfavourable outcome which would be based upon HMRC's stated position would result in a further cash outflow of £18.6m and an associated charge to the income statement of £12.0m.

Overall, the Directors estimate that in combination, the unfavourable settlement of the cases set out above could result in a charge to the income statement of up to £12.0m (2018: £53.0m) and a cash payment to HMRC of up to £25.2m (2018: £9.2m). The favourable settlement of these cases would result in a repayment of tax and associated interest of up to £12.1m (2018: £43.8m) and an associated credit to the income statement of £18.7m (2018: £nil).

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 £1.8m (2018: £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 useful 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

	2019 £m	2018 £m
An analysis of the Group's revenue is as follows:		
Sale of goods	615.8	652.6
Financial services	298.6	269.6
Revenue	914.4	922.2

4 Business segment

The Group has one operating 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 operating segment, by brand categorisation and product type categorisation.

	2019 £m	2018 £m
Continuing operations		
Analysis of revenue – Home Shopping		
Product – total revenue	615.8	652.6
Other financial services revenue	31.4	32.6
Credit account interest	267.2	237.0
Financial Services – total revenue	298.6	269.6
Revenue – Home Shopping Total	914.4	922.2
Analysis of cost of sales – Home Shopping		
Product – total cost of sales	(295.0)	(312.1)
Impairment losses on customer receivables	(119.0)	(99.5)
Profit on sale of customer receivables	10.7	5.8
Other financial services cost of sales	(13.4)	(10.8)
Financial Services – total cost of sales	(121.7)	(104.5)
Cost of sales – Home Shopping total	(416.7)	(416.6)
Gross profit	497.7	505.6
Gross margin – Product	52.1%	52.2%
Gross margin – Financial Services	59.2%	61.2%
Warehouse and fulfilment	(84.0)	(85.8)
Marketing and production	(157.8)	(164.0)
Depreciation and amortisation	(30.1)	(28.1)
Other administration and payroll	(127.9)	(137.2)
Segment result and operating profit before exceptional items	97.9	90.5
Exceptional items (see note 6)	(145.6)	(56.9)
Segment result and operating (loss)/profit – Home Shopping	(47.7)	33.6
Finance costs	(14.3)	(8.9)
Fair value adjustments to financial instruments	4.5	(8.5)
(Loss)/profit before taxation	(57.5)	16.2

	2019 £m	2018 £m
Analysis of product revenue by brand		
JD Williams	159.5	163.4
Simply Be	134.2	132.8
Jacamo	66.7	68.6
Power Brands	360.4	364.8
Traditional segment	114.7	138.6
Secondary brands	140.7	149.2
Total product revenue – Home Shopping	615.8	652.6
Analysis of product revenue by category		
Ladieswear	256.5	267.6
Menswear	85.0	89.2
Footwear and accessories	70.8	74.9
Home and gift	203.5	220.9
Total product revenue – Home Shopping	615.8	652.6

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from international markets amounted to £37.1m (2018: £38.8m). Operating results from international markets amounted to £1.9m loss (2018: £1.2m profit). All 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. Impairments of tangible and intangible assets in the current period were £19.3m (2018: £nil). Tangible and intangible assets of £5.7m (2018: £2.7m) were written off following the closure of stores in the year, see note 6.

	2019 £m	2018 £m
Other information		
Capital additions	36.3	38.8
Capital disposals	(5.7)	(4.1)
Depreciation and amortisation	(30.1)	(28.1)
Balance sheet		
Total segment assets	1,011.8	1,067.0
Total segment liabilities	(700.4)	(607.4)
Segment net assets	311.4	459.6

Notes to the Group Accounts

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5 Profit for the period

	2019 £m	2018 £m
Profit for the period has been arrived at after charging:		
Net foreign exchange (gains)/losses	(3.0)	3.1
Depreciation of property, plant and equipment	4.9	5.7
Loss on disposal of property, plant and equipment (note 6)	5.0	2.7
Loss on disposal of intangible assets (note 6)	0.7	–
Amortisation of intangible assets	25.2	22.4
Cost of inventories recognised as expense	295.1	312.1
Staff costs	79.9	83.0
Auditor's remuneration for audit services	0.6	0.4
Doubtful debts recognised as an expense (note 16)	119.0	99.5
Exceptional items (note 6)	145.6	56.9
Operating lease costs (note 27)	2.3	4.5

Amounts payable to KPMG LLP and their associates by the Group in respect of non-audit services were £0.1m (2018: £0.1m).

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

	2019 £m	2018 £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	0.4	0.3
All other services	0.1	0.1
Total	0.6	0.5

Fees in relation to audit related assurance services totalled £29,000 (2018: £29,000).

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £17,000 (2018: £16,000).

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on page 55 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 Exceptional items

	2019 £m	2018 £m
Customer redress	45.0	40.0
Closure costs	22.0	13.8
Impairment of tangible, intangible assets and brands	20.0	–
VAT debtor impairment	49.4	–
Other VAT matters including associated legal and professional fees	8.9	3.1
GMP equalisation adjustment	0.3	–
Items charged to (loss) / profit before tax	145.6	56.9
Taxation provision (see note 20, included within exceptional tax charge of £22.9m)	3.0	–

Customer redress

Following an industry wide request from the FCA that firms ensure that general insurance products and add-ons offered value for their customers, during the previous year the Group identified flaws in certain insurance products which were provided by a third party insurance underwriter and following an assessment of the cost of potential customer redress an exceptional charge of £40.0m was recognised.

During the year, this element of the customer redress programme has been completed and as a result of upheld rates being materially higher than that expected, the total cost of redress was £56.5m. A charge of £16.5m has therefore been made to reflect this additional expense.

