A TRANSFORMING DIGITAL RETAILER

N BROWN GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2020

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ADAPTING TO CONSUMER TRENDS

In a challenging marketplace, we believe that our strategy is the right one to ensure long-term growth. We believe a relentless focus on our customers and a renewed energy to improve our products across our compelling but distinct portfolio of brands will make a big difference.

Restructuring takes time, but we've been working hard all year, making sure the shape of the business will deliver long-term sustainable value for shareholders.

HIGHLIGHTS

REVENUE

£858.2m

2019: £914.4m -6.1%

ADJUSTED PRE-TAX PROFIT[2]

£59.5m

2019: £83.6m -28.8%

ADJUSTED EBITDA[1]

£106.7m

2019: £128.0m -16.6%

STATUTORY PROFIT BEFORE TAX

£35.7m

2019: £-57.5m n/m

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. The Directors believe that adjusted pre-tax profit represents the most appropriate measure of the Group's underlying pre-tax profit as it removes items that do not form part of the recurring activities of the Group.

AT A GLANCE

OUR VISION

Championing inclusion, we'll become the most loved and trusted fashion retailer.

OUR PURPOSE

We exist to make our customers look and feel amazing.

OUR MISSION

We're obsessed with our customers and have been for generations. We delight them with products, service and finance to fit their lives.

WE ARE A TOP 10 UK CLOTHING AND FOOTWEAR DIGITAL RETAILER WITH A FOCUSED BRAND PROPOSITION

WOMENSWEAR

JD WILLIAMS

An online boutique experience showcasing fashion and home product for 45-65 year old women.

Digital revenue growth

+2.0%

SIMPLY BE

An online fashion and beauty brand for plus size women, targeting plus size women aged 25-45.

Digital revenue growth

+8.2%

AMBROSE WILSON

A womenswear fashion led brand supported by home, available on and offline that truly values the mature customer.

Digital revenue growth

+10.5%

OUR COMMITMENT TO OUR PEOPLE AND OUR PLANET

Our strategy is designed to embrace the ESG pillars of Our People and Our Planet. It aims to fully align our ethical policies with our commercial activities, achieving tangible results and benefits for all our stakeholders.

REVENUE BREAKDOWN[1]

A	WOMENSWEAR	£326.5m
1	JD WILLIAMS	£153.1m
2	SIMPLY BE	£128.0m
3	AMBROSE WILSON	£45.4m
B	MENSWEAR	£66.9m
4	JACAMO	£66.9m
C	PRODUCT BRANDS	£170.2m
D	FINANCIAL SERVICES	£290.5m

Strategic report

MENSWEAR

JACAMO

An online fashion and grooming brand for plus size men, targeting plus size men aged 25-50.

JACAMO

Digital revenue growth

+5.5%

PRODUCT BRANDS

Our product brands complement our Womenswear and Menswear brands by focusing on distinct customer niches which are not served by JD Williams, Simply Be, Ambrose Wilson and Jacamo.

Revenue decrease (exc Stores and US)

-5.7%

SEE MORE ABOUT OUR BRANDS p24

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.

Revenue decrease

-2.7%

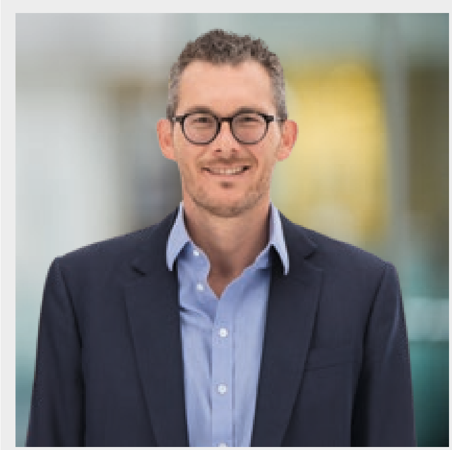
Gross customer loan book

£656.9m
-3.7%

1 Excludes US revenue. Digital revenue is revenue from all online channels. Offline revenue is revenue from telephone or mail channels, FY19 offline revenue also includes revenue from Stores.

Governance report
Financial statements

CHAIR'S STATEMENT



I would like to thank all our colleagues for their commitment and hard work, especially in their recent response to the challenges posed by Covid-19. I am proud of the way in which our team has reacted, ensuring the safety of our colleagues whilst maintaining their commitment to serving our customers.

Matt Davies
Chair

REVIEW OF THE YEAR

The retail environment remained highly promotional during the year and our focus was on continuing to build our digital business across our core brands. In line with the strategy of scaling back unprofitable marketing and recruitment, whilst managing the decline of our offline brands, Group revenue declined 6.1% to £858.2m. We were pleased, however, with our focus on growing digital revenue. Womenswear and Menswear digital revenue both grew 5.5% and 85% of our Product revenue is now digital.

In response to wide-sweeping regulatory changes across the retail credit financial services sector, the Group has continued to develop our credit business to ensure we offer an attractive and flexible payment option to customers, whilst ensuring we are set up for the future. We have made a number of significant changes to the way we manage the debtor book and as a result our Financial Services revenue declined 2.7% in the year.

Our continued focus on a more sustainable cost base continued with operating costs down 9.9% in the year, as we found more efficient ways of running the business. Adjusted profit before tax was £59.5m, a 28.8% decline compared to the prior year; this was driven by lower Product and Financial Services gross profit and higher interest costs. However, we were pleased to report a material increase in statutory profit before tax, driven by significantly reduced exceptional items in the year.

Building blocks for future success have been put in place with important changes to the ways of working and key hires to the executive team during the year.

DIVIDEND

The Board declared an interim dividend of 2.83 pence per share in respect of the first half of the financial year. Following the outbreak of Covid-19 and the subsequent impact on the business and the wider economy, the Board announced in March that it would not be recommending a final dividend for this financial year. Following the year end, the Group secured amendments to its financing facilities which included accessing the Government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). For as long as the £50m CLBILS facilities remain in place, the Group will be restricted from paying cash dividends. The Board does not anticipate declaring cash dividends in respect of the 2021 financial year.

BOARD CHANGES

This year has seen further changes to the Board. We were pleased to welcome Vicky Mitchell as a new Non-Executive Director. Vicky brings over 20 years of consumer finance experience to the Board and was formerly Chief Operating Officer of Capital One (Europe) plc, previously holding the positions of Chief Risk Officer and Chief Legal Counsel. Vicky is currently a Non-Executive Director and Chair of the Risk Committee of Lookers plc and is also a Non-Executive Director of West Bromwich Building Society where she sits on both the Risk and Audit Committees.

During the year, Craig Lovelace resigned as Chief Financial Officer. I would like to thank Craig for his contribution over the last five years. We wish him every success for the future. We were delighted to appoint Rachel Izzard as our new Chief Financial Officer. Rachel joins us from Aer Lingus where she was the Chief Financial Officer since 2015.

LOOKING FORWARD

The Board undertook a thorough review of the strategy during the year and the details are contained within the Chief Executive's statement. Since we undertook the review the trading environment has changed with the outbreak of Covid-19 but we are confident that the refreshed strategy is right for our business over the long term. We have renegotiated our debt financing arrangements to ensure that we have the necessary flexibility to trade in these challenging times. The past few months in particular with Covid-19 have been challenging for all stakeholders in the business. I would like to say a huge thank you to all our stakeholders, especially our brilliant colleagues for their hard work and commitment over these uncertain times.

CHIEF EXECUTIVE'S STATEMENT

A YEAR OF TRANSITION

The business has responded strongly to the challenges posed by the Covid-19 outbreak and I thank every single one of our colleagues who have worked so hard to keep us operational, with safety and our customers in the front of their minds.

Steve Johnson
Chief Executive Officer

RESPONDING TO THE COVID-19 PANDEMIC

Our absolute priority has been to protect the wellbeing of our colleagues, both across our distribution centres and at Head Office, whilst maintaining continuity of service for our customers shopping our brands. We are immensely grateful for the effectiveness and dedication which our colleagues and supplier partners have shown in adapting to a more flexible way of working during this difficult period and their continued unstinting commitment to supporting our loyal customer base.

For information on how Covid-19 has impacted our risk management practices see p42. Further narrative on our social response to the pandemic is set out on p35.

The Company took a number of immediate and proactive measures to reduce costs and strengthen liquidity, including:

- A significant reduction in marketing expenditure;
- Cessation and deferral of all non-essential capital expenditure;
- The furloughing of 30% of colleagues across the business;
- Recruitment and salary freezes;
- Voluntary pay reductions from April to June for plc Board, Management Board and senior leadership team; and
- Agreement with HMRC to defer certain tax and duty payments associated with our normal operating activities as well as certain legacy tax payments which were expected to be paid in H1 FY21.

REVIEW OF THE YEAR

This year was a period of restructuring for the business as we made the required changes to our business model and ways of working to strengthen our position as a leading digital retailer. Whilst our financial performance was impacted by ongoing challenges from a promotional retail market, combined with industry-wide regulatory changes in financial services, we made good operational progress and the necessary building blocks for success are being put in place.

Group revenue declined 6.1% to £858.2m, with a 7.8% decline in Product revenue, as we continued the managed decline of our legacy offline business. There was also a 2.7% decline in Financial Services revenue, as a result of proactive measures undertaken on the implementation of credit limit increases and affordability assessments.

Over the next few pages we review our progress during the financial year, before outlining our new strategy going forward.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

OUR PROGRESS DURING THIS FINANCIAL YEAR

BRAND DEVELOPMENT AND UK FOCUS

We closed down our International division and exited marketing directly to the US, removing an unprofitable part of our business. This has enabled us to redeploy key skills to support the UK business. We now have a clear and single-minded focus on the UK.

We delivered digital growth of 5.5% on our three Womenswear brands (Simply Be 8.2%, JD Williams 2.0%, and Ambrose Wilson 10.5%). Menswear (Jacamo) has delivered 5.5% digital growth. Significantly, we are now an 85% digital business which represents a six percentage point increase from the 79% delivered in the previous financial year, as we continue to actively manage the decline of our offline business.

We have invested more in our Womenswear and Menswear brands in the last 12 months, launching new campaigns for JD Williams, Simply Be and Jacamo and bringing in new specialist fashion agency partners, raising production quality. We have focused our investment on established channels such as TV and Press, and newer brand building channels such as outdoor media. During the year we also relaunched our social media strategy and are now using social for storytelling to gain a deeper engagement with followers. This will continue to be a focus in this financial year. Recent examples include the launch of Simply Be's New Icon model search, which was executed purely through social media.

PRODUCT AND FIT

We have placed the customer at the heart of decision-making across the business and have focused on understanding our customers' views on our product. In particular, we have taken learnings from digital product reviews and through weekly "blind testing" sessions of our products vs. competitors. The strongest feedback we receive about our products is from our customers and we have now ensured that listening to our customers is more deeply embedded in our culture.

We are working with Bloomreach which uses machine learning and Artificial Intelligence to offer advanced merchandising tools that optimise and personalise each customer's digital experience. This includes the capability to serve every customer a personalised product list based on their preferences. Bloomreach launched on Jacamo in April 2020 and further roll out is planned across our core brands in H1 FY21.

Our size and fit recommendations service, powered by the US innovator, True Fit, is now live across JD Williams, Simply Be, Ambrose Wilson and Jacamo. The service aims to improve confidence when purchasing and reduce the number of times customers buy multiple sizes to find their perfect fit, reducing returns rates.

We have made good progress in improving our branded portfolio to complement our own label ranges offering our customers an improved proposition. In September we launched Sea-Salt, Joules and Hobbs as new brands for JD Williams, and in October, we launched Tommy Hilfiger and Calvin Klein as new brands for Jacamo. Both Ralph Lauren and Hugo Boss have also agreed to work with Jacamo and launched this summer.

DRIVING IMPROVEMENTS THROUGH DIGITAL, DATA AND INNOVATION

Our IT squads are driving continuous improvements to our apps. These improvements will deliver a better customer experience, higher conversion rates and are a step towards our technology vision.

We have continued to drive further innovation through our market-leading body scanning technology and 3D design and product development to deliver continued fit improvements. We now have a much better understanding of our customers' shape, having scanned over 1,000 to date. This has fundamentally changed our approach to fit, moving it forward as a competitive differentiator. We also selected our first clothing ranges using virtual technology which enabled us to design and select hundreds of styles in less than two weeks. This will drive sustainable cost efficiencies as it will significantly reduce our development time and negate the need for sample production.

We also launched our automated returns facility at our warehouse in Shaw. This investment delivers benefits to the customer through faster refunds, better stock availability and improved presentation of items returned to stock. It has also delivered operational benefits, by removing 66% of receiving and sortation activity.

In the last financial year our use of data has continued to improve customer insight in the business. We have moved to customer lifetime value ("CLTV") investment models in our digital marketing strategy to drive a more sustainable financial outcome. We have also adopted a data led approach to media spend, which has helped accelerate the business to be 85% digital.

Within Financial Services, data decisioning tools are also helping us to serve a broader range of customers. We are the first lender to adopt Aire's enhanced affordability assessment at scale across our brands to improve credit decisioning and ultimately improve the customer experience for our credit customers. We continue to develop our own in-house capability and have established a Data Science team led by the newly appointed Director of Data Science to continue to drive this critical area in the digital world.

STRENGTHENING OUR TEAM

We have also improved the expertise around the business to support the refreshed strategy by making significant new hires across our Executive Board and senior leadership team. We have introduced our new Vision, Mission and Purpose into the business, whilst also refreshing our company Values. We launched these to our colleagues in the autumn to give them a clearer indication of the direction the business is heading in, and how we behave. The process has been developed bottom up, not top down, and is an important step in creating an engaged and dynamic culture. We measure colleague engagement through our VIBE survey which achieved an overall score of 72% for FY20 (vs 68% FY19). We are encouraged by the improvement in score, particularly given large amounts of internal change and external factors such as the challenging retail market.

FINANCIAL SERVICES

During the year, in response to wide-sweeping regulatory intervention across the financial services sector, the Group continued to make a number of significant changes to the way it manages Financial Services. Revenue declined 2.7% in the year due to lower balances and associated interest income and due also to a fall in administration fees as fewer customers entered into arrears. As a result of lower Product revenue, the gross debtor book declined 3.7% to £656.9m.

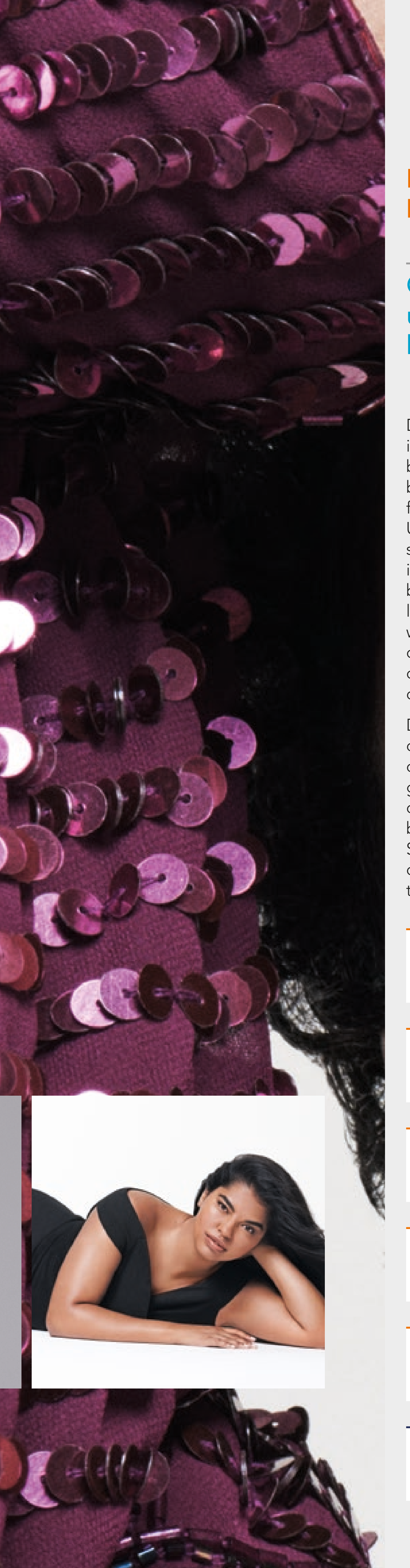
Over the last 18 months there has been a significant amount of industry-wide regulatory change. We are committed to improving outcomes for customers and have made several changes to policies and procedures over the past few years to do this and ensure full compliance with regulation. We are facing two particular headwinds in Unsolicited Credit Limit Increases ("UCLI") and Persistent Debt.

UCLI was introduced in two phases with first phase starting in March 2019. Changes were made to our credit limit increase process whereby customers were given 30 days before any proposed increase in a credit limit was applied and were provided the option to 'opt-out'. Further rule changes came into effect as part of phase two in December 2019. Customers were given more control over credit limit increases by giving them the option to 'opt-in' vs. 'opt-out' when signing up for credit and providing options to change their preference throughout the customer lifecycle. On phase two we also introduced hard policy rules around arrears and persistent debt. These changes have reduced the number of credit limit increases that are offered to customers.

Persistent debt is defined as where, over a period of 18 months, a consumer pays more in interest, fees and charges than they have repaid of the principal. From June 2019, we communicated with our customers identified to make them aware of the implications of continuing to make low repayments and sign-post our customers to not-for-profit-debt-advice. From March 2020 we sent a further reminder to customers at 27 months whose payment profile indicates that they would still be in persistent debt by December 2020. Finally, we are required to take intervention starting in December 2020 by proposing ways to help customers repay their balance more quickly and within the defined reasonable period (3-4 years), for example by increasing their minimum repayment level or transferring their balance to a fixed sum fixed term loan.

We expect that the steady improvement in the quality of our debtor book and the changes that we have made in response to the new regulatory environment will have further medium-term consequences for the performance of our Financial Services business. Improved credit quality has reduced the IFRS 9 bad debt provision; our IFRS 9 bad debt provision ratio declined to 10.9% as at the end of the financial year. This compares with a 17.9% provision when IFRS 9 was first introduced at the start of FY19. In addition, changes to our policies and procedures, will have a significant influence on the size and shape of our debtor book. The Group continues to assess its strategies to mitigate the impact of these changes, including the phased introduction of new financial products and further reductions in its operating cost base.

CHIEF EXECUTIVE'S STATEMENT CONTINUED



LOOKING FORWARD – RETURNING N BROWN TO SUSTAINABLE GROWTH

Over the last two financial years the Group has undertaken a significant restructuring programme which has created the right platform for sustainable growth.

Digital penetration has significantly increased, international markets have been exited and the store estate has been closed. As we enter the new financial year, N Brown is now a top 10 UK clothing and footwear digital retailer, supporting underserved mature and size inclusive markets. Digital capabilities have been enhanced, the executive and senior leadership team has been refreshed, with a clearer strategic focus and the cost base is now more appropriate for a digital retailer, with further cost saving opportunities identified.

During the financial year we undertook a detailed review of our strategy focused on returning N Brown to sustainable growth and built a plan based on driving profitability through the Retail business, whilst defending the Financial Services business. The recent outbreak of Covid-19 has fundamentally altered the broader retail landscape and this disruption will likely continue for the foreseeable future. We have successfully restructured our operating model and believe that our refreshed strategy is the right one to deliver sustainable long-term growth, completing our transformation from a traditional to a digital retailer.

An important element of restructuring our operations has been to identify key factors contributing to poor historical performance, and to address them within our strategic plan, with significant action already undertaken.

We have already started putting in place the building blocks for the refreshed strategy.

We will now begin an "accelerate" phase driven by five growth pillars which have been developed to reflect the focus of the business and the external environment:

1 DISTINCT BRANDS TO ATTRACT BROADER RANGE OF CUSTOMERS

2 IMPROVED PRODUCT TO DRIVE CUSTOMER FREQUENCY

3 NEW HOME OFFERING FOR CUSTOMERS TO SHOP MORE ACROSS CATEGORIES

4 ENHANCED DIGITAL EXPERIENCE TO INCREASE CUSTOMER CONVERSION

5 FLEXIBLE CREDIT TO HELP CUSTOMERS SHOP

OUR ENABLERS

PEOPLE AND CULTURE | **DATA** | **SUSTAINABLE COST BASE**

1 DISTINCT BRANDS TO ATTRACT BROADER RANGE OF CUSTOMERS

We undertook a thorough review of the markets in which we operate, which highlighted that we are serving a specific set of customers well but that we need to extend our reach to a broader set of customers to drive growth. Doing this requires a portfolio of brands with clearer, more focused propositions. Therefore, from this financial year we will simplify our portfolio to four apparel brands, supplemented with one standalone home brand. Our clear brand proposition will standout against the market and each other. The brand architecture and target customer segments are as follows:

Simply Be – an online fashion and beauty brand for plus size women, targeting plus size women aged 25-45.

Jacamo – an online fashion and grooming brand for plus size men, targeting plus size men aged 25-50.

JD Williams – an online boutique experience showcasing fashion and home product for 45-65 year old women.

Ambrose Wilson – a womenswear fashion led brand supported by home, available on and offline that truly values the mature customer.

Home Essentials – a standalone one stop home brand focused on modern homeware and enabled by a credit offering. The target customer will be families with children at home.

Our other brands will either be folded into our main brands or closed down. As we execute our plan, we will be focused on protecting our loyal and valuable customers to ensure that they continue to receive the product they want and the customer service they have come to expect. This refined brand strategy ensures that our brands have a clear proposition, appealing to distinct customers segments in order to return N Brown to growth.

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2 IMPROVED PRODUCT TO DRIVE CUSTOMER FREQUENCY

Refining and improving our product offering is key to driving our new brand propositions, encouraging customer loyalty and frequency. We will focus on three key areas.

We will improve our product "handwriting" through clearly defined designs for each brand, investing in fabric, quality and consistency of fit. Our focus will be on delivering trends for customers at the right time in the right way. This will result in a better product, which is more relevant to customers, thereby driving loyalty.

Secondly, we will renew our "good / better / best" product architecture. This will be done through increasing the importance in our 'own designed' ranges in Womenswear, Menswear and Home, better curation of branded products and a well-defined and responsive pricing strategy.

These initiatives will help to drive increased order frequency and customer loyalty.

Finally, we will continue to focus on ethical and sustainable sourcing, ensuring a consistent and consolidated supply base. Our proactive approach has resulted in a 50% supplier reduction in the last 18 months and we will increase the mix of UK and European sourcing to increase flexibility and speed to market. We also have a clearly defined roadmap to deliver enhanced level of sustainability. By evolving our sourcing model, we will be able to respond with increasing flexibility to shifting customer demands, while reducing our lead times.

3 NEW HOME OFFERING FOR CUSTOMERS TO SHOP MORE ACROSS CATEGORIES

Previously our Home proposition extended across our apparel brands with no consistent, curated offer. The separation of our Home offering from our apparel brand sites represents a significant market opportunity for the Group, enabling cross sell into our existing apparel-focused customer base and attracting new customers.

Our new Home Essentials trading website launched on April 1st and is a standalone home brand targeting young families who are balancing their budgets. The brand focuses on soft furnishings, helping customers "dress their home," while still providing access to larger items and white goods.

The Home Essentials launch was timely, coming just one week after commencement of the "UK lockdown". The launch had an immediate impact on the Group's Home sales and the strength of demand has subsequently been sustained, demonstrating the exciting opportunity that this presents for the Group.

4 ENHANCED DIGITAL EXPERIENCE TO INCREASE CUSTOMER CONVERSION

We will invest to support our strategic priorities, improving our digital capabilities and ultimately improving the customer experience. Through FY20, we substantially changed how we delivered technology projects, moving away from largescale, waterfall delivery to a more agile methodology focused on driving frequent, incremental value gains. Working under this methodology has already delivered a new Home Essentials trading website, Android and iOS apps for JD Williams, Simply Be, Jacamo, Ambrose Wilson and Home Essentials and Artificial Intelligence enabled search.

For the next two financial years we will focus on progressing N Brown with a "digital first" mentality. Our investment will be focused on new front-end websites, providing significant benefit to the customer experience, and improving site speed to drive performance of organic search. In addition, we will invest in a new Financial Services platform to support new credit products.

5 FLEXIBLE CREDIT TO HELP CUSTOMERS SHOP

Our credit proposition is a key differentiator. It enables us to provide convenient financial services to customers, while using data to provide personalised and targeted offers to our customers. Our credit customers are also loyal to N Brown and have improved purchasing power, helping to drive demand for our products.

We will be resolutely focused on continuing to provide convenient financial services to our core customers, delivering ongoing improvements to customer outcomes and, at the same time, continuing to improve the quality of the debtor book. As the refined brand propositions attract a broader and more affluent section of the market, we will develop new financial products that are familiar to these customers and drive higher volumes of full price incremental retail sales. The new Financial Services platform will support the delivery of these new credit options.

We will also enhance our use of data sources and analytical tools and techniques to improve our lending proposition. Our partnership with Aire Labs is already driving incremental improvement and we see further opportunities in this area.

Finally, flexible credit is a key enabler of the new Home proposition which will allow us to compete within the market by ensuring the relevancy and appeal of our Home products.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

These five growth pillars will be supported by our key enablers:

PEOPLE AND CULTURE

Underpinning our refreshed strategy are our people. It is fundamental that we create the right culture within the business to allow colleagues to thrive and deliver a great experience for our customers. Within the last 12 months we have hired a new CFO, Chief Brand Officer, CEO of Financial Services, CEO of Retail and Director of Strategy Transformation. In addition to this, almost a third of our senior leadership team has joined the business within the last 18 months, bringing in further relevant capabilities to support the business. We have also re-aligned our organisation design to support the needs of a digital retailer. Multi-functional trading squads are now in place, focusing on each brand and driving performance.

DATA

The use of data within the business is key to powering our refreshed strategy and we are prioritising building on the foundations that have been put in place in the last year.

We will continue to increase our use of data across the business to get to know our customer better and drive continued efficiencies in revenue, marketing and product ranging. We have enhanced our use of data by implementing Bloomreach to increase data driven search across our sites. We have also improved Financial Services decisioning and customer outcomes through partnering with the fintech company Aire Labs.

SUSTAINABLE COST BASE

Key to enabling our refreshed strategy is an appropriate cost base which will help build retail profitability. As part of our review of strategy we undertook a thorough benchmarking analysis of our cost base. This activity identified two cost areas which were higher than peers: marketing expenditure and admin and payroll.

We began a cost reduction programme in FY20, with a 13.8% reduction in marketing spend achieved by removing unprofitable expenditure through attribution modelling and a focus on driving more efficient marketing channels. This will be accelerated in FY21 with more data-led initiatives to further reduce spend and improve efficiency. We also expect admin and payroll to be lower, in line with continued Head Office efficiencies and creating the right, sustainable cost base for a digital retailer.

There is further scope to focus on operating efficiencies in light of recent, unprecedented events. In addition to our focus on reducing operating expenditure, we also have a strong emphasis on working capital efficiency to drive future cash generation.

SUMMARY

We have undertaken significant steps in restructuring our business over the last two financial years and taken swift and decisive action in the current, unprecedented trading environment.

The Group has developed a clear and compelling strategy to unlock significant addressable market potential in the future, based on five deliverable pillars and underpinned by our three enablers. We are excited about the opportunity for N Brown to return to growth, building on the strong platform that we have created through our restructuring, with a priority to deliver long-term, sustainable shareholder returns.

Steve Johnson
Chief Executive Officer

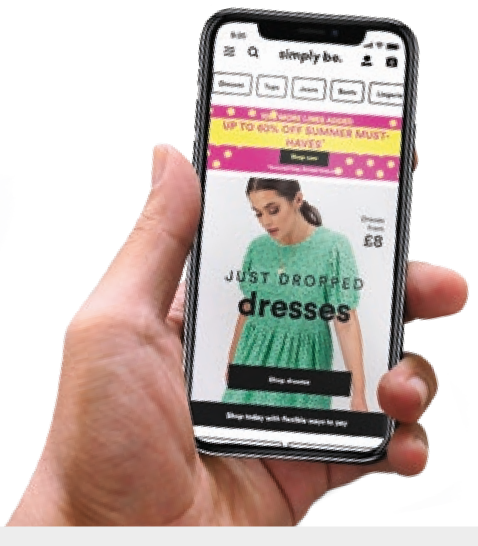
MARKETPLACE

THE IMPACT OF COVID-19

The retail market has significantly changed from the start of 2020 due to the impact of Covid-19.

The clothing and footwear sector has been the hardest hit with consumers avoiding non-essential spend and the demand for new clothing has been impacted by social restrictions. The BRC reported that the online clothing and footwear market fell 10% from mid March 2020. However, the online clothing and footwear market returned to growth towards the end of May 2020[1].

Consumer confidence has been heavily weakened by Covid-19 to -34 , down from -10 at the same time point last year. Despite official Government guidance that the Brexit transition period will not be extended, the negotiations with the EU over a trade deal may also affect consumer confidence further.



OUR BRANDS AND THE MARKET

In the challenging current market, our apparel brands serve underserved customer groups and represent clear segmentations of the online market. From FY21 we will simplify our offer to four apparel brands and one standalone home brand:

Simply Be – an online fashion and beauty brand for plus size women, targeting plus size women aged 25-45.

Jacamo – an online fashion and grooming brand for plus size men, targeting plus size men aged 25-50.

JD Williams – an online boutique experience showcasing fashion and home product for 45-65 year old women.

Ambrose Wilson – a womenswear fashion led brand supported by home, available on and offline that truly values the mature customer.

Home Essentials – a standalone one stop home brand focused on modern homeware and enabled by a credit offering. The target customer will be families with children at home.

This refined brand strategy ensures that our brands have a clear proposition, in a specialist niche, to ensure their unique appeal in the market as we attract new customer segments which are currently underserved in the online market.

To supplement our four apparel brands, we launched a standalone home brand at the beginning of FY21: Home Essentials. A mixed outlook is predicted for the furniture, electricals, DIY and gardening sectors in 2020, with consumers reluctant to spend on big ticket items due to low consumer confidence. In contrast to this, consumers turn to home and technology improvements as they spend more time at home due to the restrictions imposed by Covid-19.

Whilst online spend for the clothing and footwear sector has been revised to decline 5.2% vs 2019, the online spend within the homewares sector is predicted to rise 6.2% vs 2019 according to GlobalData[2,3].

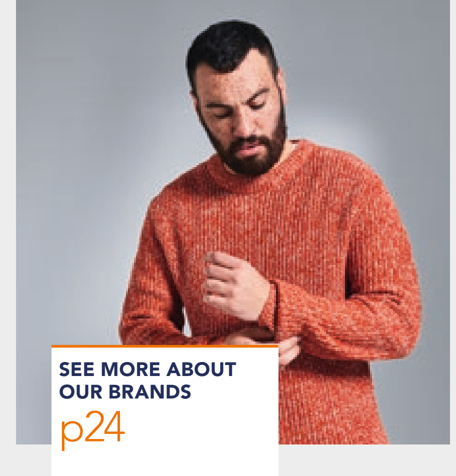
DIGITAL SALES GROWTH[4]

WOMENSWEAR

+5.5%

MENSWEAR

+5.5%



SEE MORE ABOUT OUR BRANDS
p24

1 BRC.
2 GlobalData UK: UK Retail Forecasts – COVID-19 Impact, 23 March 2020.
3 GlobalData UK: Economic & Retail Forecasts, Q4 2019.
4 FY20 vs FY19.

SUSTAINABILITY AND ETHICAL SOURCING

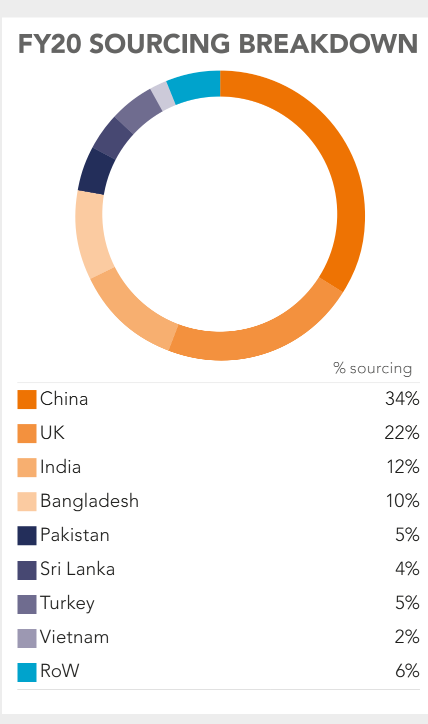
The topic of sustainability is in the global spotlight more than ever before and as such is becoming increasingly important for customers when it comes to influencing their shopping choices.

Through the launch of sustainable clothing ranges and our commitment to changing all our Jacamo and Simple Be branded despatch bags to Green PE by the end of FY22, our customers can make conscious shopping decisions when choosing to shop with us.

We focus on working closely with suppliers to build partnerships that promote responsible sourcing and build clear strategies that ensure all workers are respected, treated fairly and work in safe conditions. We undertake robust checks for all new suppliers by using the Ethical Trade Initiative base code and we collaborate with several organisations such as the Ethical Trade Initiative, UN Global Compact and ACT Living Wage projects (Action Collaboration and Transformation) to ensure we maintain key relationships with third parties to ensure that informed decisions and actions can be implemented where required.

The key focus of our sourcing strategy is to rebalance the sourcing mix to ensure that we can serve our customers through flexibility and deliver 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. Our sourcing strategy has not only improved our availability by allowing us to replenish best-selling stock within weeks but has also driven a reduction in our stock cover for the second year in a row.

FY20 SOURCING BREAKDOWN



CONSUMER CREDIT

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.

In the financial year we launched a pay no interest offer, up to six months, alongside competitive headline rates and a discount for opening a credit account across Simply Be, Jacamo and JD Williams. We recognise that innovation is key to our success and one way in which we are innovating in the financial services space is to partner with leading fintech company Aire. Through the use of data and analytics, this has provided additional insights to augment existing credit bureau data and models when assessing affordability and improve credit decisioning, leading to better outcomes for customers.

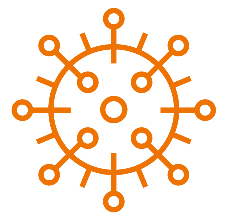
0%

Six-month introductory interest rate offer compared to last year

SEE MORE ABOUT OUR FINANCIAL SERVICES
p7

OUTLOOK

The recent outbreak of Covid-19 has fundamentally altered the broader landscape and this disruption will likely continue for the foreseeable future. We believe that our strategy is the right one to ensure long-term growth, but we will need to retain operational agility to reflect a fast-changing environment.



BUSINESS MODEL

CREATING SUSTAINABLE VALUE

INPUTS

OUR RESOURCES

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

Brands
We operate a trusted family of retail brands selling Womenswear, Menswear, Footwear, and Home and Gift.

Product
Delivering product that truly resonates with our customers in perfect fitting styles.

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

Finance
Our customers can either pay us immediately or make purchases on credit, thereby spreading the cost and allowing them to budget and manage seasonal spending cash outflow peaks.

OUR RELATIONSHIPS

Customers
We are proud to make great products which people love. We exist to make our customers look and feel amazing.

Suppliers
We work collaboratively with our suppliers across the world to ensure that we can serve our customers by delivering key products and trends at the right time.

Regulators
We work effectively with all our regulators to ensure that our customers receive good outcomes.

Communities
We support the local communities in which we operate and encourage our colleagues to play a positive role within their local community.

Further information on our relationships on p46

What makes us different?

UNDERSERVED MARKET FOCUS

DISTINCT BRAND PORTFOLIO

GREAT PRODUCT

DIGITAL CAPABILITIES

CONVENIENCE OF FINANCIAL SERVICES OFFER

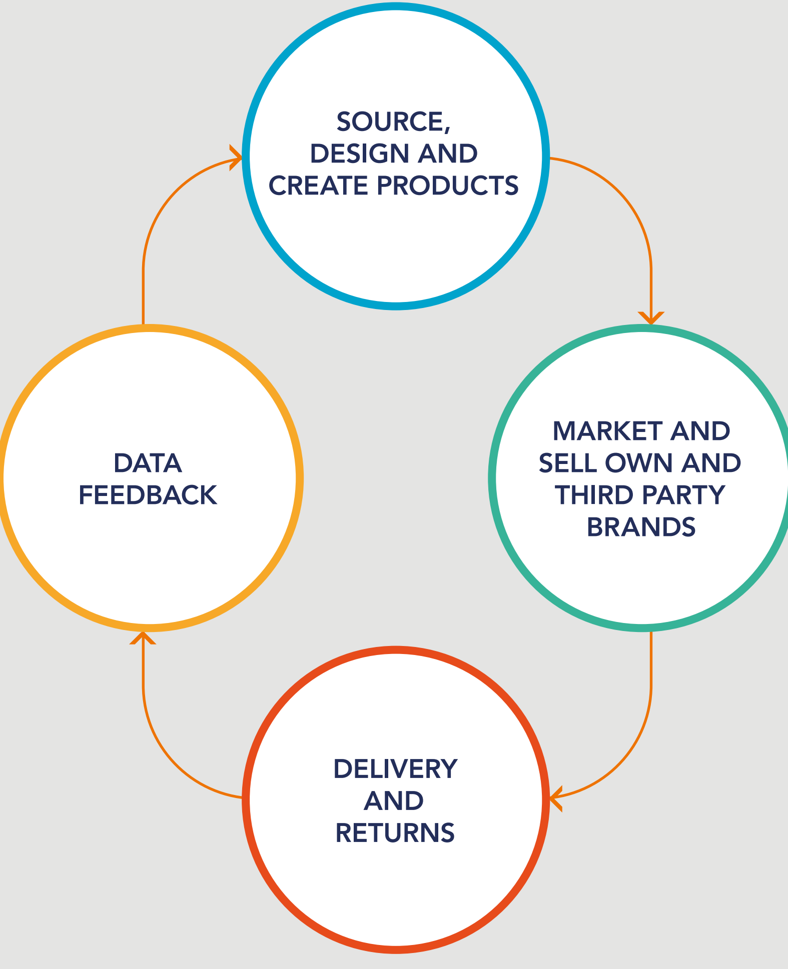
OUR VALUES UNDERPIN EVERYTHING WE DO

TOGETHER FOR THE CUSTOMER

DRIVEN BY CURIOSITY

WHAT WE DO

We exist to make our customers look and feel amazing, and create a platform for sustainable growth.



ABILITY TO OFFER FINANCE

WE OFFER OUR CUSTOMERS FLEXIBILITY AND CONVENIENCE

THE VALUE WE CREATE

FINANCIAL

£39.7m

Reinvested for long-term growth[1]

£51.4m

Cash generated[2]

NON-FINANCIAL

72%

Colleague satisfaction[3]

£110,334

Charity and community investment[3]

1 Capital expenditure, i.e. purchases of intangible assets and property, plant and equipment.
2 Net cash inflow from operating activities FY20.
3 FY20.

EMPOWERED BY TRUST

MOTIVATED BY PACE

KEY PERFORMANCE INDICATORS

IN FY20 WE ASSESSED SUCCESS AGAINST FIVE MEASURES

DIGITAL SALES %

+6ppt

TARGET

Grow digital sales which will develop our sustainable business model.

DEFINITION

The percentage of sales which are digital.

PERFORMANCE

Digital penetration increased from 79% of revenue in FY19 to 85% in FY20. This was driven by a digital sales increase of 5.5% for both Womenswear and for Menswear. This is in-line with our strategy of transforming into a digital retailer.

EBITDA £m

-16.6%

2019 128.0

2020 **106.7**

TARGET

Increase EBITDA to deliver sustainable profitability.

DEFINITION

EBITDA is defined as operating profit, excluding exceptionals, with depreciation and amortisation added back. EBITDA is the key profit metric which the business is focused on.

PERFORMANCE

EBITDA declined by 16.6% to £106.7m in the year. This was due to lower gross profit as a result of a highly promotional retail environment and industry-wide regulatory changes which impacted our financial services business.

NET PROMOTER SCORE (NPS)

Flat

2019 61

2020 **61**

TARGET

Increase Net Promoter Score to delight more customers which produces sustainable loyalty.

DEFINITION

NPS provides a score ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. Research has shown that positive responses to the NPS question are a good indicator of a customer's loyalty and likelihood to order again. NPS is calculated by asking the customer "On a scale of 0 – 10, how likely is it that you would recommend *brand* to a friend or colleague?"

PERFORMANCE

The FY20 score of 61 is comparable to the wider retail average which stands at 62.

NPS is collected using a digital tool called Medallia. However prior to FY20, we collected feedback via our contact centre. This new method of reporting NPS is now aligned to our strategy to become a digital retailer and best represents our customer base.

FINANCIAL SERVICES (FS) ARREARS RATE %

-40bps

2019	8.9
2020	**8.5**

TARGET

Reduce FS arrears. As a responsible lender we want to continue to ensure our customers have a more sustainable shopping experience with us.

DEFINITION

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

PERFORMANCE

We continued to improve the quality of the debtor book during the year and this is reflected in lower arrears compared to the prior year.

EMPLOYEE ENGAGEMENT %

+390bps

2019	68.0
2020	**71.9**

TARGET

Increase colleague engagement score, VIBE. Engaged colleagues will deliver better results for our customer.

DEFINITION

Through VIBE, our colleague engagement survey, we listen to colleagues and use their feedback to improve the way we do things and to help our colleagues bring their best selves to work.

PERFORMANCE

In FY20, we achieved an engagement score of 71.9% which was in line with our target of 70-72.5%. We believe this increase in engagement was a result of the launch of our new Company Employee Value Proposition (EVP) which was launched Company-wide in October 2019, introducing a new Vision, Mission, Purpose, Values and Behaviours. Over 1,000 colleagues volunteered to be involved in the design of the new EVP to create something meaningful and authentic that all colleagues can relate to and own.

SEE MORE ABOUT OUR PEOPLE
p34

BRAND ACTIVITY

WOMENSWEAR

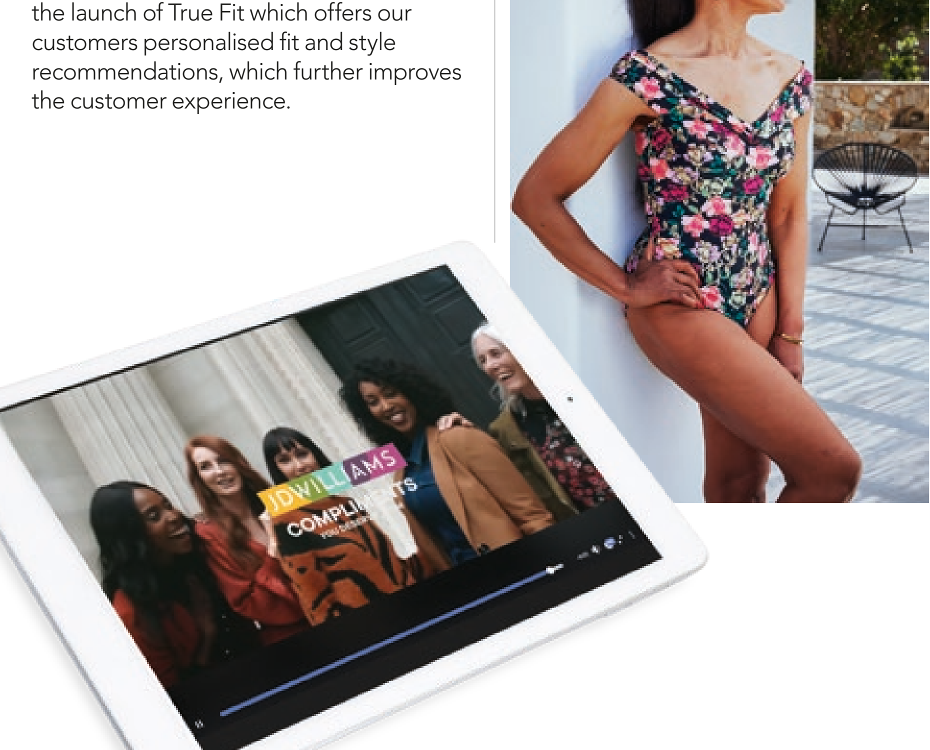
JD WILLIAMS

An online boutique experience showcasing fashion and home product for 45-65 year old women.

Last year JD Williams commissioned a study carried out by YouGov which questioned over 2,000 people on their reaction to being given a compliment. One in five women find it hard to accept any praise especially from a man. Almost two thirds of women worry about how they appear to other people and struggle with their own looks, body size and shape. By comparison men don't have the same anxieties with one in seven men believing they are attractive compared with one in 30 women. The AW19 JD Williams brand campaign encouraged women to start accepting compliments when offered. JD Williams believes that as a brand they can help women feel confident in what they wear, and this may in turn help women feel more comfortable about accepting compliments when offered.

Valerie Morris-Campbell, the 67-year-old model and former dancer, collaborated with JD Williams to showcase a selection of swimwear and summer holiday essentials for the SS19 campaign. JD Williams is committed to using age appropriate models in its campaigns and this collaboration with Valerie further champions age inclusivity in the fashion and advertising industries.

Our JD Williams customers expect the clothes they choose to fit perfectly and give them the confidence to live the life they want. JD Williams know that great fitting clothes make our customers feel unstoppable which is why we constantly strive to bring customers perfectly fitting and confidence-inspiring styles. The use of digital 2D pattern blocks ensure that we have complete control of our fit, delivering accuracy and consistency, and true to size product, so our customers can be sure that our clothes always deliver a great fit. The FIT Foundation was launched this year to bring together all the product knowledge, innovation benefits and features of our fit range in one place for our customers. It also supports the launch of True Fit which offers our customers personalised fit and style recommendations, which further improves the customer experience.



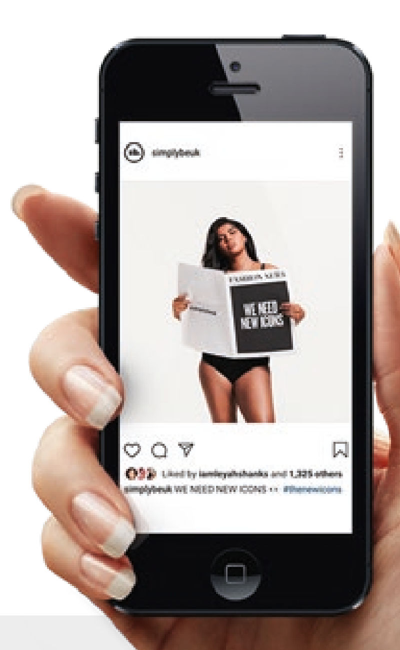
SIMPLY BE

An online fashion and beauty brand for plus size women, targeting plus size women aged 25-45.

On a mission to continue to democratise fashion, this year Simply Be surveyed over 2,000 women and discovered two thirds of them can't relate to current supermodels. Despite the fact over half of the female population are a size 16 or above, our social media feeds are failing to faithfully represent this reality and 81% of women think brands are making token gestures or just "ticking a box" when they do feature bigger bodies.

The message was clear that the conventions of the fashion industry needed to be challenged and in October Simply Be's The New Icons campaign launched across TV, digital, out of home adverts, print, and social to do just that. A teaser campaign initially raised a call to arms with a "We need new icons" takeover featured across national and social media, supported by a PR launch which saw projections plus an army of real-life mannequins, ranging from sizes 12-24, each holding a newspaper bearing the same headline outside London's Freemasons' Hall. The campaign featured curvy women in a new light with arresting imagery which put curves centre stage including special build billboards and a memorable film paying homage to a new breed of not just super, but role models.

To support the campaign further, The New Icons Model Search was launched in December to celebrate the female form in all shapes and sizes. From over 3,000 entries via social media, 17 finalists were selected for the casting day, where The New Icons Model Search winner was chosen by our judges and features in Simply Be's upcoming campaigns.



AMBROSE WILSON

A womenswear fashion led brand supported by home, available on and offline, that truly values the mature customer.

The AW19 "Made for You" campaign has given us an opportunity to produce new and more relevant content such as behind the scenes and videos to give a compelling reason for customers to go online, as well as helping us to build a social media strategy.

Christmas saw the launch of the first ever Ambrose Wilson Christmas campaign, "Made for Moments Like These". Centring around the key moments at Christmas, our DRTV advert showcased a selection of beautiful outfits designed to make our customer look and feel amazing. This campaign was supported by a strong content plan for digital, email, social and paper.

2019 saw the Ambrose Wilson Facebook page organically grow from a few hundred to over 16,000 followers as we see this customer increasingly engaging online.

MENSWEAR

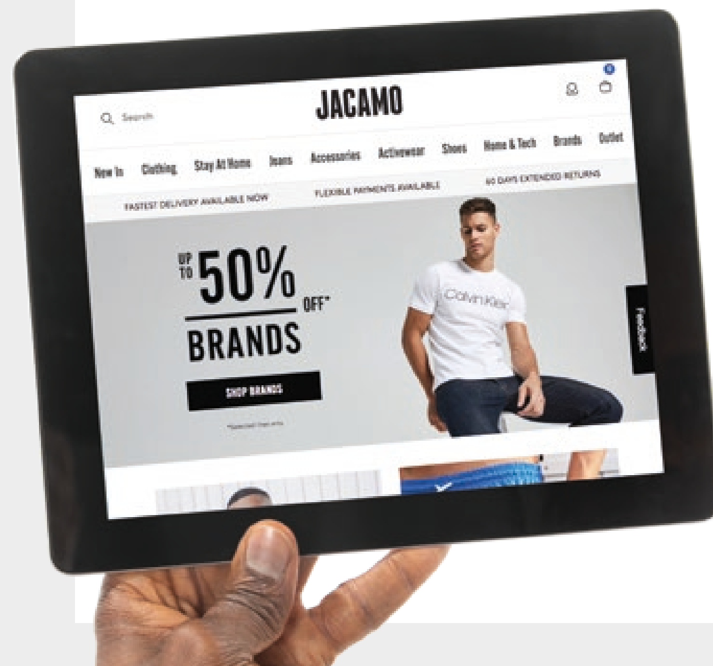
JACAMO

An online fashion and grooming brand for plus size men, targeting plus size men aged 25-50.

The Jacamo Winter 2019 campaign championed values that make "the true measure of a man". In a complete directional change for the brand, the campaign looks beyond size and the superficial preconceptions that come with it, and instead focuses on all the emotional traits that make up the modern Jacamo man. The campaign was part of a full brand refresh across all channels from the presentation of the proposition itself (online), through to TV, digital and out of home advertising.

To support the emotive side of the new campaign, Jacamo took over a pub for the day – creating The Jacamo Arm-In-Arms. Based on insights from Jacamo's own research, a "safe space" was created for men to get together and discuss how they feel. A star-studded line up took part in panel discussions throughout the day and the event was live streamed across social media.

As part of our new social media strategy, we have concentrated on product story-telling, and delivering inspiration to engage our men, and to show them how we are helping to level the playing field with our leading selection of brands and fashion. Results have been encouraging so far with web sessions through Instagram +62.9% YOY.



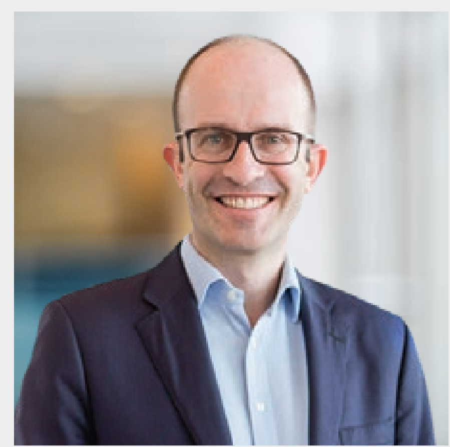
Strategic report

Governance report

Financial statements

FINANCIAL PERFORMANCE

REVIEW OF THE YEAR



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.

Craig Lovelace
Chief Financial Officer

REVENUE

Group revenue declined 6.1% to £858.2m, driven by a 7.8% decline in Product revenue and a 2.7% decline in Financial Services revenue.

Product revenue declined as a result of the continued managed decline of the legacy offline business, the shift in focus away from US and the impact of the closure of our store portfolio in the prior years. Excluding Stores and US, Product revenue was down 5.7%.

The Group's transformation to a leading digital retailer continues, with digital sales now accounting for 85% of Product revenue, an increase of six percentage points over the last 12 months. In the year digital revenue grew by 0.2% compared to FY19 and was ahead by 5.5% for our Womenswear and Menswear brands combined.

Womenswear revenue was down 1.3% in the year as we continued to reduce unprofitable marketing and offline recruitment. However, in line with our strategy Womenswear digital revenue increased 5.5% in the year. JD Williams revenue was down 4.0% but digital revenue grew 2.0% compared to the previous period. Simply Be grew revenue by 6.6% during the period excluding stores and reported an 8.2% growth in digital revenue compared to the prior period. Ambrose Wilson revenue was down 11.5% but our focus has been on growing its digital revenue which increased 10.5% in the period – the highest digital growth rate of any of our brands. Menswear, which is the Jacamo brand, increased revenue by 4.5% and delivered digital revenue growth of 5.5% in the year.

Product brands revenue declined 16.0% in the period with digital revenue down 7.5%. Strength in revenue growth at Oxendales was more than offset by the managed decline of House of Bath, Premier Man and High and Mighty. As outlined in the Chief Executive Officer's strategic update, some Product brands will either be folded into our main brands or closed down.

FINANCIAL SERVICES REVENUE

Financial Services revenue decreased 2.7% to £290.5m. Revenue was lower in the year as a result of lower Product revenue and proactive measures on the implementation of credit limit increases and affordability assessments. In the year credit account interest was down 1.5% reflecting management initiatives such as risk-based pricing. This decrease was accompanied by a 13.4% reduction in other Financial Services revenue as a result of lower admin fees.

GROSS MARGIN

The Group's gross margin was 51.3%, down 310bps compared to FY19. This was as a result of a 380bps reduction in the Financial Services gross margin to 55.4%, and a 290bps decline in the Product gross margin rate to 49.2%.

REVENUE ANALYSIS

£m	FY20	FY19	Change
Revenue			
JD Williams	153.1	159.5	(4.0)%
Simply Be	128.0	120.1	+6.6%
Ambrose Wilson	45.4	51.3	(11.5)%
Womenswear	326.5	330.9	(1.3)%
Menswear[1]	66.9	64.0	+4.5%
Product brands[2]	170.2	202.6	(16.0)%
Product revenue excluding US and Stores	563.6	597.5	(5.7)%
US revenue	4.1	11.4	(64.0)%
Stores	–	6.9	(100.0)%
Total Product revenue	567.7	615.8	(7.8)%
Financial Services revenue	290.5	298.6	(2.7)%
Group revenue	858.2	914.4	(6.1)%

Product gross margin declined as a result of the highly promotional market, product mix reflecting an increase in Home sales, strategic decisions taken to exit the US and the impact of an increased year-end stock provision reflecting discontinued brands and lower apparel sales.

Financial Services gross margin decreased due to a lower rate of recovery from external debt markets, this was partially offset by system and other cost savings relating to the legacy US proposition.

OPERATING COSTS BEFORE EXCEPTIONALS

We made strong progress in the year on operating expenses before exceptionals which decreased by 9.9%. In line with the Group's strategy of scaling back offline marketing and recruitment and improving marketing efficiency, marketing costs were down 13.8% year on year to £136.0m. We also made strategic investment in building our brands in the period and expanding our social media presence. Admin and payroll costs decreased by 6.9% to £119.1m, driven predominantly by continued Head Office efficiencies. Warehouse and fulfilment costs decreased by 7.0% to £78.1m, primarily driven by lower volumes.

ADJUSTED EBITDA AND OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS

Adjusted EBITDA decreased by 16.6% to £106.7m and adjusted EBITDA margin decreased by 160bps to 12.4% (FY19: 14.0%). Overall, operating profit before exceptional items was £76.6m, down 21.8% year on year, with operating margin before exceptionals decreasing by 180bps to 8.9%. Statutory operating profit (i.e. after exceptional items) was £41.8m an increase of £95.8m compared to the prior year.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation was flat on the prior year at £30.1m.

DIGITAL AND OFFLINE REVENUE ANALYSIS

	Digital revenue			Offline revenue		
	FY20	FY19	Change	FY20	FY19	Change
JD Williams	123.5	121.1	+2.0%	29.6	38.4	(22.9)%
% of JD Williams revenue	*81%*	*76%*	*+5ppts*	*19%*	*24%*	*(5)ppts*
Simply Be	125.1	115.6	+8.2%	2.9	4.5	(35.6)%
% of Simply Be revenue	*98%*	*96%*	*+2ppts*	*2%*	*4%*	*(2)ppts*
Ambrose Wilson	27.3	24.7	+10.5%	18.1	26.6	(32.0)%
% of Ambrose Wilson revenue	*60%*	*48%*	*+12ppts*	*40%*	*52%*	*(12)ppts*
Womenswear	275.9	261.4	+5.5%	50.6	69.5	(27.2)%
% of Womenswear revenue	*84%*	*79%*	*+5ppts*	*16%*	*21%*	*(5)ppts*
Menswear[1]	65.1	61.7	+5.5%	1.8	2.3	(21.7)%
% of Menswear revenue	*97%*	*96%*	*+1ppt*	*3%*	*4%*	*(1)ppt*
Product brands[2]	140.1	151.4	(7.5)%	30.1	51.2	(41.2)%
% of product brands[2] revenue	*79%*	*74%*	*+5ppts*	*21%*	*26%*	*(5)ppts*
Product revenue excluding US and Stores	481.1	474.5	+1.4%	82.5	123.0	(32.9)%
% of Product revenue excluding US and Stores	*85%*	*79%*	*+6ppts*	*15%*	*21%*	*(6)ppts*
US revenue	3.7	9.1	(59.3)%	0.4	2.3	(82.6)%
% of US revenue	*91%*	*80%*	*+11ppts*	*9%*	*20%*	*(11)ppts*
Stores	–	–	–	–	6.9	(1000)ppts
% of Stores revenue	–	–	–	–	*100%*	*(100%)*
Total Product revenue	484.8	483.6	+0.2%	82.9	132.2	(37.3)%
% of Total Product revenue	*85%*	*79%*	*+6ppts*	*15%*	*21%*	*(6)ppts*

OPERATING PERFORMANCE

£m	FY20	FY19	Change
Product gross profit	279.2	320.8	(13.0)%
Product gross margin %	*49.2%*	*52.1%*	*(290)bps*
Financial Services gross profit	160.7	176.9	(9.2)%
Financial Services gross margin %	*55.3%*	*59.2%*	*(390)bps*
Group gross profit	439.9	497.7	(11.6)%
Group gross profit margin	*51.3%*	*54.4%*	*(310)bps*
Warehouse and fulfilment costs	(78.1)	(84.0)	(7.0)%
Marketing and production costs	(136.0)	(157.8)	(13.8)%
Admin and payroll costs	(119.1)	(127.9)	(6.9)%
Total operating costs	(333.2)	(369.7)	(9.9)%
Adjusted EBITDA[3]	106.7	128.0	(16.6)%
Adjusted EBITDA[3] margin %	*12.4%*	*14.0%*	*(160)bps*
Depreciation and amortisation	(30.1)	(30.1)	–
Operating profit before exceptionals	76.6	97.9	(21.8)%
Operating profit before exceptionals margin %	*8.9%*	*10.7%*	*(180)bps*
Operating profit	*48.1*	*(47.7)*	*n/m*
Operating profit margin %	*5.6%*	*(5.2)%*	*+1080bps*
Net Finance costs	(17.1)	(14.3)	+19.6%
Adjusted profit before tax[4]	59.5	83.6	(28.8)%
Exceptional items	(28.5)	(145.6)	(80.4)%
Fair value adjustments to financial instruments	4.7	4.5	+4.4%
Statutory profit/(loss) before tax	35.7	(57.5)	n/m
Adjusted basic earnings per share (p per share)[2]	16.37p	21.38p	(23.4)%
Statutory basic earnings per share (p per share)	9.63p	(20.50p)	n/m
Dividend (p per share)	2.83p	7.10p	(60.1)%

1 Menswear is the Jacamo brand.
2 Product brands are Fashion World, Premier Man, House of Bath, Marisota, Oxendales, High and Mighty and Figleaves.
3 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.
4 Defined as excluding exceptionals and fair value adjustments on financial instruments. The directors believe that adjusted profit before tax/EPS represents the most appropriate measure of the Group's underlying profit before tax as it removes items that do not form part of the recurring operational activities of the Group.