The Plevin court ruling was made in November 2017, which meant that if more than 50% of a customer's PPI payments were paid as commissions and this was not explained to them at the time, they could claim back payments plus interest. This, combined with an increase in marketing activity by the FCA to raise awareness of the August 2019 deadline appears to have had the effect of increasing the volume of claims across the industry. As at 2 March 2019, a charge of £28.5m has been recognised to reflect an updated estimate following an increase in the volume of claims and the latest assessment of the expected uphold rate and average redress per claim.

Closure costs

In line with our strategy of reshaping our retail offering, following a period of consultation with all staff involved in our store estate, the decision was made to close all remaining retail outlets at the end of August 2018. This review resulted in an exceptional cost of £22.0m in respect of onerous lease provisions, other related store closure costs and asset write offs of £5.7m.

Impairment of tangible, intangible assets and brands

In accordance with the requirements of IAS 36 management have assessed the carrying value of the intangible and tangible assets held in respect of Figleaves and following this review have written down the value of goodwill (£7.1m) and tangible fixed assets (£1.5m) in full.

In addition following this review the directors have also written off in full the remaining deferred tax asset of £3.0m in relation to future unutilised tax losses. This has been presented as an exceptional item.

During the period the Group also terminated an agreement with a third-party IT Financial Services provider, Welcom Digital Limited ("WDL"). Following a detailed review of capitalised development spend held in respect of this item a non-cash impairment charge of £11.4m was made.

VAT debtor

The Group has been in a long running dispute with HMRC with respect to the VAT treatment of certain marketing and non marketing costs and the allocation of those costs between our retail and credit businesses. The case was heard in a first tier VAT tribunal in May 2018 with a draft decision being issued in November 2018 which was made public in March 2019.

The case has two key aspects, those being attribution and apportionment. With respect to attribution, the judge agreed with HMRC, finding that when the Group is marketing goods it is also in effect marketing financial services, even if there is no reference to this in its marketing materials. The judge however ruled against HMRC and directed that in apportioning costs via a turnover ratio, VATable product turnover should be included in full, but VAT exempt financial services income should in part be excluded to the extent that it did not relate to the original marketing activities.

As at 3 March 2018, the Group had an asset of £43.8m which had arisen as a result of cash payments made under protective assessments raised by HMRC.

Whilst discussions are on-going with HMRC and a final outcome has not yet been achieved, following the final ruling management have reviewed the likelihood of recovering this asset and as a result of this review have written down the value by £37.9m. In addition, a further £11.5m has been accrued in respect of the period June 2017 to 2 March 2019 as protective assessments have not yet been raised in respect of this period. This results in a total exceptional charge of £49.4m. For further information see note 21.

Other VAT matters including associated legal and professional fees

The Group is currently in discussions with HMRC regarding historic underestimation of VAT and has consequently charged £3.3m in respect of settlement of this item. In addition, these costs also relate to on-going legal and professional fees, which have been incurred as a result of the Group's on-going disputes with HMRC regarding a number of historical VAT matters and tax positions. Of the amount charged in the period the Group has made related cash payments of £2.8m (2018: £1.2m).

GMP equalisation

An exceptional pension cost arose in the year as a result of the High Court ruling in the case of Lloyds Bank in relation to Guaranteed Minimum Pension ("GMP") equalisation. Whilst this may still be subject to appeal, we have made an exceptional provision of £0.3m for the expected one-off impact of GMP equalisation on the reported liabilities of the Company's defined benefit pension scheme. Further details are included in note 29.

7 Staff costs

	2019 Number	2018 Number
The average monthly number of employees (including Executive Directors) was:		
Distribution	1,106	1,139
Sales and administration	1,414	1,505
	2,520	2,644
Their aggregate remuneration comprised	2019 £m	2018 £m
Wages and salaries	68.6	72.2
Social security costs	5.7	6.0
Other pension costs (see note 29)	5.5	4.2
Share option costs (see note 28)	0.1	0.6
	79.9	83.0

Details of individual Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 64 to 81.

8 Finance costs

	2019 £m	2018 £m
Interest on bank overdrafts and loans	14.8	9.1
Net pension finance credit (see note 29)	(0.5)	(0.2)
	14.3	8.9

Notes to the Group Accounts

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9 Tax

	2019 £m	2018 £m
Tax recognised in the income statement		
Current tax		
(Credit)/Charge for the period	(2.0)	4.5
Adjustments in respect of previous periods	9.7	(2.6)
	7.7	1.9
Deferred tax		
Origination and reversal of temporary timing differences	(6.8)	(1.2)
Adjustments in respect of previous periods	(0.1)	–
	(6.9)	1.8
Total tax expense	0.8	3.7

UK Corporation tax is calculated at 19% (2018: 19.08%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reductions in the UK Corporation tax rate from 20% 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 2 March 2019 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:

	2019 £m	2018 £m
Profit before tax from continuing operations:	(57.5)	16.2
Tax at the UK Corporation tax rate of 19% (2018: 19.08%)	(10.9)	3.0
Effect of change in deferred tax rate	0.1	0.2
Tax effect of expenses that are not deductible in determining taxable profit	2.2	0.3
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.2)	(0.2)
Tax effect of adjustments in respect of previous periods	9.6	0.4
Tax expense for the period	0.8	3.7

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

	2019 £m	2018 £m
Tax recognised in other comprehensive income		
Deferred tax – remeasurement of retirement benefit obligations	4.9	1.8
Tax charge in the statement of comprehensive income	4.9	1.8

	2019 £m	2018 £m
Tax recognised in equity		
Current tax – share based payments	–	–
Deferred tax – share based payments	0.4	(0.1)
Tax charge/(credit) in the statement of changes in equity	0.4	(0.1)

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 2 March 2019 the Group has provided a total of £13.9m (2018: £3.8m) 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 the above mentioned increase in tax provisions relating to items which are subject to ongoing discussions with HMRC (£9.1m).

10 Dividends

	2019 £m	2018 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 3 March 2018 of 8.56p (2018: 8.56p) per share	24.2	24.2
Interim dividend for the 52 weeks ended 2 March 2019 of 2.83p (2018: 5.67p) per share	8.0	16.1
	32.2	40.3
Proposed final dividend for the 52 weeks ended 2 March 2019 of 4.27p (2018: 8.56p) per share	12.1	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	2019 £m	2018 £m
(Loss)/earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	(58.3)	12.5
	2019 Number	2018 Number
Number of shares ('000s)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	284,379	283,614
Effect of dilutive potential ordinary shares:		
Share options	409	542
Weighted average number of ordinary shares for the purposes of diluted earnings per share	284,788	284,156
	2019 £m	2018 £m
Earnings from continuing operations		
Net (loss)/profit attributable to equity holders of the parent	(58.3)	12.5
Total net (loss)/profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	(58.3)	12.5
Fair value adjustment to financial instruments (net of tax)	(3.6)	6.9
Exceptional items (net of tax)	122.7	46.0
Adjusted earnings for the purposes of adjusted earnings per share	60.8	65.4

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

Adjusted earnings per share	2019 Pence	2018 Pence
Basic	21.38	23.06
Diluted	21.35	23.02
	2019 Pence	2018 Pence
(Loss)/earnings per share		
Basic	(20.50)	4.41
Diluted	(20.50)	4.40

12 Intangible assets

	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
At 4 March 2017	16.9	294.4	1.9	313.2
Additions	–	36.5	–	36.5
At 3 March 2018	16.9	330.9	1.9	349.7
Additions	–	32.9	–	32.9
Disposals	–	(2.4)	–	(2.4)
At 2 March 2019	16.9	361.4	1.9	380.2
Accumulated amortisation and impairment				
At 4 March 2017	8.0	161.4	1.9	171.3
Charge for the period	–	22.4	–	22.4
At 3 March 2018	8.0	183.8	1.9	193.7
Charge for the period	–	25.2	–	25.2
Impairment	7.1	10.7	–	17.8
Disposals	–	(1.7)	–	(1.7)
At 2 March 2019	15.1	218.0	1.9	235.0
Carrying amount				
At 2 March 2019	1.8	143.4	–	145.2
At 3 March 2018	8.9	147.1	–	156.0
At 4 March 2017	8.9	133.0	–	141.9

Assets in the course of construction included in intangible assets at the year end total £35.4m (2018: £14.6m). No amortisation is charged on these assets. Borrowing costs of £nil (2018: £0.1m) 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 2 March 2019, the Group had entered into contractual commitments for the further development of intangible assets of £4.7m (2018: £2.0m) of which £1.5m (2018: £1.0m) is due to be paid within one year.

Impairment testing of software intangible assets

The Group is undertaking 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: 1.5% (2018: 2.0%)
- Pre tax discount rate: 10.7% (2018: 13.9%)

The analysis performed indicates that no impairment is required other than the specific impairment of the Welcom asset spend (see note 6). A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in these key assumptions that would cause the carrying value to exceed the value in use.

Impairment testing of brand intangibles

The brand names arising from the acquisitions of High and Mighty, Slimma, Fingleaves, Diva and Dannimac are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows and are therefore subject to annual impairment tests with the recoverable amount being determined from the value in use calculations.

The value in use calculations use cash flows based on budgets prepared by management covering a three-year period. These budgets have regard to historic performance and knowledge of the current market, together with management's views on the future achievable growth. Cash flows beyond this three-year period are extrapolated using a long-term growth rate 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 1.5% (2018: 2.0%) and 12.9% (2018: 11.9%) respectively.

The analysis performed indicates that impairment of the full carrying value of Fingleaves (£7.1m) is required and has been disclosed in note 6. 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 cash flows, then there is a risk of impairment to the remaining High and Mighty (£1.0m) brand name however our current best estimate is that there is no material risk of impairment.

13 Property, plant and equipment

	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
At 4 March 2017	59.1	132.7	191.8
Additions	–	2.3	2.3
Reclassification	–	(4.1)	(4.1)
At 3 March 2018	59.1	130.9	190.0
Additions	–	3.4	3.4
Disposals	–	(11.6)	(11.6)
At 2 March 2019	59.1	122.7	181.8
Accumulated depreciation and impairment			
At 4 March 2017	14.2	104.1	118.3
Charge for the period	1.2	4.5	5.7
Reclassification	–	(1.4)	(1.4)
At 3 March 2018	15.4	107.2	122.6
Charge for the period	1.2	3.7	4.9
Impairment	–	1.5	1.5
Disposal	–	(6.6)	(6.6)
At 2 March 2019	16.6	105.8	122.4
Carrying amount			
At 2 March 2019	42.5	16.9	59.4
At 3 March 2018	43.7	23.7	67.4
At 4 March 2017	44.9	28.6	73.5

Assets in the course of construction included in property, plant and equipment at the year end date total £2.3m (2018: £1.6m), and in land and buildings total £nil (2018: £nil). No depreciation has been charged on these assets.

At 2 March 2019, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2018: £nil).

Disposals relate to the assets written off as a result of store closures. A loss of £5.0m (2018: £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.

Notes to the Group Accounts

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15 Inventories

	2019 £m	2018 £m
Finished goods	98.6	109.3
Sundry stocks	1.2	1.3
	99.8	110.6

A net charge of £12.6m (2018: £7.7m) 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

	2019 £m	2018 £m
Amount receivable for the sale of goods and services	682.2	647.6
Allowance for doubtful debts	(97.1)	(48.8)
Net trade receivables	585.1	598.8
Other debtors and prepayments	35.9	53.9
	621.0	652.7

Trade receivables are measured at amortised cost.

A weighted average APR of 59.2% (2018: 57.9%) is charged on the outstanding balance. Provision for impairment of receivables is calculated using an "expected credit loss" (ECL) model. 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.

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 2 March 2019.