FINANCIAL PERFORMANCE CONTINUED

NET FINANCE COSTS

Net finance costs were £17.1m, up 19.6% compared to last year primarily driven by an increase in net debt due to exceptional items.

EXCEPTIONAL ITEMS

As previously announced, we, in line with the wider industry, saw a significant increase in customer redress information requests and complaints in the final days leading up to, and including, the 29 August 2019 PPI deadline. The deadline has now passed and as a result of the August spike in information requests and complaints, an additional provision for customer redress of £25m was made during the first half of the year. The final amount of customer redress including that relating to estimated Official Receiver complaints was less than envisaged as at 31 August 2019 and therefore in the second half of the year a £2.1m credit for customer redress was recorded, resulting in a £22.9m charge for the full year.

During the period, the Board has undertaken a thorough review of strategy. Fundamental to delivering this strategic transformation is a material level of cost reduction and increased focus and refinement of the Group's key five brands. As part of this initiative, the Group has incurred costs that are substantial in scope and impact, and incremental to the Group's normal operational and management activities and have therefore been recognised within exceptional costs. Total costs of £3.8m incurred relate to £1.7m of redundancy costs, £1.8m of consultancy costs incurred in relation to the brand refinement and £0.3m being the write off of stock relating to brands that will no longer continue to trade. Further details of exceptional Items are contained in note 6.

ADJUSTED PROFIT BEFORE TAX AND STATUTORY PROFIT BEFORE TAX

Adjusted profit before tax was £59.5m, down 28.8% year on year as a result of lower gross profit and increased net finance costs. Due to lower exceptional costs and an improvement in unrealised FX, statutory profit before tax was £35.7m, representing a £93.2m improvement on last year.

TAXATION

The effective underlying rate of corporation tax (the tax rate excluding exceptional items) is 21.5% (FY19: 26.9%) and the year-on-year difference is largely due to smaller prior year adjustments being made in FY20. The overall tax charge after exceptional items is £8.3m (FY19: £0.8m).

EARNINGS PER SHARE

Adjusted earnings per share was 16.37p (FY19 : 21.38p). Statutory earnings per share was 9.63p (FY19: ((20.50)p).

DIVIDEND

The Board declared an interim dividend of 2.83 pence per share in respect of the first half of the financial year. Following the outbreak of Covid-19 and the subsequent impact on the business and the wider economy, the Board announced on 23 March 2020 that it would not be recommending a final dividend for this financial year. Following the year end, the Group secured amendments to its financing facilities which included accessing the Government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). For as long as any amount of the £50 million CLBILS facilities is drawn, the Group will be restricted from paying dividends. The Board does not anticipate declaring cash dividends in respect of the 2021 financial year.

FINANCIAL SERVICES

Compared to the same period last year the expected credit loss provision rate decreased by 330bps 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 impaired book value. As a result of sustained significant reductions in observed default rates since 2017 in particular, the probability of default parameter in the expected credit loss ("ECL") model has been appropriately updated during the year

EXCEPTIONAL ITEMS

£m	FY20	FY19
Customer redress	22.9	45.0
Store closure (credit)/costs	(0.3)	22.0
Legal costs	1.0	–
Impairment of tangible, intangible assets and brands	1.8	20.0
Strategy review costs	3.8	–
VAT partial exemption (credit)/cost	(3.1)	49.4
Other tax matters including associated legal and professional fees	2.4	8.9
GMP equalisation adjustment	–	0.3
Total exceptional items	28.5	145.6

Allianz claim and counterclaim

The Group is currently involved in a claim and counterclaim with Allianz Insurance plc regarding the sale of historical insurance products. The claim and counterclaim are extremely complex, are at an early stage of proceedings and both parties will need to gather detailed and factual expert evidence in relation to multiple elements of the claim and counterclaim. The Group has concluded that these issues mean it is not possible to reliably estimate the amount of any potential settlement and has, therefore, not made provision for this claim at this time and instead a contingent liability has been disclosed. Further details are contained in note 26.

FINANCIAL SERVICES

£m	29 February 2020	2 March 2019	Change
Gross customer loan balances	656.9	682.2	-3.7%
IFRS 9 bad debt provision	(71.7)	(97.1)	-26.2%
IFRS 9 provision ratio	10.9%	14.2%	-330bps
Net Customer Loan Balances	585.2	585.1	+0.1%

to reflect observed rates over a two-year period, rather than historic rates observed prior to 2017 which were increasingly not reflective of current book composition and performance. This methodology change to appropriately reflect the sustained and observed improvements in default rates resulted in a reduction in the IFRS 9 bad debt provision.

BALANCE SHEET AND CASH FLOW

Although the global spread of Covid-19 began before 29 February 2020, the WHO declaration of a global pandemic and escalation of the virus within the UK took place in on 11 March 2020 and were not therefore predictable as at the balance sheet date. For this reason, the significant effects of Covid-19 are non-adjusting events as at the balance sheet date. Management have considered the potential impact of Covid-19 on the post balance sheet event period, specifically in regard to the recoverability of its tangible, intangible assets and inventory, the impairment of the trade receivables and fair value of the Group's pension surplus. This is further highlighted in a detailed post-balance sheet events disclosure note 31.

Capital expenditure was £39.7m (FY19: £36.3m). Inventory levels at the period end were down 15.5%, to £94.9m (Restated FY19: £112.3m).

Gross trade receivables decreased by 3.7% to £656.9m (FY19: £682.2m) driven by a combination of reduced Financial Services income and Product sales and sales of customer receivables on payment arrangements to a regulated third-party purchaser.

Net cash generated from operations (excluding taxation) was £47.6m compared to a £35.0m outflow last year, principally driven by a reduction in exceptional cash outflows from £84.6m in FY19 to £40.5m in FY20 and improvements in working capital. After funding capital expenditure, finance costs, taxation and dividends, net debt increased from £467.9m to £497.2m. The £585.2m net customer loan book significantly exceeds this net debt figure.

The Group's balance sheet is underpinned by its customer loan book, which at 29 February 2020 was £656.9m on a gross basis and £585.2m on a net basis, calculated under IFRS 9.

Core debt, which is defined as the amount drawn on the Group's Revolving Credit Facility ("RCF") less cash was £77.5m, which means the Group's leverage is 0.7x on an unsecured net debt/EBITDA basis for the last 12 months EBITDA. For FY20 the Group had financing facilities in place, comprising:

- An up to £500 million securitisation facility, maturing in December 2021, secured by a charge over eligible customer receivables without recourse to the Group's other assets, drawings on which are linked to prevailing levels of eligible receivables;
- A RCF, maturing in September 2021, of £125 million; and
- An overdraft facility of £27.5 million.

On 18 May 2020, the Group agreed new financing arrangements:

- A new up to £50 million 3-year Term Loan facility, provided by our lenders under the Government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS");
- Amendment of certain terms and covenants of the securitisation facility, to mitigate a significant amount of the impact that Covid-19 may have in 2020 on the facility. This is to address variations in collection rates and customer behaviour, and to enable the Group to continue to offer its customers enhanced flexibility. The amendments to the facility are in place until late December 2020 and are intended to fully cover the impact of the current period of the FCA's Covid-19 forbearance; and
- The widening of certain covenants at the August 2020 half-year test date in its existing unsecured £125 million RCF and the introduction of quarterly covenant tests.

The Group's defined benefit pension scheme has a surplus of £26.3m (FY19: £23.9m surplus). The small increase in the surplus is as a result of general market changes in asset returns during the financial year.

FX SENSITIVITY

As at the end of FY20 we had hedged 88% of our net purchases for FY21 at a blended rate of $/£1.32. At a rate of $/£1.28, which was the spot rate at year end, and before any mitigating actions or changes in annual requirements, this would result in a c.£2.8m gain in FY21 PBT.

As at the end of FY20 we had hedged 39% of our anticipated net purchases for FY22 at a blended rate of $/£1.32. At a rate of $/£1.28 which was the spot rate at year end, and before any mitigating actions or changes in annual requirements, this would result in a c.£1.0m gain in FY22 PBT. Every five cents move from this rate in our unhedged position would result in a PBT sensitivity of c.£2.3m.

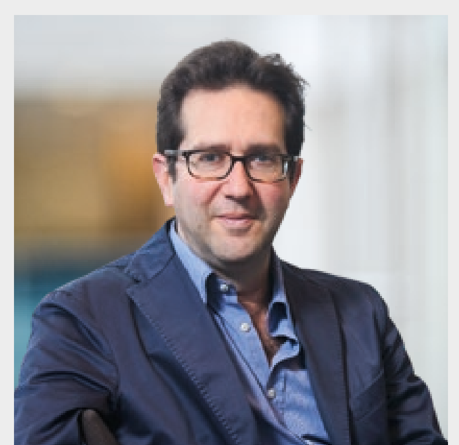
FY21 GUIDANCE

Since the initial significant impact of Covid-19 on Product revenue, trends have continued to improve over the course of this financial year. Financial Services revenue has been impacted by the effects of Covid-19 on our markets. Product gross margin pressure is expected to continue due to mix and the highly promotional retail market. Financial Services gross margin will decline as a result of previously guided regulatory pressures and an increase in bad debt provisioning due to the impact of Covid-19. The Group is confident of offsetting at least 75% of the Group gross margin decline through operational cost savings with bad debt provision movements being the primary driver negatively affecting EBITDA.

We expect our cost mitigations and significant reductions to capex (expected to be c.£20m) and exceptional costs (expected to be less than £10m) to drive improved cash generation in FY21 leading to net debt to be in the range of £380m to £400m at the year end.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

TAKING CARE OF OUR WORLD



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

Michael Ross
Chair of the ESG Committee

As part of N Brown's ongoing commitment to sustainability, I am pleased to announce the rebranding of our Corporate Social Responsibility ("CSR") charter to a new Environmental, Social and Governance ("ESG") initiative. While CSR has always represented the Company's efforts to foster positive change across all aspects of sustainability, the move to ESG will allow the Company to better demonstrate how it:

- Considers climate change in its corporate strategy;
- Treats colleagues and its wider stakeholder base;
- Builds trust and champions innovation; and
- Manages its supply chain.

As we entered FY21, the Covid-19 outbreak saw N Brown fundamentally change parts of its business operations. Our key priority has been to guarantee the safety of our colleagues whilst ensuring that the Company could continue to serve customers and support partners along our supply chain in line with government guidance.

Details of the actions taken to date can be found on p35 and we will report more fully on the Covid-19 impact in next year's report.

HIGHLIGHTS

OUR PEOPLE

>£60,000
Raised by colleagues for Maggie's

>£53,000
Donated to Prostate Cancer UK through Jacamo

>£32,000
Donated to Breast Cancer Now through Simply Be

>1,000
Hours volunteered by colleagues through our Make A Difference volunteering initiative

OUR PLANET

50%
Product bags made from 50% recycled material

100%
100% zero carbon and renewable electricity across all our sites

-13%
Logistics GHG emissions down 13% year on year

100%
FSC swing tickets for all JD Williams, Simply Be and Jacamo products

SUSTAINABILITY IN ACTION

SUSTAINABILITY EXPOSITION

A Sustainability Exposition was held this year to engage with colleagues on the topic of sustainability and to pose the question "What does sustainability mean to you?". Colleagues were invited to meet with a number of suppliers who are helping us to deliver sustainable changes within the business, from our packaging to our product labels, and we showcased up-cycling techniques and ways to Make A Difference in the community.

The Exposition ended with a discussion forum which gave colleagues the opportunity to share with members of the ESG Working Group what sustainability means to them and what areas they would like to see the business focus on. This in turn has fed into the new ESG initiatives as we recognise the value of our colleagues' opinions in shaping the strategy for this all-important topic.

A MAJOR STEP IN OUR MENSWEAR SUSTAINABILITY JOURNEY

In April 2020, Jacamo launched its new sustainable denim range – a major step in our Menswear sustainability journey. All our Jacamo jeans are now made using sustainably sourced fabrics. Our new suppliers use hydroless technology, organic cotton and recycled yarn, which, along with other techniques, allows us to grade the reduced impact on the environment through an Environmental Impact Measuring ("EIM") score.

A standard pair of jeans usually scores approximately 33 EIM, whereas our new Jacamo jeans score between 11 – 22 EIM depending on the style. In addition, all labelling within the jeans is made from recycled materials and our use of digital fit technology has reduced the number of physical samples produced as part of the design process, further enhancing the sustainability of this range.

As part of the rebranding to ESG, the Company will focus its efforts under two key pillars:

OUR PEOPLE

We want everyone who works with us, wherever they are, to be treated with fairness, dignity and respect.

We want customers to enjoy our products with confidence, trusting that we do the right thing for the planet and its people.

SEE MORE
p34

OUR PLANET

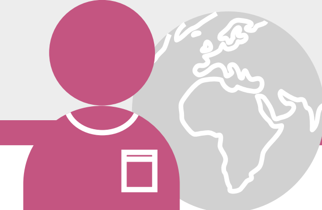
We're determined to find smarter and more sustainable ways of working.

That means partnering with suppliers who share our standards, and working together to source, produce and transport ever more sustainable and responsible products.

SEE MORE
p36

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

OUR PEOPLE



N Brown considers its people to encompass all colleagues, customers and stakeholders connected across our business and throughout our supply chain.

We continue to develop engaging policies and practices that enable colleagues to bring their best selves to work. N Brown promotes and encourages flexible working practices that allow colleagues to expand and develop their skills in a diverse and inspirational environment.

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

We continue to be a member of the 2018 Transition ACCORD (formerly the Bangladesh ACCORD) which works with retailers to improve conditions for thousands of workers across Bangladesh. N Brown remains committed to this cause and will continue to support efforts in Bangladesh.

We are members of Action, Collaboration, Transformation ("ACT"), which is a ground-breaking agreement between global brands, retailers and trade unions to transform the garment and textile industry. One key aim of the agreement is to achieve living wages for workers through industry-wide collective bargaining linked to purchasing practices. We are collaborating with other key brands and, in coordination with IndustriALL, are supporting five key territories across the globe. We will continue to work closely with suppliers to promote responsible sourcing and ensure that all workers are treated with fairness, respect and are safe at work.

Building on our Ethical Principles for Trustworthy AI, first launched in 2019, we will continue to adapt our learning and behaviours as we use data to better serve our customers, finding new ways to delight them with products and services to fit their lives.

Championing inclusivity, we continue to focus on the needs of the underserved customer groups.

As a financial services provider, we take our obligations as a responsible lender seriously and do everything in our power to help customers with their money management, ensuring affordability and transparency in respect of our terms and conditions of service.

Our colleagues in the UK continue to support the N Brown Corporate Charity, Maggie's, a national cancer support charity which has local centres in Manchester and near our distribution centre in Oldham. We are pleased to confirm that our partnership has been extended for an additional year. To date, the fantastic support for Maggie's has been purely colleague driven. In 2020 we will continue to look for new and innovative ways to support the charity given the challenges faced following the Covid-19 outbreak.

Work with our nominated Brand Charities, Breast Cancer Now for Simply Be and Prostate Cancer UK for Jacamo, continued throughout FY20. Following the launch of our refined brand strategy in FY21, the Company will reassess its Brand Charities to ensure they align to causes close to our customers' hearts.

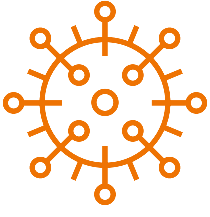
Our new people brand

GIVING OUR COLLEAGUES A CLEAR INDICATION OF WHERE THE BUSINESS IS HEADING

In 2019, with the support of our colleague representative forum, the Culture Club, we developed and launched our new Vision, Mission and Purpose and refreshed Values. The process was developed bottom up by colleagues across the entire business with over 1000 colleagues taking part in workshops to voice their opinions and help shape our new people brand. Our new Vision, Mission and Purpose align to our refreshed strategy and gives our colleagues a clearer indication of where the business is heading. Our Values are at the heart of our business and their launch in October was an important next step in supporting our engaged and dynamic culture.

>1,000

Colleagues took part in workshops to voice their opinions and help shape our new people brand



Our social response to Covid-19

Our absolute priority has been protecting the health, safety and wellbeing of our colleagues during the crisis whilst still supporting our wider business operations. The following are some of the key actions taken and procedures established.

SOCIAL DISTANCING AND HYGIENE

In order to continue operations safely we have made a number of changes to ensure that we strictly follow the Public Health England guidelines on social distancing. At our distribution centres, we reorganised the layout within buildings to maintain social distancing, introduced one-way routes, increased points of access and exit, staggered the entry and exit time of colleagues and introduced clear floor markings. We have also expanded our cleaning regime and introduced additional hand washing stations for colleagues.

Whilst a significant number of our Head Office colleagues continue to work remotely, we are following strict social distancing guidelines and have introduced enhanced hygiene and cleaning protocols at all sites. We are confident that our colleagues working across our sites can do so safely.

COMMUNICATION

The business has communicated daily with colleagues to ensure that they remain informed and connected during the pandemic. Our daily comms to colleagues have also focused on mental health and wellbeing, offering support to individuals where needed.

BUSINESS SUSTAINABILITY

Our plc Board, Management Board and senior leadership team took a voluntary salary reduction of 20% for the months of April, May and June. The Company has taken advantage of the Covid Job Retention Scheme ("CJRS") and colleagues on the scheme will remain furloughed unless there is a business-critical reason for them to return.

To ensure that we have the optimum capability in key areas, several cohorts of colleagues have been trained and redeployed to our critical Financial Services ("FS") and Customer Services ("CS") operations. In addition, existing CS and FS colleagues have been cross skilled, enabling them to work flexibly and support the other area's operations as required. To ensure that all colleagues are "fit" to work in their redeployed capacity and to demonstrate necessary controls to the FCA, we have introduced a robust Quality Assurance process.

We have also increased learning and development opportunities. As remote working is new to many of our colleagues, we have designed and digitally delivered workshops to enable our teams to thrive whilst working from home. Leaders from various divisions have attended a "Mind the Gap" workshop, developing the skills required to lead teams remotely whilst building engagement and cohesion. Colleagues have attended "(Remote) Working 9-5" where they have learned practical tips to develop the habits needed to remain focused and productive when working remotely.

Colleagues have also attended our "Goals! Always Believe in your Soul" sessions designed to support leaders and team members alike in setting clear, purposeful objectives against their changing roles and responsibilities as the business adapts its ways of working.

GLOBAL COLLEAGUES

We have also implemented UK Covid-19 guidance protocols and support to our sourcing office in Dhaka; all colleagues are working from home and have daily briefings with the UK sourcing team. The Dhaka team provide key local updates to the business on the Covid-19 situation across Bangladesh.

LOCAL COMMUNITY SUPPORT

Since the beginning of the Covid-19 outbreak we have been seeking ways to support our local communities affected by the crisis and those who are working tirelessly on the frontline. We have made donations of clothing and household items to frontline NHS staff in Manchester and we have donated face masks and face shields to a local care home near to our distribution centre in Oldham. We have also made donations of clothing items to a charity supporting vulnerable people and children within the local community.

SUPPLIERS

Throughout the pandemic we have worked collaboratively with all of our suppliers. We continue to pay our product suppliers to contractual terms but have cancelled some orders due for spring summer 20 given the uncertain demand backdrop. Future orders for autumn winter 20 have been rephased and, in some cases, suppliers are reworking pre-ordered fabrics for more appropriate seasonal lines. In recent weeks we have started to work with suppliers on spring summer 21 orders. We have continued to pay all other suppliers and partners to terms.

OUR PLANET

N Brown is part of a rapidly changing retail world which is under increased scrutiny and demand from customers, and our wider stakeholder base, to ensure that our products are sourced, produced and transported as sustainably as possible.

We continue to focus on reducing our Greenhouse Gas ("GHG") emissions from both direct and indirect sources. LED lighting projects have been implemented at our distribution centres and Head Office with additional projects planned for FY21. Following the quantification of GHG emissions arising from third party logistics, we have been focusing on reducing the amount of unplanned air freight through improved supply chain planning. Compared to last year, logistics GHG emissions have fallen by 13%. We continue to source 100% zero carbon and renewable electricity and have committed to this supply until 2024.

Over the past year, there has been a concerted effort to improve sustainability across our plastic product and despatch bags.

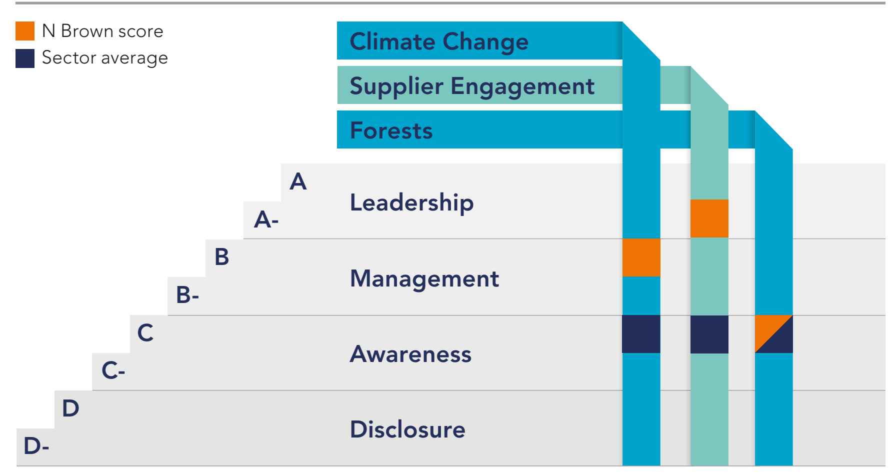
Product bags are now made from 50% recycled content, which is well above the statutory minimum of 30%. Product bag sizes have been streamlined so that they are smaller and require less plastic. Fewer bag sizes also enables more efficient packing. Despatch sacks are made from 65% recycled content.

We continue to promote the philosophy that a transparent supply chain will allow for a more sustainable one. Factory audits and gradings are carried out by our supply chain partner, Verisio, who deliver comprehensive supplier audits including information on wages, working hours, general sustainability and ethical practices. The longer-term goal is to provide our buyers with a supplier scorecard which gives them full visibility on supplier performance, including a sustainability metric.

We have partnered with the Forest Stewardship Council ("FSC") to ensure that timber-based packaging is as sustainable as possible. All swing tickets for Jacamo, Simply Be and JD Williams are sustainable, and proudly display the FSC approved logo. The transition from paper to digital has seen the volume of paper used in marketing and catalogues diminish significantly. We continue to source paper from certified and sustainable sources.

We continue to report to the Carbon Disclosure Project on the Climate Change and Forests modules. In 2019 we attained a score of B for the Climate Change module and a C in the Forests module. The CDP have introduced a new supplier engagement rating which evaluates the work we do with our supply chain on climate change; for this we received an A-.

CDP NEW SUPPLIER ENGAGEMENT RATING



100%

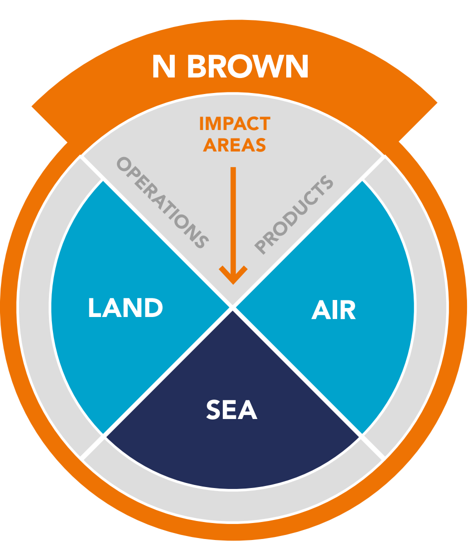
We continue to source 100% zero carbon and renewable electricity and have committed to this supply until 2024

1 The Group are supplied with 100% renewable wind energy matched to Renewable Energy Guarantees of Origin (REGOs) enabling zero emissions reporting.

Four-year sustainability plan

Looking ahead, N Brown has created a new four-year sustainability plan that aligns with the values of the business. We know that we are stronger together, so we continue to work collaboratively with our suppliers and partners to ensure that, united, we achieve this plan and enable the changes required to "do the right thing".

SUSTAINABILITY IMPACT ASSESSMENT



LAND	SEA	AIR
Sustainable cotton	Man-made fibres (recycled packaging)	Direct carbon emissions
Sustainable timber (viscose, paper and board)	Plastic packaging	Indirect carbon emissions

SUSTAINABILITY ROADMAP

YEAR 1: FOCUS ON PLASTICS

We want N Brown to be known for using sustainable packaging across our fashion brands and ultimately, we want to be one of the first major digital retailers to go fully sustainable on packaging.

In line with our refined brand strategy, we aim to change all Simply Be and Jacamo branded despatch bags over to Green Polyethylene (Green PE) by the end of FY22.

FY21

Q1
- Rebrand to ESG
- New sustainable men's denim ranges launched

Q2
- Implement supplier scorecards to allow buyers full performance viability on sustainability
- Complete green LED lighting project – 80% energy saving

Q3
- Introduce sustainable brand product labels
- Commence input attribution by raw materials to enable full traceability of raw materials

Q4
- Trial Green PE despatch bags on Simply Be and Jacamo
- Review progress against existing 35% target and set new targets for GHG emissions reduction and climate change

FY22

Q1-2
- Launch recycled swimwear range
- Plan roadmap for CO_2 reduction in supply base

Q3-4
- All denim ranges to have sustainable properties
- Roll out Green PE across all Simply Be and Jacamo despatch bags
- Review recycling options for customers

FY23

Q1-2
- 50% of own-brand product ranges sustainably sourced
- Implement recycling options for customers

Q3-4
- All plastics used across products and packaging to be recyclable

FY24

Q1-2
- 60% of own-brand product ranges sustainably sourced
- Introduce sustainability auditors to ensure that closed loop is validated

Q3-4
- Review and assess next stage of sustainability roadmap

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTINUED

OUR PLANET CONTINUED

ENVIRONMENT

Group-wide responsibility for sustainability sits with the CEO of Retail, who reports to the Group Chief Executive Officer, and sits on both the N Brown Executive Board and CSR Committee. For the majority of FY20, oversight sat with Ralph Tucker, former Chief Product and Trading Officer but for FY21, Sarah Welsh will have oversight as CEO of Retail.

FY20 was an important year for N Brown in terms of sustainability and establishing strong foundations in order to build a roadmap for the years ahead. We continue to concentrate on Greenhouse Gas ("GHG") emission reductions across our direct operations and supply chain, improving overall transparency and increasing the sustainability of packaging across our fashion brands. One key development was a business-wide review of our key environmental impacts and how we can embed sustainability at the heart of our operations and products.

EMISSIONS PROFILE

Under GHG reporting guidelines, scope 1 and 2 emissions are the key mandatory reporting areas. These illustrate the environmental impact of the Group for activities over which we have direct control; 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. During FY20 we expanded our scope 3 reporting to include our supply chain emissions which we will report on from FY21 onward, along with the below figures. The table and chart overleaf illustrate the Group's GHG emissions across all our reporting areas for FY20; the FY19 results are included for comparison.