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £19.9m at 2 March 2019 (2018: £30.8m). Interest income recognised on trade receivables which were impaired as at 2 March 2019 was £16.2m (2018: £15.2m).

The amounts written off in the period of £137.9m (2018: £115.4m) include the sale of impaired assets with a net book value of £14.7 (2018: £20.5m). This sale has also been a material driver in the reduction in trade receivables on payments arrangements, from £42.7m to £26.8m as at 2 March 2019.

The concentration of credit risk is limited due to the large and diverse customer base comprising 1.1 million (2018: 1.1 million) credit customers with a balance.

	2019 £m			2018 £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	558.5	19.9	578.4	520.1	30.8	550.9
28 days – past due	35.4	3.3	38.7	35.6	4.7	40.3
56 days – past due	20.7	1.3	22.0	19.3	1.6	20.9
84 days – past due	14.7	0.9	15.6	12.9	2.3	15.2
112 days – past due	10.3	0.6	10.9	9.0	1.6	10.6
Over 112 days – past due	15.8	0.8	16.6	8.0	1.7	9.7
Gross trade receivables	655.4	26.8	682.2	604.9	42.7	647.6
Allowance for doubtful debts	(83.5)	(13.6)	(97.1)	(28.2)	(20.6)	(48.8)
Net trade receivables	571.9	13.2	585.1	576.7	22.1	598.8

	2019			2018
	Stage 1	Stage 2	Stage 3	Total
Allowance for doubtful debts				Total
Opening balance	22.3	46.9	46.8	116.0
Impairment	22.5	44.3	52.2	119.0
Utilised during the year	(29.0)	(50.5)	(58.4)	(137.9)
Closing balance	15.8	40.7	40.6	97.1

An increase of £67.2m in the allowance for impairment of trade receivables was recognised in the opening retained earnings at 4 March 2018 on transition to IFRS 9.

	2019 £m	2018 £m
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	48.8	64.7
IFRS 9 adjustment to opening balance	67.2	–
Amounts charged net to the income statement	119.0	99.5
Net amounts written off	(137.9)	(115.4)
Balance at the end of the period	97.1	48.8

An appropriate allowance for estimated irrecoverable trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default taking into consideration forward looking macroeconomic assumptions. Changes in the assumptions applied such as the value and frequency of future debt sales in calculating the Loss Given Default, and the estimation of customer repayments and Probability of Default rates, could have a significant impact on the carrying value of trade receivables. For example, an absolute increase of 3% in the value of the forward flow debt recoveries on established customers would reduce the ECL by approximately £0.4m. As a result this is continually assessed for relevance and adjusted appropriately. Revisions to estimates are recognised prospectively. Further information is given in the transition to IFRS 9 on page 95 and in note 1.

“Other debtors and prepayments” last year included 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. This year the balance comprises a net creditor, see note 21.

Notes to the Group Accounts

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17 Bank overdraft and loans

	2019 £m	2018 £m
Bank loans	(500.2)	405.0
The borrowings are repayable as follows:		
Within one year	–	–
In the second year	–	–
In the third to fifth year	(500.2)	405.0
Amounts due for settlement after 12 months	(500.2)	405.0

All borrowings are held in sterling.

	2019 %	2018 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	2.1	1.8
Bank loans	2.6	2.3

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

- 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 £27.5m (2018: £27.0m).
- The Group has a bank loan of £390.2m (2018: £280m) 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 £500m for which finance costs are linked to US commercial paper rates which is committed until September 2021. The Group also has unsecured bank loans of £110m (2018: £125m) drawn down under a medium-term bank revolving credit facility (RCF), of £125 million, which is committed until September 2021.
- 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 2 March 2019 the estimated future interest cost per annum until maturity would be £12.8m (2018: £9.3m).

At 2 March 2019, the Group had an undrawn borrowing facility of £15.0m (2018: £nil) on the RCF facility in respect of which all conditions precedent had been met. In addition there was an undrawn overdraft facility of £16.1m (2018: £27.0m).

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.

As at 2 March 2019 the Group had entered into a supplier financing arrangement which is facilitated by HSBC. The maximum facility limit is £12.0m and as at 2 March a total of £6.5m (2018: £2.2m) had been funded under the programme. There is no fixed expiry date on this facility.

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:

	2019 £m	2018 £m
Notional amount – sterling contract value	271.4	113.9
Fair value of liability recognised	(1.5)	(6.0)

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 recognised, being non-hedging currency derivatives, amounted to a credit of £4.5m (2018: charge of £8.5m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2018: 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 (2018: same).

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 Consolidated Statement of Changes in Equity.

Gearing ratio

The gearing ratio at the year end is as follows:

	2019 £m	2018 £m
Debt	511.6	405.0
Cash and cash equivalents	43.7	58.2
Net debt	467.9	346.8
Equity	311.4	459.7
Gearing ratio	150%	75%

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:

	2019 £m	2018 £m
Less than 6 months	125.4	32.9
6 to 12 months	63.1	35.3
12 to 18 months	50.0	38.6
Greater than 18 months	32.9	7.1
	271.4	113.9

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Euro	4.1	2.9	25.9	18.4
US dollar	19.7	20.2	20.0	19.3

Notes to the Group Accounts

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19 Financial instruments continued

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	
	2019 £m	2018 £m	2019 £m	2018 £m
Income statement				
Sterling strengthens by 10%	(1.6)	(0.9)	0.3	0.6
Sterling weakens by 10%	2.9	1.7	0.4	0.5

Categories of financial instruments

Financial assets	2019 £m	2018 £m
Cash and bank balances	43.7	58.2
Loans and receivables	585.1	598.8
	628.8	657.0
Financial liabilities	2019 £m	2018 £m
Derivatives at fair value through profit and loss – held for trading	1.5	6.0
Amortised cost	581.2	494.2
	582.7	500.2

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 2 March 2019 would have decreased by £2.5m (2018: £2.0m).