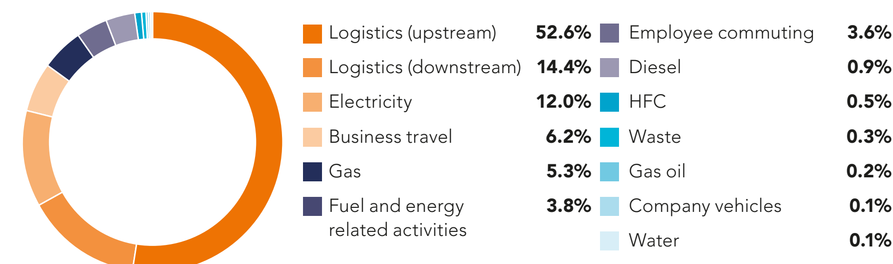
Our GHG emissions inventory is calculated for the Group under the operational control approach, in accordance with the GHG Protocol and GHG emissions factors published by BEIS. The inventory is independently calculated by our partner carbon consultants, Envantage Ltd.

RELATIVE GHG EMISSIONS (SCOPE 1 AND 2) AGAINST ITEMS DESPATCHED

TOTAL GHG TCO_2E

	Source	FY20 Current year	FY19 Previous year	Change %
Scope 1	Natural gas	1,673.0	1,607.6	4%
	Diesel	287.7	370.1	-25%
	HFCs	173.1	134.4	29%
	Gas oil	54.0	77.6	-30%
	Company vehicles	28.2	35.6	-21%
Scope 2	Electricity (location-based)	3,788.2	4,834.5	-22%
	Electricity (market-based)	54.1	220.1	-75%
Total scope 1 and 2		5,995.1	7,059.5	-15%
Scope 3	Water	23.3	27.9	-17%
	Employee commuting	1,139.4	996.2	14%
	Business travel (air, road and rail)	1,995.4	1,582.9	24%
	Waste	105.3	146.0	-28%
	Fuel and energy related activities	1,188.6	1,447.1	-18%
	Logistics (upstream)	16,628.7	18,480.8	-10%
	Logistics (downstream)	4,555.0	5,985.5	-12%
Total scope 1, 2 and 3		31,590.8	35,726.0	-12%
Outside scopes – Biogenic element – Diesel		9.4	8.8	7%

EMISSIONS PROFILE FY20 (TCO_2E)



-9%

Decrease in scope 1 and 2 emissions per items shipped compared to last year

-15%

Decrease in scope 1 and 2 emissions per items shipped

1 Items shipped figures used for intensity ratio covers all active entities during the reporting year.

TOTAL GHG TCO_2E

Direct emissions (scope 1 and 2) have fallen by 15% compared to FY19. This reduction is mainly attributed to a decrease in electricity consumption as a result of store closures and improvements in energy efficiency across the Group estate, including LED lighting and streamlining our warehouse and distribution operations.

Total emissions including scope 3 have fallen by 12% compared to FY19. The work the Group has undertaken to improve supply chain management has helped reduce the emissions associated with upstream logistics. Our third-party distribution partners continue to improve the efficiency of their operations to decrease the carbon impact of each customer order.

Total scope 1 and 2 and total scope 1, 2 and 3 emissions have been calculated using the location-based methodology for scope 2 reporting.

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 and 2) against items despatched have decreased year on year since we started reporting in 2015. We are pleased to report a significant reduction of 9% compared to our previous reporting year.

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 statement. Scope 1 and 2 emissions have been calculated using the operational control approach in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. The quantified emissions are for the reporting period of FY20.

GHG emissions factors published by the UK Government and International Energy Agency for 2018 and 2019 have been used to calculate GHG emissions.

NOTED CHANGE IN EMISSIONS FOR FY19

Data accuracy: Some data for the FY19 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 FY19 have been recalculated with the newly published factors for 2019, affecting the months of January and February 2019 (2019 factors were not available at original time of publish). 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, meter readings or half hourly consumption data. 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 from previous periods of consumption where quarterly bills have not yet been published.

Gas oil: Fuel is used in stand-by generators and onsite transport such as forklifts. 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 the annual mileage data for the vans.

HFC: Refrigeration emissions have been calculated from the F-Gas register or services records where the volume of refrigerant gas lost to the atmosphere during the reporting period is known. Where service records were not available, emissions have been estimated using the screening methodology and an assumed average leakage rate.

Waste: Most of the Group's waste (Head Office and logistics sites) is managed by Viridor. Viridor provide a breakdown of weight 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 as a sample and figures are annualised.

Employee commuting: Employee commuting habits are captured using an annual online staff survey. The results are taken as a sample of all employees and the results are uplifted by the total number of employees to approximate total emissions.

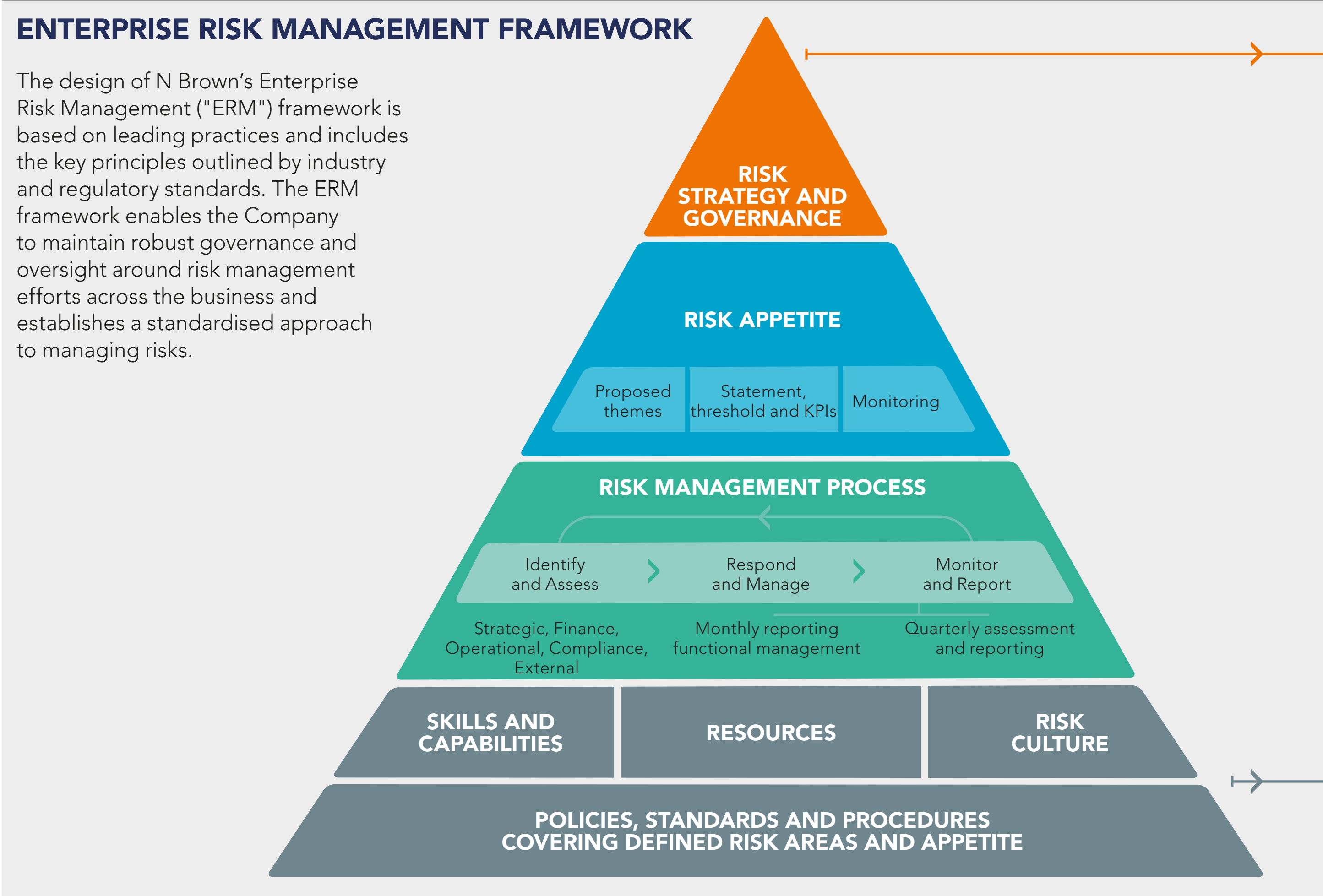
Supply chain logistics: Internal data and data provided by third-party service providers has been used to calculate the supply chain emissions associated with the movement of goods from the factory door through to deliveries to our customers. High level estimates have been used where primary or secondary data was unavailable. UK Government emission factors and supplier specific emission factors, where available, have been utilised.

RISK MANAGEMENT

PROTECTING THE INTEGRITY OF OUR BUSINESS STRATEGY

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The design of N Brown's Enterprise Risk Management ("ERM") framework is based on leading practices and includes the key principles outlined by industry and regulatory standards. The ERM framework enables the Company to maintain robust governance and oversight around risk management efforts across the business and establishes a standardised approach to managing risks.



RISK ASSESSMENT

The Board of Directors has established a continuous process for identifying, evaluating and managing risk as part of its overall responsibility for maintaining internal control and risk management frameworks. This process is intended to provide reasonable assurance regarding compliance with laws and regulations as well as commercial and operational risks.

The Group recognises that no system of controls can provide absolute assurance against material misstatement, loss or failure to meet its business objectives.

Specific review and identification of existing and emerging risks were facilitated by three Board level risk assessment cycles completed during the year. The Chief Executive, Chief Financial Officer and Group Head of Internal Audit, together with the operational Directors, ranked existing key Group risks, identified emerging risks and appraised the structure of internal controls. The outputs were reported to the Audit and Risk Committee and used by Internal Audit to refine and develop the annual Internal Audit Plan.

INTEGRATED ASSURANCE

The Group's Compliance, Data Governance and Information Security teams continue to play key roles in the ongoing monitoring and mitigation of both regulatory and business risk across the Group. Outputs from monitoring activities are periodically reported to the Executive Board. Additionally, the Internal Audit team report on operational process and the progress of agreed actions against the risks identified. The output is reported to the Executive Board and Audit and Risk Committee.

Additionally, the Group continues to enhance its first- and second-line risk assurance and reporting through the key governance committees in Financial Services and to the Executive Board and Audit and Risk Committee.

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 action plans undertaken in response to the principal risks identified by the Board. Within this framework, the Group's appetite for risk is defined with reference to the expectations of the Board for both commercial opportunity and internal control and is used to inform the prioritisation of the Group's annual Internal Audit plan.

UK EXIT FROM THE EUROPEAN UNION ("BREXIT"), COVID-19 AND OTHER KEY AREAS OF FOCUS

The overarching and continuing nature of Brexit and Covid-19 impacts across a number of Tier One risks. Further details can be found on p41 and 42.

RISK MANAGEMENT TEAM

N BROWN GROUP PLC BOARD
- Owns the Risk Management Framework
- Approves risk appetite

AUDIT AND RISK COMMITTEE
- Risk management oversight across Retail and Financial Services
- Supports the Board in establishing risk appetite

EXECUTIVE BOARD
- Reports to the plc Board

FINANCIAL SERVICES COMMITTEES
- Oversee the Financial Services risk management and report to the Financial Services Board Committee and Executive Board

RISK MANAGEMENT TEAM
- Facilitates the implementation and supports reporting to the Executive Board
- Facilitates effective implementation and oversight of the ERM framework

FUNCTIONS: RETAIL AND FINANCIAL SERVICES
- Executes the Risk Management Framework

BOARD AND COMMITTEES' DIVISION OF RESPONSIBILITIES p58

AUDIT AND RISK COMMITTEE REPORT p64

12 TIER ONE RISKS
- Conduct & Customer
- Information Security
- Business Resilience
- Financial
- Data Governance
- Change Management
- Credit
- Compliance & Regulatory
- People
- Technology
- Strategic
- Supplier & Outsourcing

SEE MORE ABOUT OUR RISKS p42

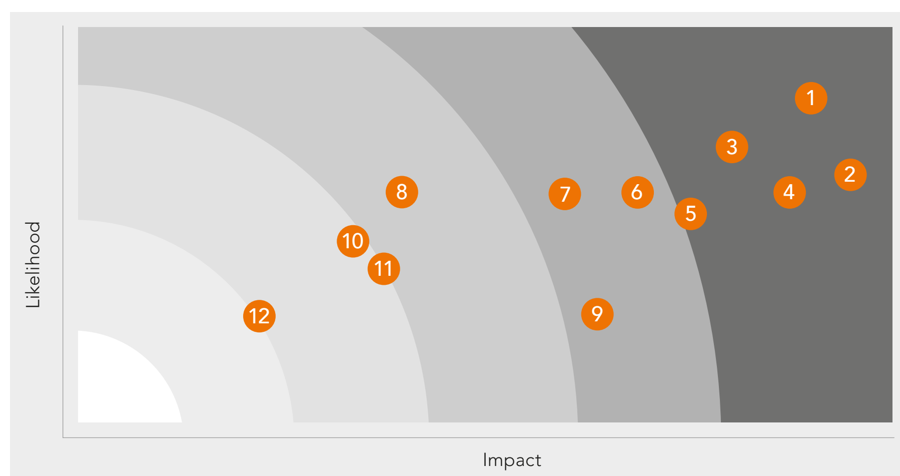
As part of the continuous improvement in risk identification and management, the Group expanded its risk profile and has defined 12 Tier One risks against which the risk management cycle is reported. These are shown in the heat map opposite and are detailed on p43 to 45.

BREXIT

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

Brexit has several potential impacts in the areas of economic and regulatory environment, import of goods due to currency exchange volatility and increased import duties, availability and cost of labour, and potentially other unknown impacts. Labour restrictions in the UK could affect our ability to recruit in our logistics operations and other related areas at historical or budgeted rates.

FY20 RISK HEATMAP



01 Credit
02 Change Management
03 Technology
04 Business Resilience
05 Strategic
06 Data Governance
07 Compliance & Regulatory
08 People
09 Financial
10 Conduct & Customer
11 Information Security
12 Supplier & Outsourcing

RISK MANAGEMENT CONTINUED

PROTECTING THE INTEGRITY OF OUR BUSINESS STRATEGY CONTINUED

In addition, continued uncertainty around the impact of Brexit and the possibility of reduced consumer confidence, could give rise to the risk of increased bad debts – and related IFRS 9 sensitivity – from potential deterioration in discretionary spending capacity.

RISK MITIGANTS

We have had a consistent Brexit planning strategy and governance structure during the year which will continue to be monitored and operated during the official transitional period. Our planning included the assessment of Brexit risks, impact assessments and mitigation in relation to trade and tariffs, implications for our Irish business, logistics disruption, labour shortages and hedging arrangements.

Our business is an Authorised Economic Operator – ensuring preferential treatment on the importation of goods and facilitating efficient clearance at the ports.

Our business imports the significant majority of its stock into ports which are outside those presently assessed as being of greater risk of being more heavily impacted.

There are a limited number of products purchased by our UK businesses directly from the EU. Those products could also be sourced elsewhere, de-listed or in a worst-case scenario the cost price may increase for certain limited items because of tariff imposition.

We have taken all realistically available steps to ensure we continue to be able to trade in Ireland after transition.

Throughout the year we have continued to keep in close contact with suppliers, ensuring that all critical suppliers have appropriate Brexit contingency plans in place to maintain a continuity of supply.

Short-term exchange rate volatility is mitigated by our currency hedging policy which ensures an appropriate degree of coverage for future buying seasons.

Continued refinement of, and improvement in, the risk profile of the Groups debtor book to seek to mitigate the risk of undue IFRS 9 volatility specifically relating to Brexit.

KEY ACTIONS IN FY20

The Board have continued to monitor Brexit impacts and mitigations with management throughout the year via detailed reporting and discussion on the businesses Brexit Steering Committee actions and outputs. On the basis of these regular Board updates, the Board took comfort that management have a comprehensive and appropriate set of mitigations in place to ensure the least disruption is incurred by the business from Brexit in the primary risk areas identified.

In relation to the above risk mitigations and the business planning for a potentially significant impact from Brexit, we do not consider the impacts of the risk to have materially changed in the period under review.

PRINCIPAL RISKS AND UNCERTAINTIES

IDENTIFYING, EVALUATING AND MANAGING RISKS FACING THE GROUP

IMPACT OF COVID-19 ON RISK MANAGEMENT

The impact of the continuing Covid-19 pandemic and the resultant government lockdown and guidance on social distancing has increased the risk profile of the Group across multiple Tier One risk categories since the FY20 year end.

While many areas of risk have been impacted, the areas of Business Resilience, Information Security, Data Governance, Compliance and Regulatory, Credit and People have shown the greatest increase in risk since the onset of the pandemic and business mitigation actions have focused primarily on these areas.

The primary high-level priorities for the Group in response to the pandemic have been to safeguard employees and customers wellbeing while ensuring continuity of service across the business functions.

As a result, the key mitigating actions the Group has taken during the pandemic have been focused on transitioning to widespread remote working whilst maintaining the necessary control frameworks required to provide a good level of service to customers both in the Financial Services and Retail sections of the business.

Activities for maintaining regulatory controls over FCA and GDPR related processes have been the highest priority for action, and ongoing monitoring and reporting over regulatory KPIs in the areas of Arrears, Affordability and Vulnerability, Cyber Security and PII have continued.

The impact to trade as a result of changes in customer behaviour arising from the pandemic has increased trading risk, with particular focus on working capital and treasury. This has been partially mitigated by using the Covid Job Retention Scheme and close partnership with the Group's banks and suppliers to ensure continuing headroom over borrowing facilities is maintained at a suitable level.

Notwithstanding, we cannot predict the impact that Covid-19 might have on the business. Management have considered severe but plausible downsides. However, these do not include the most severe of possibilities.

N BROWN HAS FIVE KEY STRATEGIC OBJECTIVES:

1. DISTINCT BRANDS TO ATTRACT BROADER RANGE OF CUSTOMERS
2. IMPROVED PRODUCT TO DRIVE CUSTOMER FREQUENCY
3. NEW HOME OFFERING FOR CUSTOMERS TO SHOP MORE ACROSS CATEGORIES
4. ENHANCED DIGITAL EXPERIENCE TO INCREASE CUSTOMER CONVERSION
5. FLEXIBLE CREDIT TO HELP CUSTOMERS SHOP

UNDERPINNED BY:

6. DATA
7. PEOPLE AND CULTURE
8. SUSTAINABLE COST BASE

Conduct & Customer

The ability of the Group to respond to customer expectations for fair treatment, quality products and good service. Potential impacts include: Loss of market share, regulatory fines and impact of key financial measures.

Link to strategic priority

1, 3, 4, 5, 6, 7

Key mitigations	In year activity
Financial Services policy suite.	Updated Risk Management Framework and reporting process.
Financial Services Governance Committees.	Rolled out new brand and trading strategy.
Customer insight modelling.	Updated first line risk mapping for Financial Controls, Financial Services and IT.
Compliance monitoring processes.	

Information Security

The protection and management of Group and customer data and the response to cyber threats. Potential impacts include: Loss of customer data, business interruption, potential fines or reputational damage.

Link to strategic priority

3, 4, 5, 6, 7

Key mitigations	In year activity
Continuous Cyber Security monitoring.	Cyber Security CIS Top 20 framework.
Network vulnerability scanning.	Vulnerability and Patch Management improvements.
Operating system software security processes.	Business Continuity – IT resiliency improvement plan.
Anti DDoS processes.	
Information Security and Data Governance Committee.	

Business Resilience

The ability of the Group to respond to external disrupting events or risks. Potential impacts include: Disruption to trade and customer service, impact to revenue, margin or reputation.

Link to strategic priority

1, 2, 3, 4, 5, 6, 7, 8

Key mitigations	In year activity
Crisis Management plan.	Remote working capability across the Group.
Business Continuity plans for each business area.	People management systems moved to cloud.
Offsite daily data backup.	Upgraded data warehousing.
Ongoing migration to cloud based systems.	
Outsource provider for IT legacy systems.	

Financial

The robustness of the Group's financial controls and the capability for managing liquidity and market risks. Potential impacts include: Increased costs, fall in liquidity headroom and impact on margin.

Link to strategic priority

1, 4, 5, 6, 7, 8

Key mitigations	In year activity
Debt securitisation agreement with HSBC.	Project to move financial reporting systems to cloud on track for FY21 delivery.
Hedging of FX purchases.	Payroll management systems moved to cloud.
Return on investment measures for key areas of discretionary spending.	Securitisation reporting controls review and upgrade project initiated.
Detailed cash and margin forecasting processes.	Updated first line risk mapping for Financial Controls.
Bank securitisation reporting.	Stricter CAPEX approval process.
	Financial reporting systems moving to cloud.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

IDENTIFYING, EVALUATING AND MANAGING RISKS FACING THE GROUP CONTINUED

Change Management

The capacity of the Group to deliver its desired technological and Cultural Change programme. Potential consequences include: Loss of competitive position, underachievement against growth targets, inefficient returns on investment and constrained ability to respond to market forces.

Link to strategic priority
1, 2, 3, 4, 5, 6, 7, 8

Key mitigations	In year activity
Continuous, agile IT change processes.	Integrated trade and tech delivery squads.
Integrated approach to tech and business change.	Improved change return on investment modelling.
Cultural Change initiative.	Stricter CAPEX approval process.
Data driven decision making.	

Data Governance

The capability of the Group to protect the integrity, accuracy and security of its data. Potential impacts include: Regulatory breaches and fines, reputational damage and loss of market share.

Link to strategic priority
1, 3, 4, 5, 6, 7

Key mitigations	In year activity
Information Security and Data Governance Committee.	People management systems moved to cloud.
Data monitoring processes.	Mainframe Z-Cloud migration.
Data usage and security policies.	Access Control update and review project.
Data cleansing policy.	PCI Compliance upgrade project.

Compliance & Regulatory

The impact and response of the Group to existing and new legal and regulatory requirements. Potential impacts include: Increased costs, erosion of margins and potential fines or reputational damage.

Link to strategic priority
1, 2, 3, 4, 5, 6, 7, 8

Key mitigations	In year activity
Financial Services Governance Committees.	Updated Risk Management Framework and reporting process.
Information Security and Data Governance Committee.	Action plan and Reasonable Steps from Senior Managers & Certification Regime.
Second line activity teams: Compliance, Data Governance, Information Security.	Updated first line risk mapping for Financial Controls, Financial Services and IT.

Credit

The capability and management of the Group's Customer portfolio and debtor book, including arrears rates and potential bad or persistent debts. Potential impacts include: Impact on profit, regulatory fines and increased borrowing costs.

Link to strategic priority
1, 2, 3, 4, 5, 6, 7, 8

Key mitigations	In year activity
Financial Services policy suite.	Updated Risk Management Framework and reporting process.
Financial Services Governance Committees.	Securitisation reporting controls review and upgrade project initiated.
Customer forecasting.	Updated first line risk mapping for Financial Controls, Financial Services and IT.
Compliance monitoring processes.	
IFRS 9 modelling.	
Bank securitisation reporting.	

Technology

The stability and sustainability of the Group's current mix of new and legacy IT systems and infrastructure. Potential impacts include: dependence on legacy IT systems, increased service costs and reduced customer satisfaction.

Link to strategic priority

1, 2, 3, 4, 5, 6, 8

Key mitigations	In year activity
Continuous, agile IT change processes.	People management systems moved to cloud.
Ongoing system performance monitoring.	Integrated trade and tech delivery squads.
Migration of legacy IT systems and data to cloud service providers.	Updated change prioritisation process.
	IT and business strategy alignment.

People

The ability of the Group to manage its cultural and people risks, including performance management, personal development and recruitment and talent management. Potential impacts include: Loss of key personnel, increased costs and key skills gaps.

Link to strategic priority

4, 5, 6, 7

Key mitigations	In year activity
Bi-annual employee satisfaction survey.	People management system upgrade to cloud.
People policies suite.	Project to reduce IR35 impact on operational skills.
Performance management system.	Rolled out new Group values and behaviours.
Online talent development and learning hub.	
Integrated tech and business change programme.	

Strategic

The delivery and pace of change in the business strategy and the completion of action plans to achieve profitable growth. Potential impacts include: Impact on margin, regulatory fines and loss of market share arising from customer confidence risks and Brexit.

Link to strategic priority

1, 2, 3, 4, 5, 6, 7, 8

Key mitigations	In year activity
Continuous, agile IT change processes.	Rolled out new brand and trading strategy.
Integrated approach to tech and business change.	Updated Risk Management Framework and reporting process.
Cultural Change initiative.	People management systems moved to cloud.
Data driven decision-making.	
Financial Services Governance Committees.	

Supplier & Outsourcing

The management and monitoring of supplier performance and the operations of key outsource partners. Potential impacts include: Increase costs and impact on profitability.

Link to strategic priority

2, 3, 5, 7

Key mitigations	In year activity
Procurement Policy.	Improved change return on investment modelling.
Delegated authority matrix.	Complete review of supplier contracts base.
In house monitoring of outsource performance.	Updated procure to pay cycle.
Third-party contract SLAs.	

SECTION 172 STATEMENT

ENGAGEMENT WITH STAKEHOLDERS

Section 172(1) of the Companies Act 2006 states that the Directors of a company must act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole and in doing so have regard, in addition to other matters, to:

- **The likely long-term consequences of decisions**
- **The interests of the Company's employees**
- **The need to foster the Company's business relationships with suppliers, customers and others**
- **The impact of the Company's operations on the community and the environment**
- **The desirability of the Company maintaining a reputation for high standards of business conduct**
- **The need to act fairly as between the Company's owners**

The Board is mindful that our success relies on our ability to engage meaningfully with stakeholders, taking their views into account when making decisions on behalf of the Company. By understanding our stakeholders, we can ensure that an appropriately diverse range of needs and concerns are considered in both the day-to-day running of the business as well as in its longer-term strategy.

Methods and level of engagement vary according to the stakeholder group being addressed and involve the Group Board, Executive Board, senior leadership team and colleagues as required. The Company engages both proactively and reactively with stakeholders.

Throughout the year, the Board engaged with stakeholders on a number of principal matters across a variety of forums and is proud to report on these activities in its first Section 172 Statement.

DECISION-MAKING BY THE BOARD

The responsibilities of the Board are clearly documented in the Company's Articles and Schedule of Matters reserved for Board approval; these can be found at www.nbrown.co.uk.

All matters that require the Board to reach a decision are presented at Board meetings. Supporting papers on these matters are provided to Directors ahead of the meeting and set out the background, the reasons for the proposal and the associated costs, benefits and risks. The papers also highlight any potential impacts and risks to relevant stakeholder groups and how they are to be managed.

The Directors take all factors into account before making informed decisions. The fair treatment of relevant stakeholders is always considered, although the Board acknowledge that not every outcome will always benefit each stakeholder group.

Decision-making by the Board balances the need to generate sufficient profit in order sustain the business commercially against the needs of our various stakeholders and, ultimately, the long-term sustainable success of the Company.

We are committed to maintaining the highest standard of business conduct; each and every decision of the Board is made on the basis of best ethical practice. We want all stakeholders to be comfortable in the knowledge that our business decisions are made with the intention of doing the right thing for the planet and its people.

Further information on the Board's key activities during FY20 can be found on p55.

SHAREHOLDERS AND INVESTORS

Investors play a major and vital role in the success of the Company; they are the providers of capital without whom the Company could not grow or invest for future development.

We engage with our shareholders and investors via:

- **The Company's Annual General Meeting**
- **Meetings with shareholders and proxy advisors**
- **Presentations to the City**
- **Publication of Stock Exchange announcements, press releases, quarterly trading results and annual reports**

During FY20, the Chair, CEO and CFO, along with other Company representatives, have held meetings with major institutional stakeholders to discuss a variety of matters including corporate strategy, business performance and share price movements.

In 2019, the Chair of the Remuneration Committee consulted with the Company's Top 20 shareholders on the new remuneration policy that was ultimately approved at the 2019 Annual General Meeting.

COLLEAGUES

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

The Company engages with colleagues across a variety of platforms including:

- **The Annual Colleague Conference**
- **Colleague Forum – The Culture Club**
- **Ask Me Anything sessions with the CEO**
- **Quarterly colleague engagement surveys**
- **Weekly Division Huddles**
- **Weekly Company-wide newsletter from the CEO and other Directors**
- **The Company-wide intranet and weekly Company-wide newsletter**

2019 was also the year that Richard Moross stepped into the position of Dedicated Director for Colleague Engagement; he regularly feeds back to the Board on key aspects of the Company's culture and performance. Our Colleague Forum played a crucial role in the development of the Company's new Vision, Mission, Purpose and Values, alongside the 1000+ colleagues who took part in workshops and feedback questionnaires.

Further information on Colleague Engagement can be found on p56.

Feedback through our colleague engagement surveys has led to the introduction of new career development pathways including training and upskilling. This included the launch of our Data Fellowship Programme, a key pillar in the Company's digital growth strategy.

Colleague input has helped shaped our new Environmental, Social and Governance programme and has influenced sustainability practices across our business operations.

CUSTOMERS

The Company is obsessed with its customers and has been for generations. It delights them with products, services and finance to fit their lives.