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.

Credit quality analysis

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3.

Ageing of trade receivables	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Current – not past due	494.2	69.6	14.6	578.4	550.9
28 days – past due	–	36.7	2.0	38.7	40.3
56 days – past due	–	19.8	2.2	22.0	20.9
84 days – past due	–	1.9	13.7	15.6	15.2
112 days – past due	–	–	10.9	10.9	10.6
Over 112 days – past due	–	–	16.6	16.6	9.7
Gross trade receivables	494.2	128.0	60.0	682.2	647.6
Allowance for doubtful debts	15.8	40.7	40.6	97.1	48.8

Current debtors may be included in Stage 2 if their behavioural risk score indicates a significant increase in credit risk. Debtors which are in default or on an agreed interest free rate are included in Stage 3.

Incorporation of forward-looking information

The economic scenarios used as at 2 March 2019 included the following key indicators for the UK for the years ending 2019 to 2023:

		2019	2020	2021	2022	2023
Unemployment rates	Base	4.1	4.1	4.2	4.1	4.1
	Upside	4.1	4.1	4.1	4.1	4.0
	Downside	4.1	4.1	4.3	4.3	4.3
Interest rates	Base	0.4	0.8	0.9	1.3	1.7
	Upside	0.4	0.8	0.8	1.0	1.3
	Downside	0.4	0.8	1.6	1.9	2.2
GDP growth	Base	1.3	1.3	1.5	1.7	1.7
	Upside	1.4	1.5	1.9	2.1	2.1
	Downside	1.4	0.9	0.9	1.2	1.3
House prices	Base	2.5	2.6	2.5	3.1	3.2
	Upside	3.2	3.6	3.5	4.4	4.6
	Downside	2.2	2.2	2.1	2.4	2.4

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on historical data over the past 10 to 15 years.

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost				
Balances as at 3 March 2018	455.5	126.9	65.2	647.6
Transfer Stage 1	–	(7.3)	18.8	11.5
Transfer Stage 2	7.3	–	9.5	16.8
Transfer Stage 3	(18.7)	(9.5)	–	(28.2)
Remeasurement of balances	45.7	43.2	18.0	106.9
New financial assets originated	33.4	25.1	7.0	65.5
Financial assets that have been de-recognised	(12.3)	(13.0)	(27.9)	(53.2)
Write-offs	(16.7)	(37.4)	(30.6)	(84.7)
Balances as at 2 March 2019	494.2	128.0	60.0	682.2

The amounts written off in the period include the sale of impaired assets with a net book value of £14.7m (2018: £20.5m). This sale has also been a material driver in the reduction in trade receivables on payments arrangements, from £42.7m to £26.8m as at 2 March 2019.

Notes to the Group Accounts

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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:

	2019 Carrying Amount £m	2019 Contractual Cash flows £m	2019 1 year or less £m	2019 1 to <2 years £m	2019 2 to <5 years £m	2019 5 years and over £m
2019						
Non derivative financial liabilities						
Secured bank loans	(500.2)	(510.6)	(12.8)	(12.8)	(485.0)	-
Trade payables	(81.0)	(81.0)	(81.0)	-	-	-
Derivative financial liabilities						
Forward exchange contracts	-	-	-	-	-	-
Outflow	(1.5)	(1.5)	0.1	(1.6)	-	-
	(582.7)	(593.1)	(93.7)	(14.4)	(485.0)	-
	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
2018						
Non derivative financial liabilities						
Secured bank loans	(405.0)	(420.2)	(9.3)	(9.3)	(401.6)	-
Trade payables	(89.2)	(89.2)	(89.2)	-	-	-
Derivative financial liabilities						
Forward exchange contracts	-	-	-	-	-	-
Outflow	(6.0)	(6.0)	(4.4)	(1.6)	-	-
	(500.2)	(515.4)	(102.9)	(10.9)	(401.6)	-

Fair value of financial instruments

The fair values 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 approximate to the carrying value of receivables.

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	IFRS 9 transitional adjustment £m	Tax losses £m	Other £m	Total £m
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)
At 3 March 2018	0.8	0.8	(8.9)	(3.3)	–	–	1.2	(9.4)
Adjustment on initial application of IFRS 9	–	–	–	–	11.7	–	–	11.7
Adjustment on initial application of IFRS 15	–	–	–	–	–	–	0.4	0.4
(Charge)/credit to income	(0.8)	(0.2)	2.8	(0.1)	(1.3)	7.6	(1.0)	7.0
Charge to equity	–	(0.4)	–	(5.0)	–	–	–	(5.4)
As at 2 March 2019	–	0.2	(6.1)	(8.4)	10.4	7.6	0.6	4.3

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:

	2019 £m	2018 £m
Deferred tax assets	18.8	2.8
Deferred tax liabilities	(14.5)	(12.2)
As at 2 March 2019	4.3	(9.4)

At the balance sheet date, the Group has unused tax losses of £17.5m (2018: £0.1m) and capital losses of £3.2m (2018: £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

	2019 £m	2018 £m
Trade payables	81.0	89.2
Other creditors	14.0	0.1
Accruals and deferred income	45.9	42.4
	140.9	131.7

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 (2018: 34 days).

The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

'Other creditors' include a net VAT creditor, comprising the VAT debtor 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.

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21 Trade and other payables continued

In respect of VAT, and excluding the issue mentioned below, the Group has provided a total of £6.6m (2018: £3.1m) 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 has been in a long running dispute with HMRC with respect to the VAT treatment of certain marketing costs and the allocation of those costs between our retail and credit businesses. The case was heard in a first tier VAT tribunal in May 2018 with a draft decision being issued in November 2018 which was published in March 2019.