We regularly engage, both proactively and reactively, with our customers via:

- **Dedicated Board-Customer Immersion sessions**
- **Product testing**
- **Market research groups**
- **Net Promoter Scoring and customer service reports**
- **Engagement across social media and Customer Service channels**

As part of strategy discussions in January 2020, the Board met with customer focus groups to discuss our brands and product offerings. These sessions helped shape the Company's revised brand strategy, including the launch of our new Home Essentials platform.

Other customer engagement across the year focused on aspects of the business such as product pricing, brand website and mobile app design and functionality, delivery propositions, customer service and overall business sustainability including the sourcing, production and transportation of our products. All of the Company's interactions with our customers have contributed to overall improvements in our business strategy.

SUPPLIERS

Suppliers are the key links in the sourcing, development and delivery of products to our customers. They support the Company across every aspect of its operations and are crucial to the successful delivery of our business model.

In 2019 the Company revised its Supplier Charter and Procurement Policy, both of which give extended support to suppliers in their engagement with the business including the negotiation of agreeable contractual terms and mutually beneficial working relationships within and across the supply chain.

We continue to promote transparency across our supply chain, believing this will allow for a more sustainable one. Our auditing and grading of factories are now delivered through an external partner, Verisio. The Company helps deliver comprehensive supplier audits including detailed and up-to-date information on wages, working hours and general sustainable and ethical practices.

COMMUNITY AND THE ENVIRONMENT

The Company has always endeavoured to foster positive change across all aspects of our community, both local and global, and we continue to support and encourage sustainable practices across our business operations.

With the support of our colleagues and following discussions between Executive Directors and the Chair of Maggie's, our partnership with local centres (Maggie's Manchester and Maggie's Oldham) has been extended for a further year.

We continue to work with leading local educational facilities, including Manchester Metropolitan University, establishing, maintaining and developing our relationships. We also reach out to our communities with our "Make a Difference" day volunteering programme, as well as continuing to support a range of brand charities.

TRADE AND INDUSTRY BODIES

Constructive engagement with trade and industry bodies is a primary channel via which the Company can support the sustainable, ethical and responsible growth of the retail industry.

We engage directly with and are part of a number of bodies including:

- **Action Collaboration and Transformation – Living Wage**
- **Ethical Trading Initiative**
- **2018 Transition ACCORD**

Engagement with these bodies ensures that we can contribute to maintaining and improving industry standards and best practice.

Oversight of our engagement with trade and industries Bodies sits with the ESG Committee which receives regular reports on the activities of each group. Insight gained from these reports has contributed to the new ESG initiatives of the Company.

For more information on our new ESG initiatives see p32 to 39.

THE IMPACT OF COVID-19 ON STAKEHOLDER ENGAGEMENT

The Covid-19 outbreak has had a profound impact on how N Brown operates and engages with its stakeholders. Colleague safety has been our number one priority, along with supporting our customers and supply chain partners.

Further information on the actions taken is detailed on p35.

Strategic report | Governance report | Financial statements

SETTING A HIGH STANDARD OF GOVERNANCE

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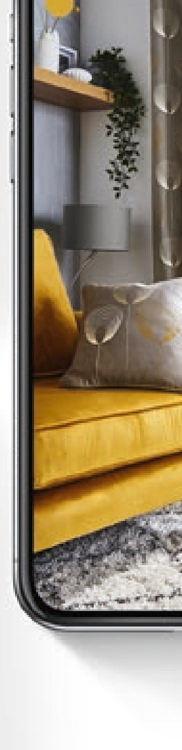


INTRODUCTION FROM THE CHAIR

The Board has continued to maintain the highest standards of corporate governance as it led the Company through the challenges of the last 12 months. By promoting integrity and openness, valuing diversity and ensuring effective engagement with stakeholders, we will continue to develop and improve on our effectiveness.

Matt Davies
Independent Non-Executive Chair

This marks the first year in which we report under the 2018 UK Corporate Governance Code (the "Code"), and the Board has welcomed the positive changes and challenges it has brought about.

As required by the Code, this report describes our activities and key achievements during the year, giving shareholders and stakeholders the necessary information to evaluate how the Code's Principles, as summarised to the right, have been applied.

Our Section 172 Statement on p46 outlines how the Board has engaged with stakeholders and taken their interests into account when making decisions on behalf of the Company.

A key focus in 2019 was strengthening the profile of the Board to further align our skillset with the corporate strategy. Essential appointments were made to both the Group and Executive Boards, as detailed in the Nomination and Governance Committee Report on p63.

In line with strategy, a Financial Services Board Committee was established to support the Company's Financial Services business.

I would like to take this opportunity to thank my fellow Directors for their support during the year, and to welcome our newest Board members. I will be available to answer any questions you may have on this report or any of the Board's activities at the AGM on 10 September 2020.

Matt Davies
Independent Non-Executive Chair

THE CODE

LEADERSHIP AND PURPOSE

The role of our Board is to promote the long-term sustainable success of the Company. This includes leading by example, acting with integrity at all times and ensuring effective engagement with stakeholders. More information can be found on p50 to 57.

DIVISION OF RESPONSIBILITY

Our Board has the correct balance of Executive and Non-Executive Directors in order to lead the Company effectively, with the responsibilities between the leadership of the Board and the executive leadership of the Company clearly defined. More information can be found on p58 to 59.

COMPOSITION, SUCCESSION AND EVALUATION

Our Board maintains an appropriate combination of skills, experience and knowledge to ensure effective governance over the Company. This includes an effective evaluation and succession plan. More information can be found on p60 to 63.

AUDIT, RISK AND CONTROL

Our Board defines the Company's strategy, taking account of the need to avoid unnecessary or unacceptable risks. On behalf of the Board, the Audit and Risk Committee has established formal and transparent processes to oversee the independence and effectiveness of internal and external audit functions. More information can be found on p64 to 72.

REMUNERATION

Our remuneration policy aims to incentivise strong performance by supporting strategy and long-term sustainable success whilst avoiding excess. We are also mindful of wider colleague remuneration across the business. More information can be found on p73 to 95.

LEADERSHIP AND PURPOSE

GROUP BOARD DIRECTORS

MATT DAVIES
INDEPENDENT NON-EXECUTIVE CHAIR

Appointed to the Board: February 2018

Meetings attended 10/10

Relevant skills, qualifications and experience

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

STEVE JOHNSON
CHIEF EXECUTIVE OFFICER

Appointed to the Board: September 2018

Meetings attended 10/10

Relevant skills, qualifications and experience

Steve was appointed CEO of N Brown in February 2019, having been appointed Interim CEO in September 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 Group Limited 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

LORD ALLIANCE OF MANCHESTER CBE
NON-EXECUTIVE DIRECTOR

Appointed to the Board: 1968

Meetings attended 10/10

Relevant skills, qualifications and experience

Lord Alliance was appointed a Director and Chair of the Company in 1968. He stood down as Chair on 1 September 2012. Co-founder and former Chairman of Coats Viyella PLC, Lord Alliance holds numerous honorary doctorates.

Key strengths

- Retail
- Strategy
- Management

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.

RON MCMILLAN
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: April 2013

Meetings attended 10/10

Relevant skills, qualifications and experience

Appointed in April 2013, Ron is Senior Independent Director and Chair of the Audit and Risk Committee. Previously, he was the Deputy Chair 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. He is also a Non-Executive Director and Chair of the Audit Committee of Homeserve plc.

LESLEY JONES
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: October 2014

Meetings attended 10/10

Relevant skills, qualifications and experience

Lesley has nearly 40 years of experience in financial services, having spent 30 years at Citigroup where she had global responsibility for the corporate credit portfolio and six years as Chief Credit Officer at RBS from 2008 to 2014.

Key strengths

- Finance
- Governance
- Risk Management

External appointments

Lesley is a Non-Executive Director and Chair of the Board Risk Committee of ReAssure Group plc. She serves as a Non-Executive Director and Board Risk Committee Chair of Close Brothers Group plc and is also a Non-Executive Director of Moody's Investor Services Limited.

GILL BARR
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: January 2018

Meetings attended 10/10

Relevant skills, qualifications and experience

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

Key strengths

- Marketing
- Business Development
- Remuneration

External appointments

Gill is 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.

CRAIG LOVELACE
CHIEF FINANCIAL OFFICER

Appointed to the Board:
May 2015

Meetings attended 10/10

Relevant skills, qualifications and experience

Craig was appointed CFO in May 2015. Craig was Group CFO for General Healthcare Group Ltd from 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.

Craig announced his departure from N Brown in January 2020 and will leave the business later this year. He will be replaced as CFO by Rachel Izzard.

Key strengths

- Financial Reporting and Strategy
- Corporate Finance
- Business Planning and Restructuring
- Tax and Treasury
- Governance and Compliance
- Investor Relations

External appointments

None.

MICHAEL ROSS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board:
January 2018

Meetings attended 10/10

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.

THERESA CASEY
GENERAL COUNSEL AND COMPANY SECRETARY

Appointed to the Board:
March 2015

Meetings attended 10/10

Relevant skills, qualifications and experience

Theresa 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 the Executive Board.

Key strengths

- Retail and Financial Services Compliance
- Retail and Financial Legal Knowledge
- Company Secretarial Practice

External appointments

Theresa is a Governor of Crossley Heath Grammar School.

RICHARD MOROSS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board:
October 2016

Meetings attended 10/10

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 an Executive Director of Moo Print Ltd and Modern Organisation Limited.

VICKY MITCHELL
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board:
January 2020

Meetings attended 1/1

Relevant skills, qualifications and experience

Appointed in January 2020, Vicky brings over 20 years of consumer finance experience to the Board. Formerly Chief Operating Officer of Capital One (Europe) plc, she was one of the original executives of Capital One in the UK, previously holding the positions of Chief Risk Officer and Chief Legal Counsel.

Key strengths

- Financial Services
- Governance
- Risk Management

External appointments

Vicky is currently a Non-Executive Director and Chair of the Risk Committee of Lookers plc. She is also a Non-Executive Director of West Bromwich Building Society where she sits on both the Risk and Audit Committees, as well as representing the Non-Executive Directors on the IT and Transformation Change Committee.

BOARD COMMITTEE MEMBERSHIP

Committee key

- ■ (orange) Chair
- A Audit
- E ESG
- R Remuneration
- N Nomination and Governance
- F Financial Services*

Member	A	E	R	N	F
Matt Davies		■	■	Chair	■
Steve Johnson		■			■
Craig Lovelace					■
Richard Moross			■	■	
Gill Barr			Chair	■	
Michael Ross	■	Chair		■	■
Ron McMillan	Chair		■	■	■
Lesley Jones	■			■	Chair
Vicky Mitchell	■			■	Chair
Theresa Casey (Secretary)	■	■	■	■	■

* Lesley Jones acted as Chair of the Financial Services Board Committee during FY20; Vicky Mitchell will step into the role for FY21.

LEADERSHIP AND PURPOSE CONTINUED

EXECUTIVE BOARD DIRECTORS

STEVE JOHNSON
CHIEF EXECUTIVE OFFICER

Appointed to the Board: September 2018

Meetings attended 10/10

Relevant skills, qualifications and experience

Steve was appointed CEO of N Brown in February 2019, having been appointed Interim CEO in September 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 Group Limited 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.

CRAIG LOVELACE
CHIEF FINANCIAL OFFICER

Appointed to the Board: May 2015

Meetings attended 10/10

Relevant skills, qualifications and experience

Craig was appointed CFO in May 2015. Craig was Group CFO for General Healthcare Group Ltd from 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.

Craig announced his departure from N Brown in January 2020 and will leave the business later this summer. He will be replaced as CFO by Rachel Izzard.

Key strengths

- Financial Reporting and Strategy
- Corporate Finance
- Business Planning and Restructuring
- Tax and Treasury
- Governance and Compliance
- Investor Relations

External appointments

None.

KENYATTE NELSON
CHIEF BRAND OFFICER

Appointed to the Board: June 2019

Meetings attended 6/6

Relevant skills, qualifications and experience

Kenyatte was appointed Chief Brand Officer in June 2019, with responsibility for Customer Insight, Marketing Strategy, Proposition Design, Creative and Customer Communication. Before joining N Brown, Kenyatte spent time at both Shop Direct and Missguided as Group Marketing and Creative Director and Chief Customer Officer respectively. Before moving to the UK, he spent 16 years at Procter & Gamble in various general management roles across the Americas and EMEA.

Key strengths

- Customer Experience
- Digital Marketing and CRM
- Marketing and Media Strategy
- Customer Insight and Analytics
- Creative Production

External appointments

None.

DAN JOY
CEO OF FINANCIAL SERVICES

Appointed to the Board: January 2020

Meetings attended 1/1

Relevant skills, qualifications and experience

Dan was appointed CEO of Financial Services in January 2020 following 11 years at Ikano Bank where he held several leadership roles including UK Country Manager and, latterly, Group Chief Commercial Officer. Dan has extensive financial services experience across multiple sectors having worked at Zurich Insurance, Fairpoint plc and Capital One.

Key strengths

- Financial Services
- Leadership
- Customer Proposition Development

External appointments

None.

ALYSON FADIL
CHIEF PEOPLE OFFICER

Appointed to the Board: April 2018

Meetings attended 10/10

Relevant skills, qualifications and experience

Alyson joined N Brown in April 2018 with over 20 years' experience in recruitment, internal communications, talent development and building employee engaged cultures. Alyson has worked on the boards of dynamic, fast paced retail businesses including Missguided, Sofology and Selfridges.

Key strengths

- Retail
- Culture
- Organisational Design
- Employee Engagement

External appointments

None.

ADAM WARNE
CHIEF INFORMATION OFFICER

Appointed to the Board: April 2018

Meetings attended 10/10

Relevant skills, qualifications and experience

Adam joined N Brown 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.

Key strengths

- Retail
- Technology Modernisation
- Data Strategy
- Agile Transformation

External appointments

None.

FY21 APPOINTMENTS

RACHEL IZZARD
CFO DESIGNATE

Appointed to the Board: April 2020

Meetings attended 0/0

Relevant skills, qualifications and experience

Rachel was appointed to the Executive Board in April 2020 and will become Group CFO upon Craig Lovelace's formal departure. Rachel joins from Aer Lingus where she has been Chief Financial Officer since 2015. Rachel started her career at Mobil Oil and British Airways, moving on to a range of senior financial roles. With the forming of International Airlines Group ("IAG") she became CFO of IAG Cargo, joining together the cargo businesses of BA and Iberia. In 2015 Rachel moved to become CFO of Aer Lingus, successfully integrating Aer Lingus into IAG.

Key strengths

- Finance
- Technology
- International Business
- Airline Industry

External appointments

None.

SARAH WELSH
CEO OF RETAIL

Appointed to the Board: March 2020

Meetings attended 0/0

Relevant skills, qualifications and experience

Sarah was appointed CEO of Retail in March 2020. With over 25 years of retail and brand experience within the UK high street, Sarah started her career on the shop floor. With her great passion for product, she quickly developed her skills in buying and has held senior buying roles at both River Island and Miss Selfridge before joining Oasis. Having spent 18 years at Oasis she has been fundamental in shaping the unique customer and product proposition, most recently as Managing Director.

Key strengths

- Retail
- Design and Product Development
- Sourcing
- Trading
- Customer Engagement

External appointments

None.

THERESA CASEY
GENERAL COUNSEL AND COMPANY SECRETARY

Appointed to the Board: March 2015

Meetings attended 10/10

Relevant skills, qualifications and experience

Theresa 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 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.

DIRECTORS WHO SERVED DURING THE YEAR:

Ralph Tucker, Chief Product and Trading Officer (March 2015 – January 2020).

Mark Murphy, Interim CEO of Financial Services (June 2019 – January 2020).

LEADERSHIP AND PURPOSE CONTINUED

BOARD LEADERSHIP

The Board comprises ten Directors, of whom eight are Non-Executives including the Chair. Of the eight Non-Executive Directors, Lord Alliance of Manchester is not considered by the Board to be independent. The Board met ten times during the year, the attendance of which is set out in the table below. A number of Non-Executive Director only meetings were held this year to allow the Non-Executives to discuss matters without the Executive Directors present.

Full biographical details of all Directors appear on p50 to 53.

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders while meeting the appropriate interests of relevant stakeholders. The Board establishes the Company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. Board Directors act with integrity, lead by example and promote the desired culture of the business. The Board ensures that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board has established a framework of prudent and effective controls, which enable risk to be assessed and managed.

Further details on risk management and control can be found on p40 to 45.

The Board ensures effective engagement with all key stakeholders of the business, a core principle of which is providing effective channels through which colleagues can raise any matters of concern. Information on N Brown's engagement with colleagues during the year is detailed on p56 and our Section 172 Statement outlining wider stakeholder engagement across the year is on p46.

Further details on the role and responsibilities of the Board, along with key individual responsibilities can be found on p58 to 59.

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. The Board has, where necessary, delegated operational matters to sub-Committees, and to its Executive Directors and senior officers.

Further information on the responsibilities of each Committee is set out on p59.

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. Committee meeting attendance is detailed in the table below. 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 any recommendations.

BOARD AND COMMITTEE ATTENDANCE

	Board Committee	Remuneration Committee	Audit and Risk Committee	Environmental, Social and Governance Committee	Nomination and Governance Committee	Financial Services Board Committee
Total meetings	10	3	4	2	1	1
Matt Davies	10/10	3/3	4/4	2/2	1/1	1/1
Lord Alliance of Manchester CBE	10/10					
Ron McMillan	10/10	3/3	4/4	–	1/1	1/1
Lesley Jones	10/10	3/3	4/4	–	1/1	1/1
Richard Moross	10/10	–		–	1/1	1/1
Gill Barr	10/10	3/3	–	–	1/1	–
Michael Ross	10/10	–	4/4	2/2	1/1	0/0
Vicky Mitchell	1/1	–	–	–	–	0/0
Steve Johnson	10/10	3/3	–	–	1/1	–
Craig Lovelace	10/10	–	–	–	1/1	1/1

KEY ACTIVITIES

The following summarises some of the Board's key activities over the past year:

Business performance and strategy

- Review of the Company's performance against its strategic priorities and KPIs
- A two-day interactive strategy meeting in January 2020, including input from third-party advisors to obtain better visibility of the retail market landscape
- Approval of a refreshed brand strategy and customer proposition, including the launch of N Brown's new Home Essentials brand

Financial performance

- Reviewing the Company's overall financial and operational performance
- Approval of the FY19 Annual Report and Accounts and Preliminary Results announcement as well as the FY20 Interim Results and announcement
- Assessment of capital allocations including dividends and capital expenditure in respect of the Company's growth strategy
- Approval of the Group's FY20 budget and future financing needs

Risk and opportunity

- Assessment and approval of the Company's Tier One risk register, risk appetite and governance framework
- Discussions on emerging risks and the Board's responsibilities to the Company and its stakeholders

Regulatory compliance

- Establishment of a new Financial Services Board Committee
- Oversight of the implementation of and compliance with the Senior Managers & Certification Regime
- Implementation of the FCA's High Cost Credit rules
- Incorporation of new processes and amending practices as mandated under the 2018 UK Corporate Governance Code

Stakeholder matters

- Approval of the new Environmental, Social and Governance agenda and Sustainability Roadmap
- Review of product and branding strategy to enhance the quality of design, sourcing, pricing and trading

Culture and governance

- Approval of N Brown's new Employer Value Proposition including its Vision, Mission, Purpose and Values
- Review of the colleague engagement survey results
- Recruitment of key Board positions:
- Appointed in FY20: Independent Non-Executive Director, CEO of Financial Services and Chief Brand Officer
- Appointed in early FY21: CFO Designate and CEO of Retail

The Board also took part in a number of training sessions on the regulatory agenda and specialist matter topics.

See p62 for further information.

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 Board Directors and the Executive Board.

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 ENGAGEMENT WITH THE WORKFORCE

MESSAGE FROM RICHARD MOROSS

This marks my first year reporting as the Designated Director for Colleague Engagement and I am proud of what the Company, with the support of our colleagues, has achieved in the last 12 months.

I have spent my time looking at the data from our engagement surveys, liaising with the Culture Club and getting to know the People agenda, roadmap and milestones for the year ahead.

With the launch of our new Values and Behaviours, we have unlocked a culture where opportunities are seized upon and ideas spring into life. The key to N Brown's culture is trust, curiosity and togetherness.

Communication and engagement continue to be extremely high on our agenda. Without our people and their relentless enthusiasm and passion we couldn't do what we do and we hope to continue this good work in FY21.

Colleague safety following the Covid-19 outbreak was the Board's key priority. Further details on the measures implemented to protect and support colleagues are set out on p35.

Richard Moross
Designated Director for
Colleague Engagement

COLLEAGUE CONFERENCE

In May 2019, N Brown held its Colleague Conference at our distribution centre in Shaw.

Over 2,000 colleagues took part in sessions spanning two days. Executive Board members and senior leaders took to the stage to present the Company's business plan to colleagues.

It was a chance to recognise the transformation of the business, the progress to date and our evolution into a digital retailer. Colleagues came away with a clear sense of the role they would play in bringing to life the Company's new strategy.

Plans for the 2020 conference will be revised in light of the Covid-19 outbreak, but will look to showcase the Company's priorities for the year ahead, including a drive throughout the business for more sustainable plastics usage in line with the Year 1 priority of our new Sustainability Roadmap.

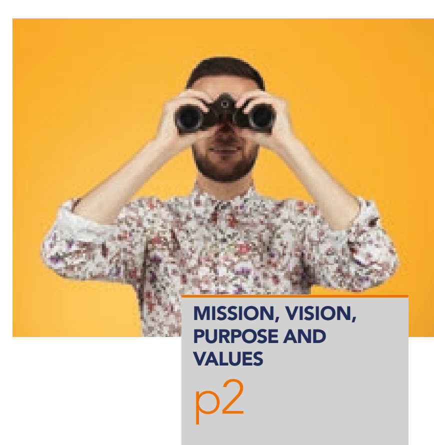
READ MORE ABOUT OUR SUSTAINABILITY ROADMAP
p37

CULTURE CLUB

The role of the Company's Culture Club is to give colleagues a platform to voice their thoughts and influence decisions in relation to the business and how it operates.

Chaired by the Director of Colleague Experience, colleagues representing each department meet on a monthly basis to discuss topical matters.

In 2019 this included the workplace charter and how we communicate Company and employee benefits. The Forum also played a key role in supporting the development of the N Brown's new Mission, Vision, Purpose and Values which launched in October 2019.



MISSION, VISION, PURPOSE AND VALUES
p2

ASK ME ANYTHING – WITH STEVE JOHNSON

Over the course of the year, Steve Johnson has held regular, open sessions with colleagues across the business.

The agenda is driven solely by the attendees which gives colleagues who wouldn't normally have the opportunity, as part of their day-to-day roles in the business, to speak directly with the CEO and ask for his take on the matters that are important to them.

Attendees are encouraged to share their experience with colleagues across the business. Several of the other Executive Directors have also initiated their own open and informal sessions, increasing their engagement with colleagues from other divisions of the Company.

COLLEAGUE SATISFACTION SURVEYS

N Brown offers multiple channels through which colleagues can share their thoughts, feedback and ideas with the Board and senior management.

The principal tool for this is the bi-annual VIBE survey. The questionnaire, sent to all colleagues across the business, asks them about a wide range of topics including key factors that affect their engagement with N Brown and understanding of its strategy.

We ask specifically whether colleagues feel they receive recognition for their achievements and how motivated, committed and inspired they feel about the Company's strategy. Other questions allow colleagues an opportunity to give feedback on the quality of communication and support from their managers and senior leaders. We also ask for their opinions on N Brown's pay and benefits, training opportunities, Company culture, working environment and ESG practices.

Feedback from all VIBE surveys is assessed in detail, reported to the Board and incorporated into strategies to improve N Brown's standing as an employer.

DIVISION OF RESPONSIBILITY

GOVERNANCE STRUCTURE

ROLES AND RESPONSIBILITIES

GROUP BOARD

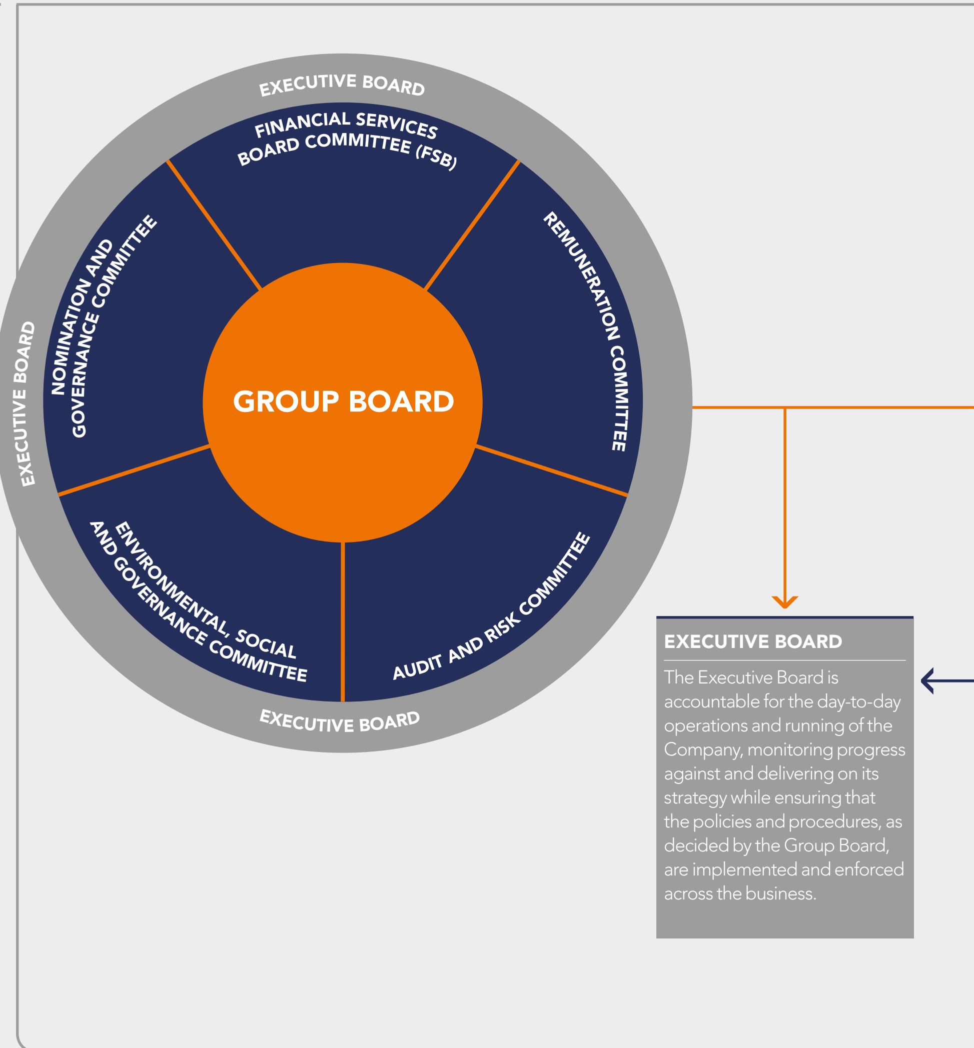
The Group Board is collectively responsible for the overall leadership of the Company and for setting its values and standards. It approves the Company's strategic aims and objectives, is responsible for all major policy decisions and oversees their delivery while ensuring maintenance of a sound system of internal control and risk management. The Board is ultimately responsible for determining the operational and strategic risks it is willing to take in achieving the Company's objectives. The Board's duty is to promote the success of the Company for the benefit of its members as a whole; it reviews performance in the light of the Company's business plans and budgets and ensures that any necessary corrective action is taken. The formal list of matters reserved for the Board can be found at www.nbrown.co.uk.

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. The key responsibilities of each Committee are outlined in the graphic overleaf. The formal written terms of reference of each Committee can be found at www.nbrown.co.uk.

KEY ROLES

Resilient and open working relationships between Directors are vital to the effective and successful running of the Board and the wider Group, with the Non-Executive Directors providing constructive challenge and alternative views to the Board. The roles of Chair, Senior Independent Director, Chief Executive Officer, Chief Financial Officer and Company Secretary are particularly crucial to this endeavour; a summary of their roles and responsibilities, as agreed and set out in writing, can be found overleaf:



THE BOARD

CHAIR

- Responsible for the overall leadership and governance of the Board and for overseeing its performance.
- Responsible for promoting a culture of openness and debate by facilitating the effective contribution of all Board members.
- Responsible for ensuring the Company's strategy is formulated clearly and is well understood both internally and externally.
- Responsible for fostering good relationships between Executive and Non-Executive Directors.
- Maintains a productive relationship with the CEO, providing a source of counsel and challenge on how the business is operated.

CHIEF EXECUTIVE OFFICER

- Has delegated authority from the Board and is responsible for the conduct of the whole of the business of the Company.
- Delivers the Company's strategy in accordance with its objectives and regulatory requirements.
- Develops and has oversight of the Company's corporate culture in the day-to-day management of the business.
- Communicates the strategic objectives of the Company and its core values.
- Leads the Executive Board, assigns responsibilities to senior management and oversees the establishment of effective risk management and control systems.

BOARD COMMITTEES

FINANCIAL SERVICES BOARD COMMITTEE (FSB)

- Oversight of the Financial Services business of the Group;
- Setting the values and standards of the Financial Services operations;
- Oversight and development of culture and approval of long-term objectives and strategy in relation to the Financial Services business;
- Ensuring that the Financial Services business delivers good customer outcomes; and
- Establishing the risk appetite of the Financial Services business.

Find out more on p71.

FINANCIAL SERVICES OPERATING COMMITTEE

The Financial Services Operating Committee is responsible for the day-to-day oversight and running of N Brown's Financial Services Business, and reports to the Executive Board and Financial Services Board Committee.

REMUNERATION COMMITTEE

- Setting and reviewing the remuneration policy and determining the total individual remuneration package for all Executive Directors, the Chair of the Board 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 Group 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 Group; and
- Ensuring that the Group engages as appropriate with its principal shareholders about remuneration.

Find out more on p73.

AUDIT AND RISK COMMITTEE

- 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 and the Financial Services Board Committee 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.

Find out more on p64.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

- Reviewing and making recommendations to the Board concerning matters of policy on all areas of Environmental Social Governance ("ESG");
- Reviewing and reporting on how the Company sources, manufactures and transports products; and
- Overseeing the Company's engagement and support of stakeholders across its supply chain.

Find out more on p72.

NOMINATION AND GOVERNANCE COMMITTEE

- 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 for 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 within the marketplace.

Find out more on p63.

SENIOR INDEPENDENT DIRECTOR

- Leads the assessment of the performance of the Chair by meeting with the Non-Executive Directors at least once a year to appraise the Chair's performance and on such other occasions as are deemed appropriate.
- Acts as a sounding board for the Chair, and acts as an intermediary for other Directors when necessary.
- Works with the Chair and other Directors and/or shareholders to resolve significant issues should they arise.
- Chairs the Nomination and Governance Committee when considering the succession to the role of Chair.

CHIEF FINANCIAL OFFICER

- Supports the CEO in providing strategic direction in relation to the overall finance strategy for the Company.
- Controls all day-to-day activities pertaining to finance and business operating systems.
- Responsible for the preparation of the Annual Report and Accounts in line with Generally Accepted Accounting Principles ("GAAP"), International Financial Reporting Standards ("IFRS"), and all relevant legislative and regulatory requirements.
- Responsibility for assessing the ongoing appropriateness of accounting and financial reporting policies for the Company, and where relevant escalating matters for the attention of the Board and Audit and Risk Committee, including matters relating to provisions and impairments.
- Responsible for monitoring and regularly assessing the adequacy and effectiveness of Finance processes and controls.

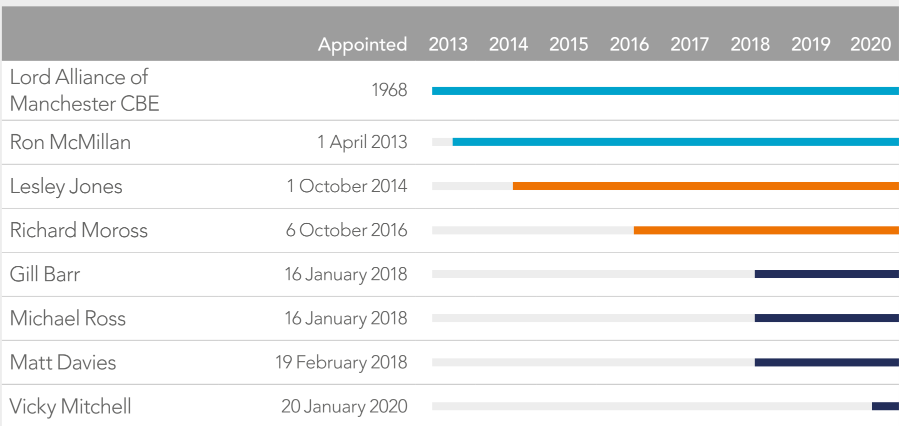
COMPANY SECRETARY

- Ensures that the Boards and Committees operate in line with good corporate governance.
- Advises the Board on all matters relating to the Listing Rules and applicable legal and regulatory requirements, while working closely with senior management to anticipate, plan and address strategic, legal, governance and compliance matters concerning the Company.
- Manages the internal and external legal and compliance resources, with primary responsibility for the selection, retention, management and evaluation of outside legal counsel.
- Maintains all necessary minutes and actions all necessary returns and statutory filings on behalf of the Company.

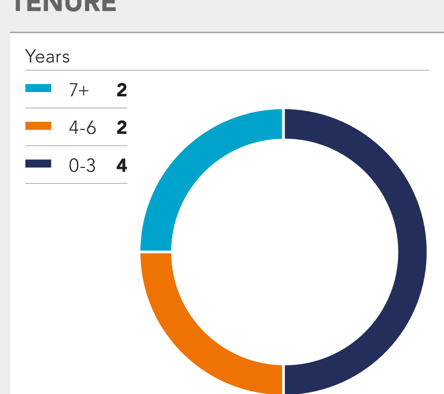
COMPOSITION, SUCCESSION AND EVALUATION

BOARD COMPOSITION

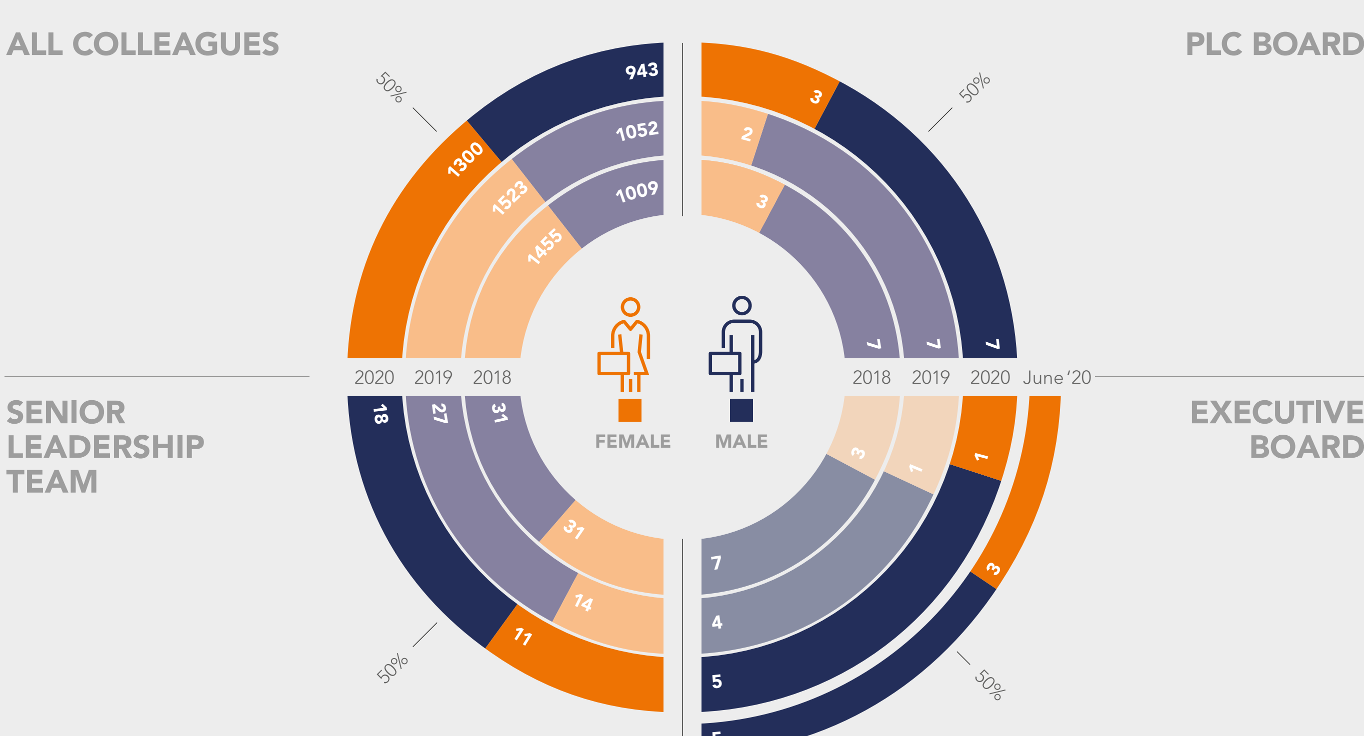
NON-EXECUTIVE DIRECTOR TENURE



	Appointed
Lord Alliance of Manchester CBE	1968
Ron McMillan	1 April 2013
Lesley Jones	1 October 2014
Richard Moross	6 October 2016
Gill Barr	16 January 2018
Michael Ross	16 January 2018
Matt Davies	19 February 2018
Vicky Mitchell	20 January 2020



GENDER BALANCE AT FINANCIAL YEAR END



DIVERSITY

The Board recognises the importance of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths at all levels of the Company as well as on the Board. N Brown is committed to equal opportunities and increasing diversity across our operations. The Board continues to consider how diversity can be enhanced through both the Group and Executive Boards, within the senior leadership team and across the wider Group whilst still ensuring the most appropriate candidates are appointed.

Strengthening our executive pipeline remains a priority for us and, as our business evolves, we will continue to open up new opportunities for women and ethnic minorities, working with head-hunters and agencies that can provide true diversification in their candidate bases. For more information on our recent Board appointments see p63.

As of June 2020, we have 33% representation at Board level and 38% on the Executive Board. This means we have met the 33% target for 2020 set by the Davies Report.

Our "Women Like Us" network continues to provide role models and mentors for talented women in N Brown. Sessions and workshops help them develop the skills and knowledge needed to achieve their full potential. The initiative remains a priority in our mission to develop female talent.

COMPOSITION

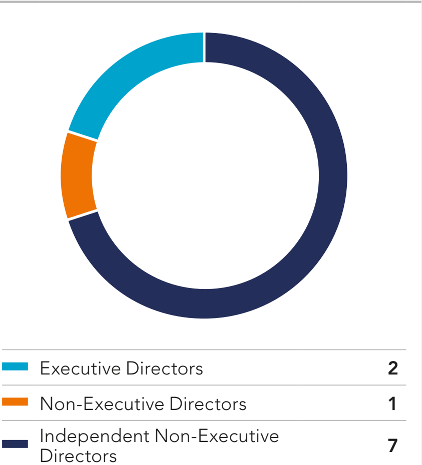
The Board understands the need for Non-Executive Directors to be and remain independent of management in order to be able to exercise proper oversight and to effectively challenge the Executive Directors. The Non-Executive Directors who served during the financial year ended 29 February 2020 were:

Matt Davies (Chair)
Lord Alliance of Manchester CBE
Ron McMillan (Senior Independent Director)
Lesley Jones
Richard Moross
Gill Barr
Michael Ross
Vicky Mitchell

Throughout the year, at least half of the Board, excluding the Chair, comprised independent Non-Executive Directors. The Chair was considered independent at the time of his appointment.

The composition of the Board and Committees is regularly reviewed and refreshed. A key change which took place during the year was the appointment of Vicky Mitchell as Non-Executive Director and her appointment to the Audit and Risk Committee and Financial Services Board Committee. Where appropriate, the Committees will invite non-members to attend meetings.

BOARD COMPOSITION



BOARD SKILLS AND EXPERIENCE

	Retail and digital retail	Strategy and change management	Corporate finance	Financial services	Governance	Risk management	Technology, data analytics and AI	Remuneration	Marketing
Matt Davies	■	■	■		■	■		■	■
Lord Alliance of Manchester CBE	■	■	■	■	■				■
Ron McMillan			■	■	■	■		■	
Lesley Jones			■	■	■	■		■	
Richard Moross	■	■					■	■	■
Gill Barr	■	■	■	■	■			■	■
Michael Ross	■	■		■		■	■		■
Vicky Mitchell		■		■	■	■		■	
Steve Johnson	■	■		■	■	■	■		■
Craig Lovelace	■	■	■	■	■	■			

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 Vicky Mitchell is provided in the Nomination and Governance Committee report on p63.

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 Chair 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 current external appointments can be found in the Directors' biographies set out on p50 to 53.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

BOARD COMPOSITION CONTINUED

BOARD TRAINING AND DEVELOPMENT

In addition to the specialist training sessions that take place during the year, as outlined below, 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.

During the year under review, the Board took part in several training sessions on the regulatory agenda and specialist matter topics:

UK CORPORATE GOVERNANCE CODE 2018

Directors' Duties: Section 172 and Stakeholder Considerations
Key changes of the 2018 Corporate Governance Code:
Part One – Key issues raised in the new Code
Part Two – Implementation of the new Code

SENIOR MANAGERS AND CERTIFICATION REGIME

SM&CR Readiness
Risk Governance
SM&CR Group sessions
Individual training sessions on NED Senior Management Functions

DEEP DIVES

Technology Roadmap
Employer Value Proposition
Customer Lifetime Value Proposition
Brand Strategy: Market Segmentation and Data Driven Insights

Further training sessions are planned for FY21 which will cover a range of relevant topics.

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 with key colleagues are arranged as appropriate. Inductions to the business for new Directors are designed to expose them to all areas of the Group's operations but with particular emphasis on each Director's area of expertise.

Non-Executive Directors meet with the Executive Board and operational teams and undertake site visits to ensure that they have the most up-to-date knowledge and understanding of the Company and its activities. This also allows colleagues from across the Company 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 Chair has regular contact with each Director and is able to address their training and development needs.

BOARD EVALUATION

During January and February 2020, the Board took part in an internal Board and Committee evaluation which assessed:

Board Leadership and Company Purpose
Division of Responsibilities
Composition and Succession
Audit, Risk and Internal Control
Performance of the Board and Committees

The Board is satisfied with the outcome of the evaluation and believes the performance of the Chair, Committee Chairs and Directors, and their commitment to their respective roles, continues to be fully effective.

The Board and its Committees continue to provide appropriate oversight of the Company and challenge to the Executive team. Overall, the Board remains effective, positive and cohesive, and has the requisite skills, experience, challenge and judgement appropriate for the requirements of the business.

The full results of the evaluation were assessed with the Chair who, with the support of the secretariat, will develop a training strategy for FY21 to address areas of development and improvement as identified by the Directors.

The FY21 Board and Committee evaluation will be conducted externally; the results will be shared in next year's Annual Report.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

MEMBER

Member		Meetings attended
Matt Davies (Chair)	February 2018 – Present	1/1
Ron McMillan	April 2013 – Present	1/1
Lesley Jones	October 2014 – Present	1/1
Richard Moross	October 2016 – Present	1/1
Gill Barr	January 2018 – Present	1/1
Michael Ross	January 2018 – Present	1/1
Vick Mitchell	January 2020 – Present	0/0

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 for 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 within the marketplace.

2020 PRIORITIES

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, engaging with external shareholders where appropriate.

The Committee's Terms of Reference can be found at www.nbrown.co.uk

DEAR SHAREHOLDER

I am pleased to present the Nomination and Governance Committee report for FY20.

The main focus of the Committee over the course of the year was an assessment of the composition and skill matrix of the Board, Executive Board and senior management. Recognising the challenges of the business strategy and the establishment of the Financial Services Board Committee, it was determined that new appointments to the Board and Executive Board were required.

The Committee oversaw the search for and appointment of the following Non-Executive Director and Executive Board Directors:

Vicky Mitchell, Non-Executive Director (appointed January 2020)

Kenyatte Nelson, Chief Brand Officer (appointed June 2019)

Dan Joy, CEO of Financial Services (appointed January 2020)

In addition to the above appointments that were made during FY20, the Committee also oversaw the recruitment of Rachel Izzard, who will become Group CFO upon Craig Lovelace's formal departure. Sarah Welsh also joined the Company as CEO of Retail in March 2020.

Warren Partners, Sam Allen Associates and HW Global Talent Partner were appointed by the Committee to support the searches. They ran a comprehensive external candidate search and selection processes that produced diverse shortlists of excellent candidates. Following a thorough and competitive process, the Committee recommended the appointments of all three Directors which were supported unanimously by the Board.

Looking ahead to FY21, the Committee will continue with its core duties including making recommendations to the Board in respect of Director appointments as it deems necessary. The Committee will also review and maintain an effective succession plan for the Board, Executive Board and senior management. Appointments and succession plans will be based on merit and assessed on objective criteria, taking into account the skills and experience required to perform the role, with due regard to diversity of gender, social and ethnic backgrounds and cognitive and personal strengths. Where appropriate, external search consultants will be engaged.

During the year the Committee also undertook an internal evaluation of the Board and its committees. It will monitor the action plan to reflect the outcomes of that review. In FY21 the Committee will oversee an external evaluation of the Board and its committees and I look forward to reporting on the findings in the next Annual Report.

I am available to speak with shareholders at any time and shall be available at the Annual General Meeting on 10 September 2020 to answer any questions you may have on this report.

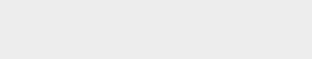
Matt Davies
Chair of the Nomination and Governance Committee

AUDIT, RISK AND INTERNAL CONTROL

AUDIT AND RISK COMMITTEE REPORT

MEMBER

Member		Meetings attended
Ron McMillan (Chair)	April 2013 – Present	4/4
Lesley Jones	October 2014 – Present	4/4
Michael Ross	July 2018 – Present	4/4
Vicky Mitchell	January 2020 – Present	0/0



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 and the Financial Services Board Committee 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.

2021 PRIORITIES

- Monitoring the impact Covid-19 is having on the Group's business, internal control procedures and governance;
- Ensuring that the Group's risk management procedures are responsive to the impact Covid-19 is having on resources and ways of working;
- Ensuring that the Group's Internal Audit and Risk functions are fully resourced;
- In conjunction with the Financial Services Board Committee, ensuring that the Group complies with the requirements of the Senior Managers Certification Regime – the FCA's enhanced accounting regime for firms.

The Committee's Terms of Reference can be found at www.nbrown.co.uk

DEAR SHAREHOLDER

I am pleased to present the Audit and Risk Committee's report for the year. During the year, the Audit and Risk Committee has continued to carry out a key role within the Group's governance framework, supporting the Board and Financial Services Board Committee 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 auditors an independent view of the key disclosure issues and risks.

Whilst risk management is a Board responsibility, the Committee works closely with the Board, the Financial Services Board Committee 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. The Committee also reviews reports from the Group's compliance function and assesses the means by which the Group seeks to comply with regulatory obligations.

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 p94 of this Annual Report.

The Committee considered whether the 2020 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 2020 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 in this report.

I am available to speak with shareholders at any time and shall be available at the Annual General Meeting on 10 September 2020 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 and Risk Committee

COMMITTEE COMPOSITION

The Committee comprises four members, each of whom is an independent Non-Executive Director. Two members constitutes a quorum. The Committee requires the inclusion of at least one financially qualified member with recent and relevant financial experience. The Committee Chair and new Committee member, Vicky Mitchell, fulfil 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 p50 to 53, 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:

The members of the Committee
Ron McMillan (Chair)
Lesley Jones
Michael Ross
Vicky Mitchell (appointed January 2020, Chair of the Financial Services Board from FY21)

Details of Committee meetings and attendances are set out on p64 and 70. The timing of Committee meetings is set to accommodate the dates of releases of financial information and the approval of the scope of and reviews of outputs from work programmes executed by the internal and external auditors. In addition to scheduled meetings, the Chair of the Committee met with the CFO, the Head of Internal Audit and the external auditors during the year.

Although not members of the Committee, the Chair of the Board, CEO, CFO and representatives from the internal and external auditors attend all meetings. The Secretary of the Committee is the Group's General Council and so also attends all meetings.

FINANCIAL SERVICES BOARD

As more fully explained in p71, the newly established Financial Services Board Committee ("FSB") is responsible to the N Brown Board for oversight of the Financial Services business of J.D. Williams & Company Limited, a wholly owned subsidiary of N Brown Group plc. While ultimate oversight of Group risk remains with the Committee, the FSB is responsible for the development and oversight of the culture, the long-term objectives and the strategy of the Group's Financial Services business. It establishes risk appetite and approves plans to achieve the strategic objectives.

In relation to internal controls and risk management, the FSB approves annual plans and performance targets and maintains oversight of regulatory compliance. The FSB makes whatever recommendations it deems appropriate on any area within its remit and escalates to the Group Board such matters as it deems appropriate.

COMMITTEE ACTIVITIES IN FY20

The table on p70 details the core activities of the Committee in FY20. Key matters considered during the year include the following:

IMPACT OF COVID-19

The Committee reviewed the disclosures in note 31 on p150 on post balance sheet events to the financial statements which set out an estimated range of impacts on the Group's balance sheet resulting from the Covid-19 lockdown and the associated assumptions used to support those estimates. It also reviewed the reasonableness of the assumptions made in relation to trade receivables bad debt impairment, software intangibles impairment and inventories impairment.

The Committee has noted increased timelines for completion of the Internal Audit Plan and the Risk Management Framework Enhancements. In particular resource constraints and redeployment of second and third line assurance resources was deemed necessary to assist in the management and maintenance of key governance processes and monitoring activities in the face of Covid-19 crisis management response.

The Committee is satisfied that there continues to be reasonable assurance over key risk areas despite the challenges to timelines and resources.

IMPAIRMENT

The Group has a number of intangible assets which are assessed for impairment. The Committee has reviewed management's judgement that the Group's assets do not need to be impaired. In reviewing this judgement, the Committee considered the appropriateness of the key inputs in the value in use calculations prepared by management including the cash flows based on the Group's three-year plan as at 29 February 2020, the assumed long-term growth rate of subsequent cash flows and the risk adjusted discount rate.

REGULATION AND COMPLIANCE

The Group operates in a regulated marketplace and is challenged by regulatory requirements. This creates risk for the business as non-compliance can lead to customer detriment, reputational damage, financial penalties and potential loss of licence to operate.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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 have been substantial in recent years and have required 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, albeit at a slower pace 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.

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The Group's methodology to determine provisions for expected credit losses in its credit ledgers is both complex and judgemental. A significant part of 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 made to better reflect changing economic or commercial circumstances.

The Committee reviewed the enhancements to the IFRS 9 model that were implemented during the year, in particular the application of new probability of default parameters to reflect more up-to-date historical experience, a refinement of the significant increase in credit risk methodology as well as the revised economic assumptions and weightings used to incorporate forward-looking information into the expected credit loss estimation.

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 tax advisors (Deloitte) and legal counsel. During the year the Committee has been kept appraised of the significant progress made in addressing legacy tax matters 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, including the estimates and judgements in relation to legacy items.

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, after reviewing the provisioning methodology and assumptions that takes into account historical experience, likely future selling values and the availability of disposal channels, believe the provision to be appropriate.

ALLIANZ CLAIM AND OUR COUNTERCLAIM

The Committee noted that the claim lodged against the Group by Allianz Insurance plc and the counterclaim that the Group has also made. It concurred with management's judgement that because of the complexity of the claims and the early stage of proceedings, it is not possible to reliably estimate the amount of any potential settlement and therefore no provision for the claim has been made.

RISK AND INTERNAL CONTROLS

Oversight of the Group's risk management process is provided by the Director of Risk, the Head of Internal Audit, the Head of Compliance, the Financial Services Board Committee, the Audit and Risk Committee and, ultimately, the Group Board. The Director of Risk, the Heads of Compliance and Internal Audit are invited to attend all Audit and Risk Committee meetings. The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control and risk management. 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.

Leading up to the introduction of the Senior Managers and Certification Regime ("SM&CR"), the FCA's enhanced accountability regime for firms, in December 2019, the Group embarked on the process of further up-weighting its risk management capability across the Group through the implementation of an enhanced Risk Management Framework. A number of activities are underway or have been completed, including:

- Rationalisation and consolidation of key risk policies.
- Optimisation of corporate and risk governance arrangements.
- Improving risk decision-making, risk reporting, and the way material risks across the Group are identified, assessed and managed.

The Group has always maintained a Risk Management Process reporting into the Audit and Risk Committee. SM&CR has provided an opportunity for further up-weighting and formalisation. Further information on the Group's Enterprise Risk Management Framework is detailed on p40.

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 policy.

The Committee reviews annually the overall risk strategy and risk policy, including risk appetite, exposure, measures and limits, and material amendments to the risk appetite and related policies.

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

- The key risks to the Group and the impact they may have
- Actions to mitigate
- Inherent and residual risk assessments to highlight the implications of occurrence
- Ownership
- Target dates for actions to mitigate

A description of the Tier One risks is set out on p42 to 45.

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 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. The assessment included a review of the principal risks facing the Group, their financial impact, how they are managed, the availability of finance, including the new CLBILS funding secured in May 2020, and the appropriate period for assessment. The Group's viability statement is on p94.

REVIEWING THE HALF YEAR RESULTS AND ANNUAL REPORT

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 review by the external auditors;
- Compliance with statutory tax obligations and the Group's tax policy;
- Whether the information set out in the Annual Report was fair, balanced and understandable; and
- Whether the use of "alternative performance measures" was appropriate.

INTERNAL AUDIT

The Head of Internal Audit, and for the latter part of FY20 the Interim Head of Internal Audit, had a direct reporting line to the Committee and attended all Committee meetings. During the year, Internal Audit undertook a programme of work which was discussed with and agreed by both management and the Committee and which was designed to address both risk management and areas of potential financial loss. Internal audit also has established procedures within the business to ensure that new risks are identified, evaluated and managed and that necessary changes are made to the risk register.

During the year Internal Audit has carried out reviews covering:

- Cyber Security
- Accounts Payable
- Business Continuity Planning
- IT Vulnerability
- Customer Ordering
- Contractor Management and IRS35
- HR Systems Upgrade Projects
- IT Strategic Alignment
- VAT Partial Exemption
- IT Third-Party Management
- Financial Crime
- Financial Services Governance
- Persistent Debt Readiness
- Capital Project Return on Investment Controls

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Internal Audit also provided ongoing assurance and support in the following areas:

Bank Security
Information Security
Data Governance
SM&CR Compliance
Stock Audit

Regular reporting in these areas as well as the output from dedicated reviews were presented to the Executive Board and Committee for review.

During the year, the Internal Audit Charter was updated in line with the Institute of Internal Auditors Code of Practice and the Committee reaffirmed its commitment for Group Internal Audit function to follow a best practice approach to deliver independent assurance over key Group risks.

There were no restrictions placed on the scope of work to be carried out by the Internal Audit function or its ability to report to the Committee.

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 AND RISK COMMITTEE

The Audit and Risk Committee's performance was assessed as part of the Board's evaluation carried out over January-February 2020, as detailed on p62. The Board considers that the processes undertaken by the Committee are appropriately robust, effective and in compliance with the guidelines issued by the FRC. During the year, the Board has not been advised by the Committee, nor has it identified itself, any failings, frauds or weaknesses in internal control which have been determined to be material in the context of the financial statements.

EXTERNAL AUDITORS

KPMG LLP were appointed as external auditors on 14 July 2015. The partner who has been responsible for the audit since KPMG LLP were appointed is Stuart Burdass, a partner in the Manchester office. The total fees paid to KPMG for the year ended 29 February 2020 were £0.8m, of which £0.03m was in respect of non-audit services. Further details are set out in note 5 to the financial statements on p126.

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 27 February 2021. The auditors also operate under the FCA's Revised Ethical Standard 2019.

The Committee reviews the performance of KPMG LLP annually based on their understanding of key areas of judgement and the extent of challenge, the quality of reporting and the efficiency and conduct of the audit. Feedback is sought from management, the Group's Finance and Internal Audit functions and the General Counsel.

The N Brown 2019 audit was not chosen for review by the FRC. However, the Committee reviewed KPMG's transparency report for the year ended 30 September 2019, which was published in December 2019. The report summarises the results of the audit quality reviews of KPMG conducted by the FRC and sets out the steps KPMG is taking to ensure audit quality with reference to the audit quality framework issued by the FRC. In addition, the Committee Chair has regular dialogue with the external auditors.

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

The overall conclusion of the process was that KPMG LLP's work continues to be thorough and professional and it is, therefore, the Committee's recommendation that the reappointment of KPMG LLP be put to shareholders at the Annual General Meeting on 10 September 2020. Given that this is only the fifth year of KPMG LLP's tenure as auditors, the Board has no present plans to consider an audit tender process.

WHISTLEBLOWING AND ANTI-BRIBERY AND ANTI-CORRUPTION POLICIES

The Group remains committed to conducting its business with honesty and integrity and expects all colleagues to maintain equally high standards, encouraging open communication from all those who work within the business or across its supply chain. In line with its whistleblowing policy, the Group is partnered with an independent, external whistleblowing reporting service which provides 24-hour international telephone lines, web portal and email reporting facilities. All concerns can be raised anonymously and are escalated to the Company Secretary who investigates them with due care and attention, reporting accordingly to the Committee.

The Group is committed to ensuring that we offer good quality, transparently and fairly sourced products and services to our customers and operate with integrity and in an honest and ethical manner at all times. Comprehensive Anti-Bribery and Anti-Corruption and Gifts and Hospitality policies are in place and are applicable to all colleagues across the business, along with a dedicated central Register of Gifts and Hospitality which all colleagues are required to use. Compliance to the policy is monitored by the Internal Audit function which reports any findings of note to the Committee.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Group Board and as required by the UK Corporate Governance Code, the Committee assessed whether the content of the FY20 Annual Report and Accounts, preliminary results announcement and presentation, taken as a whole, were fair, balanced and understandable. Consideration was also given to as to whether key messages, disclosures and information were included in a consistent manner throughout the report.