The case has two key aspects, being attribution which is in respect of whether marketing costs can be directly attributed to product revenue or financial services income and secondly apportionment which is surrounding the allocation of marketing costs between the retail and financial services business. With respect to attribution, the judge agreed with HMRC, finding that when the Group is marketing goods it is also in effect marketing financial services, even if there is no reference to this in its marketing materials. The judge however ruled against HMRC's standard method of apportionment of costs (which is based on the proportion of total UK revenue which is generated from product sales).

As at 3 March 2018, the Group had an asset of £43.8m which had arisen as a result of cash payments made under protective assessments raised by HMRC.

Whilst discussions are on-going with HMRC and a final outcome not yet achieved, following the final ruling management have reviewed the likelihood of recovering the carrying value of the asset held as at March 2018 of £43.8m and as a result of this review have written down the value by £37.9m. As the Group has not yet been assessed by HMRC for the period June 2017 to March 2019 this has also resulted in an additional charge of £11.5m. This results in a total exceptional charge of £49.4m and a VAT creditor at year end of £6.6m (2018: £43.8m asset).

As the judge did not fully conclude on the apportionment issue, inherent uncertainty regarding the outcome of this position remains which means the eventual realisation could differ from the accounting estimates and therefore impact the Group's future results and cash flows. Discussions with HMRC are ongoing and if no agreement is reached, there will be a second tribunal hearing on this issue.

Based upon the details of the ruling and further external advice received by management, the Directors estimate that a favourable outcome could result in a cash receipt of up to £12.1m and an associated credit to the income statement of £18.7m, whilst an unfavourable outcome which would be based upon HMRC's stated position (which therefore would require HMRC successfully appealing the ruling) could result in a further cash outflow of £18.6m and an associated charge to the income statement of £12.0m.

22 Provisions

	Customer redress £m	Store closure £m	Total £m
Balance as at 3 March 2018	42.8	6.4	49.2
Provisions made during the period	45.0	16.3	61.3
Provisions used during the period	(70.4)	(15.3)	(85.7)
Provisions reversed during the period	-	-	-
Balance as at 2 March 2019	17.4	7.4	24.8
Non-current	-	-	-
Current	17.4	7.4	24.8
Balance as at 2 March 2019	17.4	7.4	24.8

Store closures

At the end of H1 FY19 the decision was made to close all stores and these were subsequently closed in August 2018. The costs have been treated as an exceptional item and detailed separately in the income statement as per note 6. The provision is made in respect of onerous lease obligations and other store related closure costs. The majority of these costs have been settled before the year end other than the onerous lease provision which will run to the earlier of the break clause or lease expiry for all stores. The provision is net of an estimate of potential sub-letting income.

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 2 March 2019 the Group holds a provision of £17.4m (2018 £42.8m) in respect of the anticipated costs of historic financial services customer redress. Of this amount £2.6m relates to certain insurance products where management have identified flaws in the product design; the remaining £14.8m relates to historical customer redress. These amounts include a provision of £0.1m (2018 £1.4m) in relation to administration expenses.

The Plevin court ruling was made in November 2017, which meant that if more than 50% of a consumer's PPI payments were paid as commission, they could claim back payments plus interest. This combined with an increase in marketing activity by the FCA, to raise awareness of the August 2019 PPI deadline, appears to have had the effect of increasing the volume of claims across the industry. In the period to 2 March 2019, a charge of £45.0m has been recognised to reflect the increased cost incurred in the period and an updated estimate following an increase in the volume of claims experienced and the latest estimate of the expected uphold rate and average redress per claim.

This estimate remains subject to significant uncertainty, in particular the level of customer claims that may be received in the period to August 2019. It is possible the eventual outcome may differ from the current estimate.

The provision is calculated using a number of key assumptions which continue to involve significant management judgement:

- Customer claims volumes: claims received but not yet processed plus an estimate of future claims by customers
- Upheld rate: the proportion of claims received which the Group settles
- Average claim redress: the expected average payment to customers for upheld claims.

These assumptions remain subjective, mainly due to the uncertainty associated with future claims levels, which include complaints driven by claims management company activity and the FCA advertising campaign.

The principal sensitivities in the customer redress calculation are: volumes of policies affected; claim rate; uphold rate; and average redress amount.

	2019 £m	2018 £m
+/- 10% in customer claims volumes	+/- 1.3	+/- 9.9
+/- 10% in uphold rate	+/- 1.1	+/- 4.4
+/- 10% in average redress amount	+/- 1.3	+/- 9.9

23 Share capital

	2019 Number	2018 Number	2019 £m	2018 £m
Allotted, called-up and fully paid				
Ordinary shares of 111/19p each				
At 2 March 2019 and 3 March 2018	285,153,619	284,458,148	31.4	31.4

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

	2019 £m	2018 £m
Balance at 3 March 2018	0.2	0.1
Issue of own shares	0.1	0.1
Balance at 2 March 2019	0.3	0.2

The own shares reserve represents the cost of shares in N Brown Group plc held by the N Brown Group plc Employee Share Ownership Trust to satisfy options under the Group's various share benefit schemes (see note 28).

At 2 March 2019 the employee trusts held 85,171 shares in the Company (2018: 85,171).

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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. Included in the amount below is £0.9m (2018: £nil) of restricted cash which is held in respect of the Group's customer redress programmes.

A breakdown of significant cash and cash equivalent balances by currency is as follows:

	2018 £m	2017 £m
Sterling	7.6	37.5
Euro	18.9	9.2
US Dollar	17.2	11.5
	43.7	58.2

26 Contingent liabilities

Parent Company bank overdrafts which at 2 March 2019 amounted to £18.4m (2018: £40.2m) have been guaranteed by certain subsidiary undertakings.

27 Operating lease arrangements

	2019 £m	2018 £m
Minimum lease payments under operating leases recognised as an expense for the period	2.3	4.5

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:

	2019 £m	2018 £m
Within one year	2.1	6.9
In the second to fifth years inclusive	4.3	9.1
After five years	1.7	1.9
	8.1	17.9

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 64 to 81 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 2019	Number of shares 2018
Option scheme				
2010 Savings related scheme	189 – 420	May 2010 – February 2022	1,048,234	1,089,453
2010 Executive scheme	238 – 444	May 2010 – August 2024	89,049	89,049
Unapproved executive scheme	238 – 444	May 2010 – August 2024	60,450	60,450
Long-term incentive scheme awards (LTIPs)				
July 2013	–	July 2016 – December 2016	–	–
August 2013	–	August 2016 – February 2017	–	–
August 2014	–	August 2017 – July 2024	–	–
June 2015	–	June 2018 – June 2025	–	892,747
August 2016	–	August 2019 – August 2026	2,437,024	2,516,884
August 2017	–	August 2020 – August 2027	1,273,015	1,351,055
August 2018	–	August 2021 – August 2028	2,677,133	–
Deferred annual bonus scheme awards (DABs)				
May 2014	–	May 2016 – November 2016	–	–
May 2015	–	May 2017 – November 2017	–	–
May 2016	–	May 2018 – November 2018	–	38,304
September 2017	–	September 2019 – March 2020	85,269	94,955
August 2018	–	September 2020 – March 2021	245,219	–

Movements in share options are summarised as follows:

	2019		2018	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	1,238,952	2.45	1,360,395	2.78
Granted during the period	717,323	1.67	462,183	2.26
Forfeited during the period	(758,542)	2.27	(409,262)	3.48
Exercised during the period	–	–	(174,364)	1.89
Outstanding at the end of the period	1,197,733	2.10	1,238,952	2.45
Exercisable at the end of the period	150,751	2.50	149,499	2.49

No options were exercised in the period and the weighted average share price during the period was 147 pence (2018: 276 pence). The options outstanding at 2 March 2019 had a weighted average remaining contractual life of 2.15 years (2018: 2.6 years). The aggregate estimated fair values of options granted in the period is £243,244 (2018: £409,956).

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28 Equity settled share based payments continued

Movements in management share awards (LTIPs and DABs) are summarised as follows:

	2019		2018	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	4,893,445	–	4,180,918	–
Granted during the period	3,024,886	–	1,449,376	–
Forfeited during the period	(1,200,671)	–	(736,849)	–
Exercised during the period	–	–	–	–
Outstanding at the end of the period	6,717,660	–	4,893,445	–
Exercisable at the end of the period	–	–	–	–

The awards outstanding at 2 March 2019 had a weighted average remaining contractual life of 8.14 years (2018: 8.3 years). The aggregate estimated fair values of options granted in the period is £3,170,372 (2018: £4,162,242).

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:

	2019	2018
Weighted average share price at date of grant (pence)	141	322
Weighted average exercise price (pence)	32	55
Expected volatility (%)	40.6	38.0
Expected life (years)	2.5-3.5	2.5-3.5
Risk-free rate (%)	0.8	0.2
Dividend yield (%)	–	4.6

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 £0.1m and £0.6m related to equity-settled share based payment transactions in 2019 and 2018 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 £5.5m (2018: £4.2m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 2 March 2019, contributions of £0.1m (2018: £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 2018 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:

	2019	2018
Discount rate	2.80%	2.75%
Future pension increases	2.05%	2.05%
Inflation – Retail Price Index	3.40%	3.35%
Inflation – Consumer Price Index	2.40%	2.35%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	22.2	23.0
Pensioner aged 65 – female	23.6	24.5
Non-pensioner aged 45 – male	24.0	24.9
Non-pensioner aged 45 – female	25.9	26.4

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2019 £m	2018 £m
Current service cost	–	–
Past service cost	0.3	–
Net interest credit	(0.5)	(0.2)
Profit recognised in the income statement	(0.2)	(0.2)

The actual return on scheme assets was £0.7m (2018: £4.6m).

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:

	2019 £m	2018 £m
Present value of defined benefit obligations	(112.0)	(120.7)
Fair value of scheme assets	135.9	140.0
Surplus in the scheme and asset recognised in the balance sheet	23.9	19.3

Notes to the Group Accounts

continued

29 Retirement benefit schemes continued

The amount included in the statement of comprehensive income is as follows:

	2019 £m	2018 £m
Remeasurement gain	7.0	9.5
Return on scheme assets	(3.1)	1.0
Gain recognised in the statement of comprehensive income	3.9	10.5

The surplus reflects the economic benefit at the balance sheet date that the Group would be entitled to, through refund, in the event the scheme was wound up. 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:

	2019 £m	2018 £m
At 3 March 2018	120.7	135.2
Current service cost	–	–
Past service cost	0.3	–
Interest cost	3.2	3.5
Remeasurement (gain)/loss		
a. Effect of changes in financial assumptions	(0.4)	(6.0)
b. Effect of experience adjustments	(6.6)	(3.5)
Benefits paid	(5.2)	(8.5)
At 2 March 2019	112.0	120.7

Movements in the fair value of the scheme assets were as follows:

	2019 £m	2018 £m
At 3 March 2018	140.0	143.5
Interest income	3.7	3.7
Return on scheme assets excluding interest income	(3.1)	1.0
Contributions from sponsoring companies	0.5	0.3
Benefits paid	(5.2)	(8.5)
At 2 March 2019	135.9	140.0

The analysis of the scheme assets at the balance sheet date was as follows:

	2019		2018	
	£m	%	£m	%
Equities	16.6	12.2	27.4	19.6
Fixed-interest government bonds	11.1	8.2	27.7	19.8
Index-linked government bonds	40.4	29.7	33.9	24.2
Corporate bonds	50.4	37.1	20.2	14.5
Property	1.7	1.3	2.6	1.8
Growth fixed income	8.9	6.5	13.3	9.5
Alternatives	4.4	3.2	14.0	10.0
Cash and cash equivalents	2.4	1.8	0.9	0.6
	135.9	100.0	140.0	100.0

All assets had an observable market price (2018: 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 £5.3m (2018: £6.5m).
- An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £4.5m (2018: £5.4m).
- An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £3.5m (2018: £3.9m).