The Committee considered the prominence given to certain items included in the financial statements and the language used to describe performance. The Committee advised the Group Board that it was satisfied that, taken as a whole, the 2020 Annual Report was fair, balanced and understandable, and that it provided shareholders and other stakeholders with the necessary information to allow them to determine the Company's performance, business model, risks and strategy.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

ACTIVITIES OF THE AUDIT AND RISK COMMITTEE

Meetings of the Committee are scheduled to coincide with key dates in the financial calendar and reporting cycle. Recurring agenda items of the meeting included matters relating to the review and approval of the Internal Audit Plan, risk mapping and appetite, financial reporting and legacy tax matters. Additional matters covered at each of the meetings during FY20 were as follows:

APRIL 2019*

- Approval of the full year results for FY19, including reviews of the Group's viability statement
- Assessment of the Group's FY19 preliminary results announcement
- Liquidity and Going Concern assessment at FY19
- Review of the full year external audit report
- Review of the full year Internal Audit report and approval of FY20 Internal Audit plan

Performance reviews of:

- **Internal Auditor**
- **External Auditor**
- **Audit and Risk Committee**

- Ratification of non-audit external service provider fees
- Review of the Group's Risk Management Report, Risk Appetite and Three Lines of Defence model
- Review and approval of the Group's Risk Management Roadmap
- Assessment of the Group's IFRS9 – Accounts Receivable Impairment model
- Regulatory provisions – product insurance and PPI customer redress
- Review of the draft FY19 Annual Report

* Two meetings were held in April 2019.

In addition, some audit reports were reviewed at the Audit Committee in May 2020. The impact of Covid-19 on the completion of the Internal Audit Plan meant that review of some reports was delayed. The remainder of the Internal Audit reports for the FY20 audit plan are scheduled to be reviewed at the October 2020 Audit Committee.

OCTOBER 2019

- Review of the Group's half-year external audit and financial reporting paper
- Review of the Group's half-year statement
- Review of the HY Internal Audit and Risk Management reports
- Liquidity and Going Concern assessment at HY FY20
- Corporate Criminal Offence to prevent tax evasion (SI 739)
- Review of Internal Audit work at half year end

JANUARY 2020

- Review and approval of the external auditors' plan for assessment of the FY20 full year results, including their terms of reference and fees
- Review of progress against the Risk Management Plan
- Review of the FY21 Internal Audit Plan
- Review of the Company's Q3 Trading Statement

FINANCIAL SERVICES BOARD COMMITTEE REPORT

MEMBER

Member		Meetings attended
Lesley Jones (Resigned as Chair – January 2020)	November 2019 – Present	1/1
Vicky Mitchell (Chair)	January 2020 – Present	0/0
Matt Davies	November 2019– Present	1/1
Ron McMillan	November 2019 – Present	1/1
Michael Ross	March 2020 – Present	0/0
Steve Johnson	November 2019 – Present	1/1
Craig Lovelace	November 2019 – Present	1/1

RESPONSIBILITIES

- Oversight of the Financial Services business of the Group;
- Setting the values and standards of the Financial Services operations;
- Oversight and development of culture and approval of long-term objectives and strategy in relation to the Financial Services business;
- Ensuring that the Financial Services business delivers good customer outcomes; and
- Establishing the risk appetite of the Financial Services business.

The Committee's Terms of Reference can be found at www.nbrown.co.uk

FY21 PRIORITIES

- Overseeing the strategic contributions of the FS business to the Group's commercial development;
- Ensuring compliance with and delivery against the requirements of the evolving regulatory agenda;
- Supporting credit customers following the Covid-19 outbreak in respect of the FCA's payment deferral regulations;
- Embedding SM&CR;
- Delivering against the Persistent Debt regulation; and
- Development of a revitalised FS customer proposition, including delivery of a new FS IT platform.

DEAR SHAREHOLDER

It is my pleasure to report on the first few months of activity of the Financial Services Board Committee.

Building on the valuable work undertaken by the Financial Services executive team at the Financial Services Operating Committee, a decision was taken in 2019 to establish a Financial Services Board Committee. In addition to providing support to and oversight of the Financial Services ("FS") business of the Group, the Committee is responsible for the development and oversight of the culture, long-term objectives and strategy of the Group's FS business. While ultimate oversight of Group risk remains with the Audit and Risk Committee, the Committee will establish risk appetite and approve risk management plans in relation to FS. The Committee will also maintain oversight of internal control and governance frameworks across FS.

In 2019 the Committee began a detailed review of the FS operations including FS strategy, performance against KPIs, operational design, resources and risk appetite and governance framework. Compliance obligations were also assessed, with a focus on the implementation of the Unsolicited Credit Limit Increase ("UCLI"), Persistent Debt, Vulnerable Customers, Senior Managers & Certification Regime ("SM&CR"), PPI redress and FCA engagement.

The Committee's focus for FY21 will be on overseeing the strategic contributions of the FS business to the Group's commercial development. The Committee will also oversee compliance with the regulatory agenda, ensuring the FS business is focused on the needs of our customers and on delivering good customer outcomes. Key projects will include:

- Embedding SM&CR;
- Delivering against the Persistent Debt regulation; and
- Development of a revitalised FS customer proposition, including a new FS IT platform.

The Group's FS operations and strategic plans for FY21 will also take into account the impact of Covid-19, the requirements of the FCA's payment deferral regulations and the resulting changes to FS practices. N Brown remains committed to supporting its credit customers through these challenging times.

I would also like to welcome Vicky Mitchell to the Committee; Vicky will step into the role of Chair for FY21.

I am available to speak with shareholders at any time and shall be available at the Annual General Meeting on 10 September 2020 to answer any questions you may have on this report.

Lesley Jones
Chair of the Financial Services Board Committee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") COMMITTEE REPORT

MEMBER

Member		Meetings attended
Michael Ross (Chair)	January 2018 – Present	2/2
Matt Davies	February 2018 – Present	2/2
Steve Johnson	September 2018 – Present	2/2
Alyson Fadil	April 2018 – Present	2/2
Ralph Tucker (resigned)	April 2018 – January 2020	2/2
Sarah Welsh	March 2020 – Present	0/0

RESPONSIBILITIES

- Reviewing and making recommendations to the Board concerning matters of Group policy on all areas of Environmental, Social and Governance ("ESG");
- Reviewing and reporting on how we look after our environment, source our products and work with the community and our employees; and
- Updating shareholders and stakeholders as necessary on the work of the Committee.

The Committee's Terms of Reference can be found at www.nbrown.co.uk

FY21 PRIORITIES

- Ensuring that colleagues and other key stakeholders are supported during the Covid-19 pandemic and beyond;
- Fulfilling the year one plastics focus of the Company's Land, Sea and Air targets by instigating a trial of green polyethylene despatch bags on Simply Be and Jacamo ranges;
- Introducing sustainable brand product labels;
- Implementing supplier scorecards to allow buyers full performance viability on sustainability;
- Completing the green LED lighting project across key sites; and
- Reviewing progress against the existing 35% target and set new targets for GHG emissions reduction and climate change.

DEAR SHAREHOLDER

The Committee has overseen significant progress in a number of new and exciting initiatives during the year, including its re-branding to the Environmental Social Governance Committee.

In FY20 the Committee approved the renewal of the Group's Modern Slavery Statement in addition to reviewing its participation in such significant international stakeholder forms as the United Nations Ethical Trading Initiative and the ACT living wage project in the textile and garment supply chain.

FY20 was also the first year of N Brown's Ethical Principles for Trustworthy AI. Since they were introduced, the Committee has overseen ongoing work to embed the principles within business operations via the development of effective AI policies.

Details on some of N Brown's sustainable activities in FY20 can be found in the ESG report on p32 to 39.

In FY20 the Committee will continue to support and oversee the work of N Brown as it focuses its sustainability activities under two new pillars: "Our People and Our Planet".

"Our People" will expand on the good work already being done to support colleagues within the Company as well as all customers and stakeholders connected to N Brown across our supply chain.

Under "Our Planet" we have developed a challenging four-year sustainability roadmap. The projects identified will help N Brown move closer to targets under its new Land, Sea and Air initiatives.

Further information on N Brown's new ESG initiatives and sustainability roadmap can be found on p37.

I am available to speak with shareholders at any time and shall be available at the Annual General Meeting on 10 September 2020 to answer any questions you may have on this report.

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 ESG Committee

REMUNERATION

REMUNERATION COMMITTEE REPORT

MEMBER

Member		Meeting attended
Gill Barr (Chair)	January 2018 – Present	3/3
Ron McMillan	April 2013 – Present	3/3
Richard Moross	January 2017 – Present	3/3
Matt Davies	May 2018 – Present	3/3

RESPONSIBILITIES

Setting and reviewing the remuneration policy and determining the total individual remuneration package for all Executive Directors, the Chair of the Board 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 Group 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 Group.

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

FY21 PRIORITIES

Mindful of the difficulties in setting measures and targets in the current crisis, the Committee will consider the optimal way to further our policy objectives and specifically provide the mechanisms for both incentives and retention.

We will be flexible in our approach to ensure we can take advantage of opportunities for the benefit of our shareholders and wider stakeholders.

The Committee will continually review remuneration decisions to ensure there is a strong alignment between outcomes for executives and those of other stakeholders including investors and colleagues.

We will ensure that all employee pay and incentive arrangements strongly support the delivery of the cash flow performance of the business and the customer experience.

The Committee's Terms of Reference can be found at www.nbrown.co.uk

DEAR SHAREHOLDER

I am pleased to present the Directors' Remuneration Report for FY20 on behalf of the Board. The report has been written in the midst of the unprecedented market conditions as a result of the global Covid-19 pandemic which has posed challenges for determining executive remuneration.

I was very pleased that our new policy was approved by shareholders at the 2019 AGM with 99.6% shareholder approval and we have reviewed the policy again to ensure that it remains appropriate for FY21 in the current environment. We are satisfied that it remains appropriate although, within the policy, we are proposing some changes to the operation of our annual bonus and LTIP.

OUR RESPONSE TO COVID-19

Our focus has been on the health and wellbeing of our colleagues as well as the prudent management of the business. We gave a trading update on 19 May which provided details of our new financing arrangements. A thorough review of our operation led to various actions to maximise operating efficiency and preserve liquidity and we have taken advantage of government support and furloughed 30% of our employees.

Our plc Board, Management Board and senior leadership team have all taken voluntary reductions to salary and fees of 20% for at least three months. No annual bonus will be paid for FY20 and there will be no salary increase for the Executive Directors and most of the workforce for FY21.

The final determination of the FY21 annual bonus and LTIP opportunity, measures and target ranges has been deferred until the Committee considers that the business has better forward visibility. Full details of the LTIP awards will be announced to the market at the time that the awards are made.

The year end will require a series of carefully balanced decisions. Whilst there should be an appropriate bonus and LTIP opportunity, careful consideration will be given to all relevant factors in determining incentive outcomes including underlying performance, the experience of stakeholders and the level of government support. We will be particularly thoughtful on the extent to which discretion will need to be applied to any formula driven payments.

REMUNERATION COMMITTEE REPORT CONTINUED

CHANGES IN LEADERSHIP

During the year, the Committee has overseen further change in the leadership of our business. Craig Lovelace, our Chief Financial Officer, will be leaving us but we are delighted to welcome our new Chief Financial Officer, Rachel Izzard. In addition, there have been several important changes to the team at Executive Board level and those remuneration arrangements have also been determined by the Remuneration Committee.

APPOINTMENT OF OUR NEW CFO

We announced, on 29 January 2020, the appointment of our new Chief Financial Officer, Rachel Izzard. Rachel joined N Brown on 6 April 2020 as CFO Designate.

Rachel's fixed pay is lower than that of our outgoing CFO and variable pay opportunity the same. Her base salary is £350,000 and her pension contribution is 8% of salary, in line with the rate paid to the majority of the workforce (compared to £363,697 and 10% for Craig Lovelace). The normal annual bonus maximum and the normal LTIP award level are both 125% of salary.

Rachel will be granted LTIP awards to compensate her for awards forfeited at her previous employer. The awards will be made on a strictly like-for-like basis and full details are contained within this report.

CFO ARRANGEMENTS ON CESSATION OF EMPLOYMENT

As announced on 29 January 2020, Craig Lovelace resigned as CFO and is subject to a 12-month notice period. A departure date has not yet been agreed as this needs to take into account the time required to ensure an orderly handover to our CFO Designate in the context of the current market environment and restrictions on movement of people. Craig's remuneration on cessation of employment will be in line with our shareholder approved remuneration policy. Full details will be set out on the Company's website following his departure and in next year's Annual Report on Remuneration.

REMUNERATION OUTCOMES FOR FY20

The CEO's salary was unchanged for FY20 due to his recent appointment at £425,000. The CFO received a 2% increase, in line with the average workforce increase, to £363,697 effective from 1 June 2019.

The FY20 annual bonus was determined 50% by Group EBITDA, 30% by corporate objectives and 20% by online sales growth. Although some progress was made against our important corporate objectives, EBITDA and online sales growth were both below the threshold for payment. Taking into account business performance, as well as the wider current economic and societal environment, the Committee and the CEO agreed that no bonus would be paid to him. Indeed, no bonus has been paid to any employee in the Company ensuring alignment of reward throughout the business. The CFO, having resigned in January of this year, is not eligible for a bonus.

Further details of performance against the targets, and the formulaic bonus outcome, are included in the Annual Report on Remuneration.

The EPS, Cash flow and Revenue performance conditions attached to the LTIP awards granted in June 2017, which were measured by reference to performance to 29 February 2020, have not been achieved, so the awards lapse in full.

In conclusion the Committee is satisfied the policy has operated as intended, that no change is required to the policy and that the discretion exercised is in all the circumstances appropriate.

HOW THE POLICY WILL BE APPLIED IN FY21

The CEO's salary will remain unchanged and our CFO Designate's salary, set on appointment, will not be reviewed again until FY22. We will review the temporary salary reductions after three months and they may revert to normal at that point, or later in the year.

We are also simplifying the bonus with a focus on two key priorities for the business. It is the Committee's current thinking that the bonus will be based 75% on cash/net drawn unsecured debt reduction and 25% on Customer Net Promoter Score (NPS). However, the situation remains volatile and the Committee acknowledges that in the current environment, circumstances may arise where management will need to change their focus during the year in order to make the right decisions for the business and shareholders. In these circumstances the Committee will consider whether the measures and targets for the bonus should be adjusted or discretion applied in determining the annual bonus outcome. In all cases the determination of bonus outcomes will be made with great care.

There will be full retrospective disclosure of performance targets and the exercise of any discretion in next year's Remuneration Report.

Exceptionally for 2020, the Committee's current thinking, given the market and economic volatility and lack of visibility to longer-term performance, is that the LTIP awards will be based 50% on relative TSR and 50% on Free Cash Flow and will not include an earnings per share measure.

The grant of LTIP awards will be delayed, we anticipate, until the second half of the financial year when we should have better visibility of our long-term financial performance. The measures and weightings will be reviewed again and award levels and targets set at that time will be included in the RNS announcement as well as in next year's Remuneration Report.

I very much hope that you will support the shareholder resolution on the Annual Report on Remuneration at our forthcoming Annual General Meeting on 10 September 2020. In the meantime, should you have any questions, I am contactable via the Company Secretary.

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.

The full Directors' Remuneration Policy is shown on the following pages. It was approved by shareholders 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, 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

REMUNERATION CONTINUED

REMUNERATION COMMITTEE REPORT CONTINUED

SUMMARY OF COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION

Purpose and link to strategy	Operation	Maximum	Performance assessment
SALARY			
Reflects the performance of the Company and the individual, their skills and experience, and the responsibilities of the role. Provides an appropriate level of basic fixed income.	Reviewed annually, taking account of Group performance and individual performance as well as changes to the market value of the Company. 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. When reviewing salary increases the Committee takes into account the impact of any increase to base salaries on the total remuneration package. Any changes normally take effect from 1 June.	Salary increases will normally be in line with increases awarded to other employees of the Group. 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.	None, although overall individual and Company performance is a factor considered when setting and reviewing salaries.
ANNUAL BONUS			
Drives and rewards annual delivery of financial, corporate and individual strategic goals. 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. The holding period provides alignment with shareholders and the longer-term performance of the Company.	The annual bonus is based on the Group's performance as set and assessed by the Committee on an annual basis. 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). The payment of any earned bonus remains ultimately at the discretion of the Committee.	Chief Executive: up to 150% of base salary p.a. Other Executive Directors: up to 125% of base salary p.a.	A significant majority of the annual bonus will normally be determined by reference to performance against financial measures. 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. 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. 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. 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.

Purpose and link to strategy	Operation	Maximum	Performance assessment
LONG-TERM INCENTIVE PLAN "LTIP"			
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.	Annual grants of performance shares which vest, subject to the Group's performance, measured over three years. Participation and all awards are subject to the discretions given to the Committee in the plan rules. Executives may also receive dividend equivalents on vested shares which will, except in exceptional circumstances, be paid in shares. 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 two years (including in normal circumstances post cessation) before they can be disposed of (subject to sales to meet taxes payable).	Normal maximum of 150% of salary. Exceptional circumstances maximum of 200% of salary.	The Committee may select performance measures and weightings for awards from year to year that support the Group's business strategy. A sliding scale of targets is set by the Committee prior to each grant with 25% of an award vesting for threshold performance. 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. 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.
ALL-EMPLOYEE SHARE SCHEME ("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 outgoing 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 wellbeing of the Executive to enable them to carry out their role effectively.	Main benefits currently include but are not limited to private medical insurance and a car allowance. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (including tax (grossed up) thereon) can be reimbursed if determined to be a taxable benefit.	Car and fuel allowance up to £20,000 per annum. 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.	N/A

REMUNERATION COMMITTEE REPORT CONTINUED

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. Nearly all of our employees are 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 the outgoing CFO whose retirement allowance is 10% of salary, the majority of our employees including our CEO and new CFO 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 did not consult with employees specifically regarding the Directors' Remuneration Policy but does consult regarding Group-wide reward and remuneration policies and practices at the Group's employee forum. The Annual Report on Remuneration sets out what engagement has taken place this year with stakeholders generally in relation to remuneration and 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 the Committee consulted with its largest shareholders and representative bodies such as the Investment Association, ISS and Glass Lewis.

EXECUTIVE DIRECTORS' SERVICE AGREEMENT 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. No Executive Director contracts provide for liquidated damages. There are no special provisions contained in 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.

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.

REMUNERATION COMMITTEE REPORT CONTINUED

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.

Name	Date of contract	Potential termination payment
Steve Johnson	26 February 2019	12 months' salary and benefits
Rachel Izzard	6 April 2020	12 months' salary and benefits
Craig Lovelace	6 January 2015	12 months' salary and benefits

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 and 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.

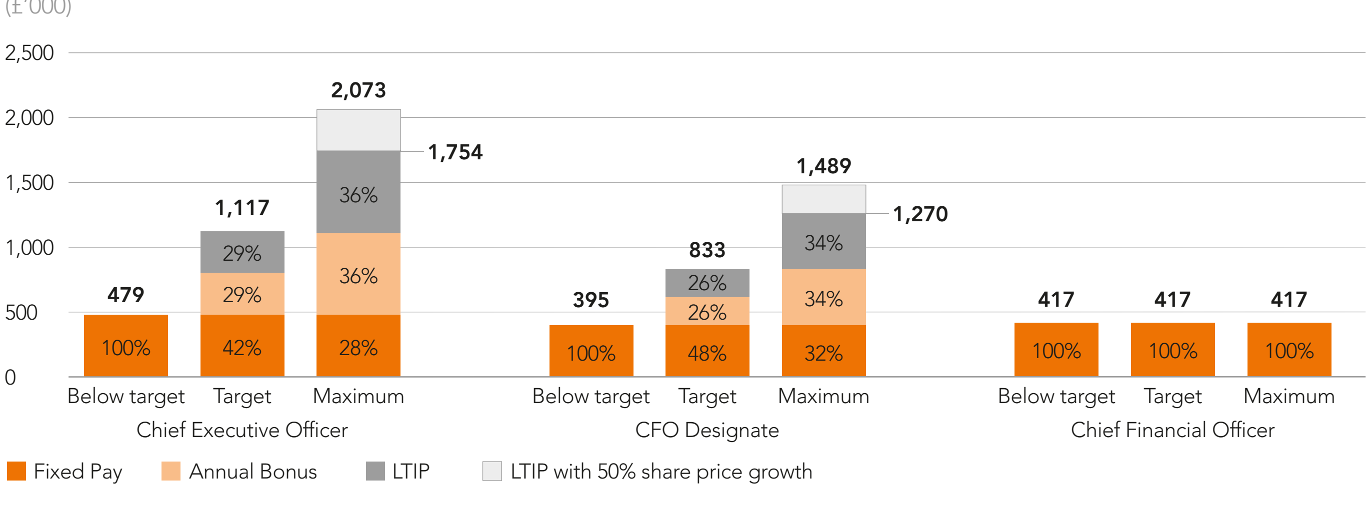
The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

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.

The chart overleaf sets out three scenarios for Executive Directors' remuneration for FY21.

POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS FY21

(£'000)



Assumptions
Fixed pay = salary on first day of financial year, 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 total remuneration assuming a 50% increase to the share price
Note: Annual bonus and LTIP award levels for FY21 have not yet been determined and the scenario charts are based on the normal bonus opportunity and LTIP award level.

REMUNERATION COMMITTEE REPORT CONTINUED

POLICY FOR NON-EXECUTIVE DIRECTORS' FEES

Purpose and link to strategy	Operation	Maximum	Performance assessment
NON-EXECUTIVE DIRECTORS' AND CHAIR'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.	The Non-Executive Directors' remuneration is determined by the Board within the limits set by the Articles of Association. The Chair is paid a single fee for all his responsibilities. 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. 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. 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. 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. In exceptional circumstances, additional fees may be paid where there is a substantial increase in the time commitment required of Non-Executive Directors. 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.	N/A	N/A

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

Non-Executive Directors are retained on letters of appointment. Other than the Chair, Senior Independent Director 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
Ron McMillan	1 March 2013	1 April 2019	6 months
Lesley Jones	30 September 2014	1 October 2017	3 months
Richard Moross	13 September 2016	6 October 2019	3 months
Gill Barr	6 December 2017	16 January 2018	3 months
Michael Ross	8 December 2019	16 January 2018	3 months
Vicky Mitchell	24 January 2020	28 January 2020	6 months

ANNUAL REPORT ON REMUNERATION

The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2020 Annual General Meeting. The information on p83 to 87 has been audited.

DIRECTORS' REMUNERATION PAYABLE FOR 2019/20 (AUDITED)

	Year	Salaries and fees £000's	Taxable benefits[1] £000's	Bonus (cash and deferred shares) £000's	LTIP £000's	Pension[2] £000's	Total £000's
Executive Directors							
Steve Johnson[3]	2019/20	425	20	0	0	34	479
	2018/19	170	5	96	0	13	284
Craig Lovelace	2019/20	361	17	0	0	36	414
	2018/19	355	17	171	0	35	578
Non-Executive (fees)							
Matt Davies[4]	2019/20	255	0	–	–	–	255
	2018/19	220	0	–	–	–	220
Lord Alliance of Manchester CBE[5]	2019/20	51	0	–	–	–	51
	2018/19	50	0	–	–	–	50
Ron McMillan	2019/20	73	6	–	–	–	79
	2018/19	63	0	–	–	–	63
Lesley Jones	2019/20	67	3	–	–	–	70
	2018/19	71	3	–	–	–	74
Richard Moross	2019/20	58	9	–	–	–	67
	2018/19	50	3	–	–	–	53
Gill Barr	2019/20	64	5	–	–	–	69
	2018/19	58	4	–	–	–	62
Michael Ross	2019/20	60	3	–	–	–	63
	2018/19	55	2	–	–	–	57
Vicky Mitchell	2019/20	5	0	–	–	–	5
	2018/19	–	–	–	–	–	–

1 Taxable benefits comprise private medical cover and car allowance. For Non-Executive Directors taxable benefits comprise travel and accommodation.
2 Pension is paid as a cash supplement.
3 Steve Johnson's remuneration for FY19 is for his role as Executive Director only from 12 September 2018 and not for the period prior to being appointed a Director.
4 Matt Davies' remuneration for FY19 is for his role as Chair Elect to 30 April 2018 and as Chair from 1 May 2018.
5 Lord Alliance has waived his Non-Executive Director's fee.

DETAILS OF VARIABLE PAY EARNED IN THE YEAR

ANNUAL BONUS (AUDITED)

The table below sets out performance against targets for the Executive Directors' annual bonus for FY20. The formulaic calculation of the annual bonus results in a bonus payment for Steve Johnson of £41,438 with 40% of this amount payable in shares subject to a three-year holding period. The Remuneration Committee and the Chief Executive have agreed that taking into account corporate performance, wider employee reward, investor return and the current external economic, societal and business environment, a bonus for FY20 should not be paid. Craig Lovelace's resignation from the business means that he is not eligible to be considered for a bonus.

Measure/ OKR	Weighting (% of max bonus activity)	Threshold (0% payout)	Target (50% of max payout)	Max (100% payout)	Actual performance	Payout % of max overall bonus
EBITDA	50%	£128m	£139.2	£146.4m	£106.7m	0%
Online sales growth	20%	3%	5.6%	15%+	0.2%	0%
Corporate objectives	30%				See below	6.5%
Total*						

	Maximum bonus opportunity % salary	Salary for bonus calculation	Bonus payable (as % max)	Bonus payable before reduction £
Steve Johnson[1]	150%	£425,000	6.5%	£41,438
Craig Lovelace	125%	£363,697	0%	£0

1 The bonus shown as payable for Steve Johnson is before reduction of the formula-driven outcome.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

CORPORATE OBJECTIVES

Corporate objectives which are weighted equally 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
Adjusted net debt The reported level of net debt after adjustment for exceptional items and growth in debtors	£432.5m	£372.5m	£465.0m	0% out of 7.5%
VIBE Survey (employee engagement)	70	75+	71.9	2.9% out of 7.5%
Net Promoter Score	59	68+	62	2.5% out of 7.5%
Financial Services Arrears	<14.6%	10.6%	14.0%	1.1% out of 7.5%
Total				6.5% out of 30%

LTIP AWARDS WITH PERFORMANCE PERIODS ENDING IN FY20 (AUDITED)

The awards granted on 9 August 2017 with EPS, Free Cash Flow and Revenue performance targets measured over the performance period ending 29 February 2020 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 yrs ending FY20	At least RPI +2.5%	At least RPI +9%	-10.4%	0% out of 50%
FCF 30%	3 yrs ending FY20	At least £370m	At lease £450m	£163.0m	0% out of 30%
Revenue 20%	3 yrs ending FY20	At least 5% CAGR	At least 9% CAGR	-1.6%	0% out of 20%
Total					0%

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

Executive	% Salary	Face value at grant	Share price at grant (rounded) pence	Number of shares awarded	Percentage of award vesting	Number of shares vesting	Value of shares vesting
Steve Johnson*	100%	£215,000	326.3	65,645	0%	Nil	£0
Craig Lovelace	125%	£436,965	326.3	133,915	0%	Nil	£0

* Steve Johnson's 2017 LTIP award was granted prior to him being appointed as CEO.

LTIP AWARDS GRANTED FY20 (AUDITED)

The table below provides details of the long-term incentive awards granted to Executive Directors during the year. As set out in our FY19 Remuneration Report, following the scale-back of the 2018 award levels for the CEO at that time and the CFO, the 2019 award levels reverted to our normal policy as set out below. The CEO received a grant at the normal policy level as he was new to the role. Performance measures and weightings were reviewed as part of the wider policy review and consistent with our disclosure last year are as set out below.

Executive	Date of grant	% of condition	Salary	Face value	Number of shares	Share price at grant	Performance period
Steve Johnson	03/09/2019	35% TSR 35% EPS 30% FCF	150%	£637,500	601,983	105.9	Three years to end of financial year FY22
Craig Lovelace	03/09/2019	As above	125%	£454,620	429,292	105.9	As above

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 FY19 EPS to FY22	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 FY20, FY21 and FY22	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

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	2 March 2019	Awarded during the year	Lapsed during the year	Vested and exercised during the year	29 Feb 2020	Date granted[2]	Type of award
Steve Johnson[1]	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
	–	35,410	–	–	35,410	June 2019	DSBP
	–	601,983	–	–	601,983	September 2019	LTIP
Craig Lovelace	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
	238,771	–	–	–	238,771	August 2018	LTIP
	–	48,836	–	–	48,836	June 2019	DSBP
	–	429,292	–	–	429,292	September 2019	LTIP

1 Deferred annual bonus matching share awards ("DABS") were granted to Steve Johnson prior to his appointment 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 an earnings per share performance target. Awards are no longer being made under the matching share award plan to any N Brown employee. The earnings per share performance targets for the DABS award granted to Steve Johnson in August 2018 prior to his appointment as CEO have not been met and this award has now lapsed.