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 £0.75m (2018: £0.5m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 2 March 2019 is approximately 20 years (2018: 24 years).

The defined benefit obligation at 2 March 2019 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2018: 0%)
- Deferred members: 64% (2018: 67%)
- Pensioner members: 36% (2018: 33%)

All benefits are vested at 2 March 2019 (unchanged from 3 March 2018).

30 Related party transactions

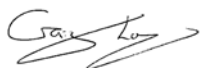
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Remuneration paid to key management personnel (who comprise the Group Directors and members of the Executive Board) was £3.4m (2018: £4.8m). This was split as follows: employment benefits of £2.6m (2018: £3.9m), other benefits of £0.7m (2018: £0.4m) and share based payments of £0.1m (2018: £0.5m).

Company Balance Sheet

	Note	As at 2 March 2019 £m	As at 3 March 2018 £m
Fixed assets			
Investments	34	367.3	367.2
Current assets			
Debtors	35	86.6	135.6
Creditors			
Amounts falling due within one year	36	(213.0)	(232.7)
Net current liabilities		(126.4)	(97.1)
Total assets less current liabilities		240.9	270.1
Non current liabilities			
Bank loans	37	(110.0)	(125.0)
Net assets		130.9	145.1
Capital and reserves			
Called-up share capital	38	31.4	31.4
Share premium account		11.0	11.0
Own shares		(0.3)	(0.2)
Profit and loss account		88.8	102.9
Shareholders' funds		130.9	145.1

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 15 May 2019.

They were signed on its behalf by:



Craig Lovelace
CFO and Executive Director

Company Statement of Changes in Equity

	Share capital (note 38) £m	Share premium £m	Own shares £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 2 March 2019					
Balance at 3 March 2018	31.4	11.0	(0.2)	102.9	145.1
Comprehensive income for the period					
Profit for the period	–	–	–	18.0	18.0
Total comprehensive income for the period	–	–	–	18.0	18.0
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(32.2)	(32.2)
Issue of own shares by ESOT	–	–	(0.1)	–	(0.1)
Share based payment charge	–	–	–	0.1	0.1
Total contributions by and distributions to owners	–	–	(0.1)	(32.1)	(32.2)
Balance at 2 March 2019	31.4	11.0	(0.3)	88.8	130.9
Changes in equity for the 52 weeks ended 3 March 2018					
Balance at 4 March 2017	31.3	11.0	(0.1)	99.8	142.0
Comprehensive income for the period					
Profit for the period	–	–	–	42.8	42.8
Total comprehensive income for the period	–	–	–	42.8	42.8
Transactions with owners recorded directly in equity					
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	–	(0.1)	(39.7)	(39.6)
Balance at 3 March 2018	31.4	11.0	(0.2)	102.9	145.1

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 cash flow 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

Going concern

Notwithstanding net current liabilities of £110.0m as at 2 March 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its overdraft facility, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's subsidiaries not seeking repayment of the amounts currently due to the Group, which at 2 March 2019 amounted to £194.6m. The subsidiary companies have indicated that they do not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 18 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 2 March 2019 of £18.0m (2018: profit £42.8m) which includes dividends received of £25.0m (2018: £50.0m).

The Non-Executive Directors' remuneration was £628,000 (2018: £549,000) and seven Non-Executive Directors were remunerated (2018: eight). The Executive Directors were remunerated by a subsidiary company in both years; the total was £1,417,000 (2018: £1,902,000). Further details are provided on page 73 of the Directors' Remuneration Report.

The auditor's remuneration for audit services to the Company of £17,000 (2018: £16,000) was borne by subsidiary undertakings.

34 Fixed asset investment

	2019 £m	2018 £m
Cost and net book value	367.3	367.2

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

	2019 £m	2018 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	86.5	135.0
Prepayments and accrued income	0.1	0.6
	86.6	135.6

36 Creditors

	2019 £m	2018 £m
Amounts falling due within one year:		
Bank overdrafts (note 37)	18.4	40.2
Amounts owed to Group undertakings	194.6	192.5
	213.0	232.7

37 Bank loans and overdrafts

	2019 £m	2018 £m
Bank overdrafts	18.4	40.2
Bank loans	110.0	125.0
	128.4	165.2

The Company has unsecured bank loans of £110.0m (2018: £125.0m) drawn down under a medium-term bank revolving credit facility committed until September 2020.

At 2 March 2019, the Company had available £15.0m (2018: £nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to a £16.1m (2018: £20.0m) undrawn revolving credit facility.

The weighted average interest rates paid were as follows:

	2019 %	2018 %
Bank overdrafts	2.1	1.8
Bank loans	2.4	1.9

38 Share capital

	2019 Number	2018 Number	2019 £m	2018 £m
Allotted, called-up and fully paid ordinary shares of 111/19p each				
At 2 March 2019 and 3 March 2018	285,153,619	284,458,148	31.4	31.4

The Company has one class of ordinary share which carries no right to fixed income.

39 Guarantees

Parent Company bank overdrafts which at 2 March 2019 amounted to £18.4m (2018: £40.2m) have been guaranteed by certain subsidiary undertakings.

Financial calendar

2019	October	Announcement of interim results
	December	Closing of register for interim dividend
2020	January	Payment of interim dividend
	January	Christmas trading statement
	February	Financial year-end
	April	Preliminary announcement of annual results
	June	Publication of 2020 Annual Report and Accounts
	July	Closing of register for final dividend
	July	Annual General Meeting
	August	Payment of final dividend

An updated version of the financial calendar is available at www.nbrown.co.uk

Registered office

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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

Thank you

We would like to thank everyone who has helped to produce this report:

Aaron Yates	Ian Brown	Matthew Wilson
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