2 The performance targets for the LTIP awards granted in August 2016 have not been met and these awards have now lapsed.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

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% of their base salary and must retain at least 75% of the net of tax value of vested LTIP and deferred bonus awards until this threshold is achieved. 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				Other interests in shares			
	2 March 2019[1]	29 February 2020[1]	Value of shares[2] (as a % of salary)	Guideline met?	Outstanding awards subject to performance conditions	Unvested awards not subject to performance conditions	Vested unexercised awards	Total as at 29 February 2020
Steve Johnson	32,369	60,240	8.2%	No	846,579	–	–	906,819
Craig Lovelace	46,672	46,672	7.4%	No	850,814	–	–	897,486
Matt Davies	31,130	31,130	N/A	N/A	–	–	–	31,130
Lord Alliance of Manchester CBE[3]	95,047,966	96,643,694	N/A	N/A	–	–	–	
Ron McMillan	50,000	50,000	N/A	N/A	–	–	–	50,000
Lesley Jones	–	–	N/A	N/A	–	–	–	0
Richard Moross	–	–	N/A	N/A	–	–	–	0
Gill Barr	8,506	8,506	N/A	N/A	–	–	–	8,506
Michael Ross	–	–	N/A	N/A	–	–	–	0
Vicky Mitchell	–	–	N/A	N/A	–	–	–	0

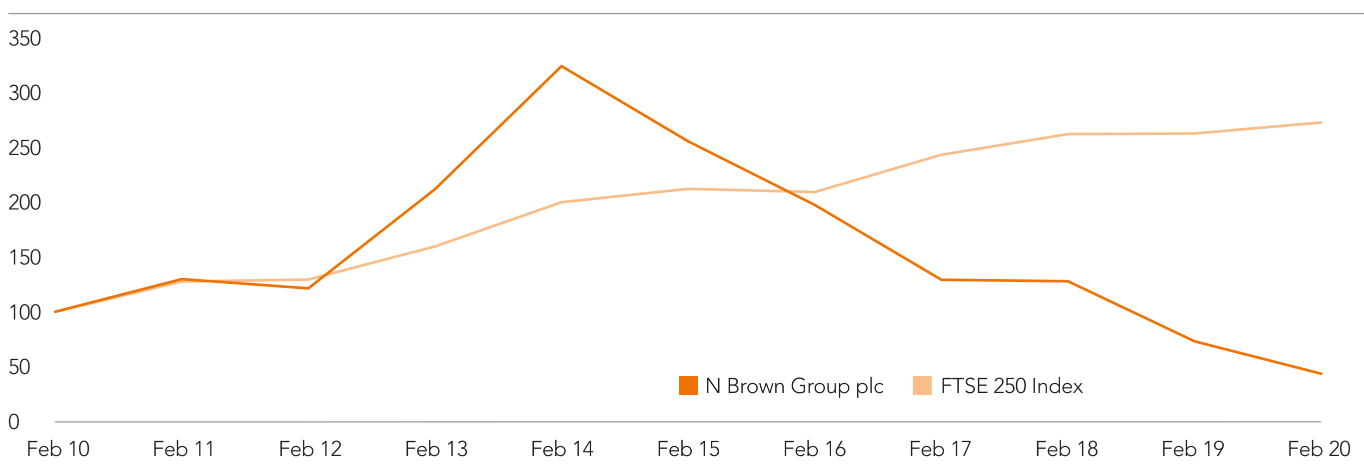
1 The figures for the Executive Directors include the number of beneficially owned shares obtained via direct purchase and deferred bonus shares.
2 The value of shareholding as a % of salary is calculated using the market closing price of 57.5p on 28 February 2020.
3 The Directors have become aware that previous Annual Reports of the Company incorrectly stated Lord Alliance's interest in shares as 95,047,966. This was due to shares being registered in the name of nominee companies and not being included in Lord Alliance's holding, an error which has recently been corrected. These shares represent a difference of 0.56% of the total issued share capital of the Company as at 29 February 2020.

The Directors' share interests shown above include shares held by members of the Directors' families, as required by the Companies Act 2006. There are no changes to the Directors' interests in shares between 29 February 2020 and 24 June 2020.

PERFORMANCE GRAPH

The graph shows the Company's ten-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 ten-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 TEN YEARS

	Alan White				Angela Spindler[1]						Steve Johnson	
	FY11	FY12	FY13	FY14	FY14	FY15	FY16	FY17	FY18	FY19	FY19	FY20[2]
Total remuneration (£'000)	3,738	2,734	1,780	2,734	1,364	728	783	1,373	1,208	555	266	474
Annual bonus (% of max)	90.6%	38.7%	71.4%	15.8%	83.2%	0.0%	27.9%	42.1%	66.7%	34.4%	38.5%	0%
Long-term share vesting (% of max)	100%	100%	100%	85%	N/A	N/A	0%	0%	0%	0%	0%	0%

1 The one-off recruitment award granted to Angela Spindler in 2013 and which vested in FY16 and FY17 has been included in the figures for total remuneration, but not counted as long-term share vesting.
2 The annual bonus formulaic outcome for FY20 is 6.5% of maximum although no annual bonus was actually paid.

CEO PAY RATIO

The employee data for the CEO pay ratio in FY20 has been compiled using Option A. The Company provided a CEO pay ratio in last year's Remuneration Report using Option B and gender pay gap data for FY19 to identify the individuals at each pay quartile. Option A is the chosen methodology from FY20 onwards as it represents the most statistically accurate method for identifying UK employee remuneration. The FY20 pay data has been taken for all individuals on a full-time equivalent basis using fixed pay data as at 29 February 2020. A review has been carried out to ensure that the individuals at the quartiles are representative by checking individuals both above and below the quartile points.

The reward policies and practices for our employees are aligned to those set for the Executive Directors, including the CEO, and on this basis the Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies across all of the N Brown employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ration
2020	A	32:1	25:1	16:1

	CEO		25th Percentile		50th Percentile		75th Percentile	
	Salary	Total Remuneration	Salary	Total Remuneration	Salary	Total Remuneration	Salary	Total Remuneration
2020	£424,934.04	£572,547.94	£17,418.27	£17,943.69	£20,882.97	£22,536.65	£30,738.87	£35,417.40

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 over 12 months between FY19 and FY20, compared to that of the average for all employees of the Group.

	% Change from FY19 to FY20		
	Salary	Benefits	Annual bonus
Chief Executive	2%	0%	-100%
Average of other employees	4.7%	0%	-100%

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table shows the Company's actual spend on pay (for all employees) relative to dividends. These figures relate to amounts payable in respect of the relevant financial year.

	2020	2019	% Change
Staff costs (£m)	£67.3m	£68.6m	-1.9%
Dividends (£m)	£20.1m	£32.2m	-37.6%

OTHER DIRECTORSHIPS

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

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE (AUDITED)

There are no payments except as disclosed below.

As announced on 29 January 2020, Craig Lovelace has resigned as CFO and is subject to a 12-month notice period. A departure date has not yet been agreed as Craig will work with Steve Johnson, Group Chief Executive Officer, and the Board to ensure an orderly handover to Rachel Izzard the CFO Designate. Craig's remuneration for FY20 is disclosed in this Remuneration Report. Craig's remuneration on leaving the N Brown business will be provided on the Company's website in accordance with section 430 (2B) of the Companies Act 2006 immediately following his departure.

ANNUAL REPORT ON REMUNERATION CONTINUED

SHAREHOLDER VOTING ON THE DIRECTORS' REMUNERATION REPORT AND POLICY AT THE 2019 ANNUAL GENERAL MEETING

Voting outcome for the 2019 Remuneration Policy vote:

	For	Against
% of votes cast	99.60	0.40
Number of votes cast	177,995,722	706,951

Notes: 26,023,384 votes were withheld in 2019. 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.

Voting outcome for the 2019 Remuneration Report vote:

	For	Against
% of votes cast	99.66	0.34
Number of votes cast	204,028,327	687,498

Notes: 10,233 votes were withheld in 2019. 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

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 Officer, Chief Financial Officer and Chief People Officer may also attend meetings by invitation. However, no Director take any part in discussion about their own remuneration.

The Committee has formal written terms of reference which are available on the Company's corporate website. The Committee met three times during the year, see p73 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 is a signatory to the Remuneration Consultants' Group Code of Conduct. Fees amounting to £62,351 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.

THE WORK OF THE REMUNERATION COMMITTEE

ENGAGEMENT WITH STAKEHOLDERS

The Committee reviews workforce policies and practices and invites members of the management team to attend Committee meetings to provide input into the Committee's considerations. A key part of the Group People Officer's role, supported by the Designated Non-Executive Director for Colleague Engagement, Richard Moross, and the CEO, is to engage with the wider workforce and feedback on remuneration is provided to the Committee and Board.

The Company engages with its workforce throughout the year via the colleague forum, The Culture Club, (as set out in more detail on p56). The forum acts as a platform through which Directors can liaise with colleagues about broader pay policies and practices and the alignment to the Executive Directors' Remuneration Policy, as measured against the Group's annual performance, strategy and reward agenda.

Following last year's investor consultation regarding the Directors' Remuneration Policy, the Committee has not carried out any specific engagement with shareholders in relation to remuneration during the year. The Committee has, however, considered investor and proxy agency voting policy guidelines and market practice developments to ensure the Company's operation of policy reflects current investor thinking. Support for the remuneration policy and the Remuneration Report at the 2019 AGM was above 99% and there were no material concerns for the Committee to consider from the AGM voting outcomes.

DETERMINING EXECUTIVE DIRECTOR REMUNERATION

The Committee considers the appropriateness of the Executive Directors' remuneration not only in the context of overall business performance and Environmental, Social and Governance matters but also in the context of wider workforce pay conditions. It does this by reviewing workforce pay policies and practices as well as the ratio of CEO pay to all-employee pay.

The Committee is comfortable, in reviewing the remuneration for FY20 against corporate performance, employee reward, investor return and the external economic, societal and business environment that there has been an appropriate link between reward and performance. In particular, the Committee is comfortable that the decision taken in consultation and agreement with the Chief Executive Officer to not pay an annual bonus for FY20 was appropriate.

The annual bonus targets and performance against them will be disclosed retrospectively in the FY21 Remuneration Report.

APPLICATION OF THE REMUNERATION POLICY FOR 2020/21

The application of the remuneration policy for FY21 is set out below.

BASE SALARY

There will be no increase in salary for the CEO. The CFO's salary was set on her joining N Brown and will be reviewed for the first time in 2021.

Name	Salary as at 1 June 2020	Salary as at 1 June 2019
Steve Johnson	£425,000	£425,000
Rachel Izzard	£350,000	–

PENSION

Our CEO and new CFO both receive cash supplements of 8% of salary, in lieu of pension contributions and aligned to the majority of the workforce.

ANNUAL BONUS PLAN

It is the Committee's current thinking that the bonus will be based 75% on Cash/net drawn unsecured debt reduction and 25% on Customer NPS. The metrics, as well as the bonus opportunity, will be finalised by the Committee when the targets are set.

The Committee acknowledges that in the current environment, circumstances may arise where management will need to change their focus during the year in order to make the right decisions for the business and shareholders. In these circumstances the Committee will consider whether the measures and targets for the annual bonus should be adjusted or discretion applied in determining the annual bonus outcome. In all cases the determination of bonus outcomes will be made with great care.

LONG-TERM INCENTIVE AWARDS

The Committee has considered carefully the performance measures and weightings for the 2020 LTIP awards. Given current business and economic volatility and the difficulty in forecasting and setting long-term earnings per share performance targets, the Committee has agreed exceptionally that the 2020 LTIP award should not include an earnings per share performance measure. The Committee's current thinking is that the 2020 LTIP awards should be determined 50% by Free Cash Flow targets and 50% by relative TSR, but will review and confirm this at the time the awards are made.

For the relative TSR element threshold vesting will occur for median ranking and maximum vesting for upper quartile ranking or above and straight-line vesting in between the two target points.

The targets for the Free Cash Flow element and award levels have not been finalised by the Committee and will be disclosed by RNS at the time the awards are made. The Committee, in determining award levels, will consider the fall in share price since awards were made in 2019 as it relates to Covid-19 and other business factors as well as the targets being set and we anticipate that there will be a reduction from the normal policy level.

REMUNERATION FOR CRAIG LOVELACE, OUTGOING CFO FOR 2020/21

As set out earlier in this report, the outgoing CFO will remain with the business for a period of time to ensure a smooth handover to the incoming CFO. His departure date is therefore not yet confirmed. While working for N Brown during FY21, he will continue to receive his salary, benefits and pension in line with those paid during FY20 but will not be eligible for an annual bonus or LTIP award.

APPLICATION OF THE REMUNERATION POLICY FOR 2020/21 CONTINUED

BUYOUT AWARDS TO COMPENSATE THE CFO DESIGNATE FOR REMUNERATION FORFEITED ON LEAVING HER FORMER EMPLOYER

The following LTIP awards will be made to Rachel Izzard to compensate for awards forfeited upon leaving her former employer, Aer Lingus.

The LTIP awards will have the same vesting dates and the same performance conditions as the awards forfeited. The number of N Brown shares subject to the awards has been determined by taking the value of the IAG shares forfeited on the date of joining N Brown and the value of an N Brown share on the same date. The vested awards will be subject to a two-year post vesting holding period. Awards will be forfeited on a cessation of employment before vesting other than as a good leaver.

To avoid any windfall gains arising as a result of the current N Brown share price, the formulaic vesting outcome is capped at a maximum of twice the value of the N Brown shares subject to the buy-out awards on 6 April 2020 being the date of conversion of the IAG shares forfeited to N Brown shares, with the Committee retaining the discretion to adjust the cap if it considers it appropriate.

	Vesting date	IAG shares forfeited	N Brown shares (based on the share price of 14.74p on 6 April 2020)	Performance conditions to determine vesting
2018 Aer Lingus PSP award	08/03/2021	11,133	170,998	The same performance conditions that determine the vesting of the 2018 Aer Lingus PSP award
2019 Aer Lingus PSP award	04/03/2022	31,425	482,674	The same performance conditions that determine the vesting of the 2019 Aer Lingus PSP award

FEES FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

Details of the Non-Executive Directors' fees are set out below. Other than the temporary 20% reduction, there has been no change in fees between 2019 and 2020.

	Fees at 1 June 2019	Fees at 1 June 2020
Chair of the Board fee	255,000	255,000
Other Non-Executive Directors' base Board fee	51,000	51,000
Additional Non-Executive Director fees:		
Senior Independent Non-Executive Director	10,000	10,000
Chair of Audit and Risk Committee	15,000	15,000
Chair of Remuneration Committee	15,000	15,000
Chair of ESG Committee	10,000	10,000
Chair of Financial Services Board Committee	20,000	20,000
Designated Director for Colleague Engagement	10,000	10,000

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration report was approved by the Board on 24 June 2020

Signed on behalf of the Board on 24 June 2020

Gill Barr
Chair of the Remuneration Committee

OTHER DISCLOSURES

The Directors have pleasure in presenting their Annual Report and audited financial statements for the year ended 29 February 2020. The Directors' Report comprises p48 to 95, together with the sections on the Annual Report incorporated by reference. Some of the matters required to be included in the Directors' Reports have been included in the Strategic Report on p1 to 47, namely:

Disclosure	Page
Financial and Risk Management	40
Future Business Developments	8
Statement of Directors' Responsibilities	95
Disclosure of the Group's greenhouse gas emissions in FY20	38
Viability Statement	94
Going Concern Statement	93

Other information to be disclosed in the Directors' Report is given in this section.

This Directors' Report together with the Strategic Report set out on p1 to 95 form the Management Report for the purposes of DTR 4.1.5R.

Both the Strategic Report and the Directors' Report have been prepared and presented in accordance English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

UK CORPORATE GOVERNANCE CODE

As required by the UK Corporate Governance Code 2018 (the "Code"), p20 to 21 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 p48 to 95 forms part of the Directors' Report.

DIRECTORS

The biographies of the current Directors who served during the year in review are shown on p50 to 53. With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Code, the Companies Act 2006 and related legislation. At the 2020 Annual General Meeting all of the Directors will retire and will offer themselves for re-election with the exception of Vicky Mitchell and Rachel Izzard who will be seeking ratification of their appointments to the Board. All Non-Executive Directors serve on letters of appointment stipulating three-year terms. All appointments are terminable, without compensation, on between three- and six- months' notice by either party and are subject to other early termination provisions without compensation, for example in the event a Director is not re-elected at the Annual General Meeting.

Details of Directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on p73 to 90. The powers of the Directors are described in the Board terms of reference and the Division of Responsibility section on p58 to 59. 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.

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. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company's Articles of Association provide that, in so far as the law permits, every Director of the Group or associated Company may be indemnified by the Company against liability. In accordance with section 236 of the Companies Act, qualifying third-party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In addition, the Group maintains insurance for Directors and Officers of the Group, indemnifying them against certain liabilities incurred by them whilst acting on behalf of the Group. Both the insurance and indemnities applied throughout the financial year ended 29 February 2020 and through to the date of this report.

SHARE CAPITAL

Details of the Group's issued share capital are shown in note 23 on p143. 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 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.

During the period, 663,083 ordinary shares in the Company were issued under the terms of the Company's 2014 Long-Term Incentive Plan at nominal value. Details of outstanding employee share options and the operation of the relevant schemes are shown in note 28 on p146. The Directors have no current plans to issue shares other than in connection with employee share options.

OTHER DISCLOSURES CONTINUED

At the 2019 Annual General Meeting, the Directors were given the power to issue new shares up to a nominal amount of £10,505,659. This power will expire on the earlier of the conclusion of the 2020 Annual General Meeting or 10 July 2020. Accordingly, a resolution will be proposed by Directors at the 2020 Annual General Meeting to renew the Company's authority to issue new shares up to a further nominal amount of £10,530,106 in connection with an offer by way of a rights issue.

An approval will be sought at the 2020 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.

RESULTS, DIVIDENDS AND RESERVES

The financial statements set out the Group's results for the year ended 29 February 2020 and are contained in p96 to 164. An interim dividend of 2.83p per share (2019: 2.83p) was paid on the ordinary shares of the Group on 5 February 2020. The net cost of this dividend was £8.0m (2019: £8.0m). No final dividend will be paid for the year ended 29 February 2020 (2019: 4.27p). Movements in reserves are shown in the Statement of Changes in Equity on p109.

MAJOR SHAREHOLDERS

In addition to the Directors' shareholdings shown in the Remuneration Report on p86 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 June 2020:

Shareholder	Holding share capital	% of issues
Nigel Alliance OBE	31,489,256	11.02
UBS Global Asset Mgt (London)	25,208,735	8.82
Hargreaves Lansdown Asset Mgt (Bristol)	15,301,028	5.35

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.

EMPLOYEE SHARE SCHEMES – RIGHTS OF CONTROL

The trustees of the N Brown Group plc Employee Benefit 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.

AUTO-ENROLMENT AND STAKEHOLDER PENSION

With effect from 1 November 2015, Zurich was appointed as provider for all qualifying employees. As at 1 March 2020, 86% of all employees were members of a qualifying pension scheme with 2,082 employees being enrolled as at the date of this report. At the date of this report the opt out rate is 4%.

COMPOSITION OF THE GROUP

During the year there were no corporate acquisitions or disposals.

TAX STATUS

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

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable donations of £118,238 (2019: £116,377). No political donations have been made (2019: nil). No contributions have been made to non-EU political parties (2019: nil).

SUSTAINABILITY

The Group remains committed to ensuring the business operates sustainably and remains mindful of the impact of climate change. Further information on our ESG initiatives and full disclosure of the Group's energy consumption and emissions can be found on p38 to p39.

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.

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.

INDEPENDENT AUDITOR

The Group's independent auditor, KPMG LLP, have indicated their willingness to continue in office and the Audit and Risk Committee has recommended that KPMG LLP remain in office. A resolution to reappoint 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 and Risk Committee report on p68.

2020 ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12:30 on 10 September 2020. 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.

GOING CONCERN

The Directors have adopted the going concern basis in the financial statements and their opinion is explained in note 2 on p118.

OTHER DISCLOSURES CONTINUED

VIABILITY STATEMENT

As required by the UK Corporate Governance Code, the Directors have assessed the prospects of the Group. The period used for this assessment is a three-year period (consistent with the prior year) i.e. to 4 March 2023, being the first three years of the five-year strategic planning period.

Over the past year, the Group undertook a detailed strategic review to develop its strategy to drive profitable, digital growth. The key pillars to achieve this have been evolved to reflect the focus of the business and the external environment.

The recent outbreak of Covid-19 has fundamentally altered the broader landscape and this disruption will likely continue for the foreseeable future. The Directors believe that the strategy is the right one to ensure long-term growth but acknowledge the need to retain operational agility to reflect a fast-changing environment. For FY21, cash generation and reducing non-securitised debt will be the primary business objective. Thereafter, the business will begin a turnaround plan which rebases our business and creates a platform for growth. The strategy is set out in more detail on p8 to 17.

Taking into account the current challenges facing the retail market following the Covid-19 outbreak, the Group's current position, its principal risks and uncertainties as described on p40 to 45 and how these are managed, as well as its FY21 base and downside planning scenarios as described in note 2 to the Group accounts on p111, the Directors have assessed the Group's prospects and viability.

Although the base 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.

As announced to the market on 19 May 2020 and explained in detail in note 2, the Group has secured new financing arrangements with its long-standing, supportive lenders.

Under the base and downside scenarios the new financing arrangements provide the Group with a strong basis from which to continue to service its customers and to manage appropriately the challenges faced by the Group. 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. The Directors will maintain oversight of and frequently assess the performance of the Group against the strategy. This will include regular reporting by the Group's Operating Board and the discussion of any pivots to strategies undertaken by the Board in its normal course of business. These reviews will consider both the market opportunity and any associated or emerging risks to managing its working capital performance and the level of financial resources available to the Group.

The 3-year plan to 4 March 2023 assumes that all borrowings that mature in the review period will be renewed or replaced with facilities of similar size on commercially acceptable terms. This is considered to be a reasonable planning assumption given actual and planned business performance, however there is some uncertainty as to whether this can be achieved given the uncertain future impacts resulting from Covid-19 including the risk that debt markets may not continue to operate as currently.

As a result a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern arising from the risk that the Group is unable to refinance its RCF and securitisation borrowing facilities at commercially acceptable terms when they mature in September and December 2021 respectively.

As noted in note 2, the Board emphasises that this uncertainty arises solely due to the Covid-19 pandemic which is entirely outside the Group's influence or control.

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

The Strategic Report on p1 to 47 and the Directors' Report on p48 to 95 are hereby approved by the Board and signed on behalf of the Board.

Theresa Casey LL.B (Hons) (Solicitor)
Company Secretary
24 June 2020

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 includes 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

Steve Johnson
Chief Executive Officer
24 June 2020

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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 29 February 2020 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 notes 2 and 33.

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 29 February 2020 and of the Group's profit 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 (IFRSs as adopted by the EU);

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 and Risk Committee.

We were first appointed as auditor by the Directors on 14 July 2015. The period of total uninterrupted engagement is for the five financial years ended 29 February 2020.

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	£2.80m (2019: £3.24m) 4.4% (2019: 3.7%) of Group profit before tax excluding exceptional items
Coverage	90% (2019: 100%) of Group profit before tax

Key audit matters	vs 2019
Recurring risks:	
Impairment of the carrying value of non-current assets in the core Group cash generating unit ("CGU") and carrying amount of parent Company's investments in subsidiaries	New
Capitalised software and development costs	▲
Impairment losses on trade receivables	▲
Carrying value of inventories	▲
Event-Driven:	
The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶
Allianz legal claim	New

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF N BROWN GROUP PLC
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2 MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

	The risk	Our response
Going concern We draw attention to note 2 in the financial statements which indicates that due to the uncertain economic outlook resulting from Covid-19, the group may not be able to successfully refinance their facilities at the end of their terms and under certain severe and plausible downside scenarios, the Group would need to take appropriate mitigating actions to remain compliant with its banking covenants during the going concern assessment period. These events and conditions, along with other matters as explained in note 2, constitute a material uncertainty that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	Disclosure quality 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. 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, in this case the period is considered to be 31 December 2021. The risk for our audit is whether or not those risks are such that they amount to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.	Our procedures included: • **Funding assessment:** We obtained confirmation letters for loans and cash balances as at 29 February 2020. We obtained and inspected the new facilities agreements signed during the year and post year end and assessed the forecasts in light of new terms to identify any expected future covenant breaches or liquidity shortfalls. • **Historical comparisons:** We compared previous cash flow forecasts against actual cash flows achieved in the year and in previous years to assess historical reliability of the forecasting. • **Sensitivity analysis:** In conjunction with our restructuring specialists, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe but plausible downsides that could arise from these risks individually and collectively. We challenged the directors' stress testing of a range of sensitivities to the Group's revenue and associated costs, cash collections and arrears levels applied in the calculation of forecast covenants tests. • **Benchmarking assumptions:** Using our own restructuring specialists, we assessed the key assumptions underpinning the forecasts by evaluating these against our sector knowledge and external information. • **Evaluating directors' intent**: We evaluated the intent and achievability of the actions the Directors consider they would take to improve the position should the risks materialise against our understanding of the business. • **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure with reference to the outcome of the procedures detailed above. Our results: • We found the going concern disclosures of the material uncertainty to be acceptable.

We are required to report to you if the Directors' going concern statement under the Listing Rules set out on p93 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3 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. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other 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.

We continue to perform procedures over taxation and regulatory provisions on our audit. However, following significant developments of the discussions with HMRC on the related tax treatment disputes and following the passing of the PPI deadline in August 2019, the estimation uncertainty with respect to the taxation and regulatory provisions held has reduced considerably. Therefore, we have not assessed these as the most significant risks in our current year audit and they are not separately identified in our audit report this year.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to p40 (principal risks)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in impairment of the carrying value of non-current assets in the core Group cash generating unit ("CGU") and carrying amount of parent Company's investments in subsidiaries, impairment losses on trade receivables, carrying value of inventories and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risk 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 position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	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: • **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group'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 the impairment of the carrying value of non-current assets in the core Group CGU and carrying amount of parent Company's investments in subsidiaries, impairment losses on trade receivables 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 the above key audit matters, 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. **Our results:** • As reported under the carrying value of non-current assets in the core Group cash generating unit ("CGU") and carrying amount of parent Company's investments in subsidiaries, impairment losses on trade receivables, and carrying value of inventories, we found the resulting estimates and related disclosures of the above key audit matters and disclosures of the material uncertainty 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF N BROWN GROUP PLC
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	The risk	Our response
Impairment of the carrying value of non-current assets in the core Group cash generating unit ("CGU") and the carrying amount of parent company's investments in subsidiaries Refer to p65 (Audit and Risk Committee Report), p113 (accounting policy) and p132 and parent company p163 (financial disclosures).	Forecast-based valuation The carrying value of non-current assets in the core Group CGU and the carrying amount of parent company's investments in subsidiaries, are significant and there are indicators of impairment due to the market capitalisation of the group continuing to be lower than the carrying value of net assets of the Group and of the parent company, continuing pressure on the share price of the Group, under-performance in trading versus market expectation. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows which forms the basis of the Group's value in use calculation and assessment of the carrying amount of the parent Company's investments in subsidiaries. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the core Group cash generating unit ('CGU') and carrying amount of the parent company's investments in subsidiaries have a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 12) disclose the sensitivity estimated by the Group.	Our procedures included: • **Benchmarking assumptions:** We challenged with the support of our own valuation specialists, the key assumptions used in the value in use calculations by comparing them to externally derived data in relation to key inputs such as projected economic growth, discount rates and cost inflation. • **Historical comparisons:** We compared previous financial period's forecasts against actual results to assess the reliability of the current period's forecasts. • **Sensitivity analysis:** We performed breakeven analysis on the key assumptions, including the discount rate, EBITDA growth and long-term growth rates. • **Comparing valuations:** We compared the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows and discount rate. • **Assessing transparency:** We assessed whether the Group and parent company's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions, reflected the risks inherent in the valuation of the group. Our results: • We found the carrying values of the non-current assets in the core Group CGU and the parent company's investments in subsidiaries to be acceptable.
Capitalisation of software and development costs £151.4m; (2019: £143.4m) Refer to p66 (Audit and Risk Committee Report), p113 (accounting policy) and p132 (financial disclosures).	Accounting treatment: The Group has incurred significant software and development project costs in the current year in respect of a significant systems infrastructure programme. The Group capitalises both internal and external eligible costs to the extent that future economic benefits are expected to be generated by the project. This requires judgement as to whether the costs incurred are directly attributable and that the development relates to technically feasible systems and websites. Judgements are thus involved in determining whether the software and development costs can be capitalised. The level of risk has increased in the year given the increased pressure to improve results following the group's profit warning in January 2020 and share price fall around the year end.	Our procedures included: • **Test of detail:** We agreed a statistical sample of costs capitalised to external invoices, internal timesheets or other relevant documentation, 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, we challenged the Group's assessment of technical feasibility of the projects based on our discussions with key project leads and inspection of project plans, Board meeting minutes and performance to date. • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of capitalisation of software and development of intangible assets. Our results: • We found the capitalisation of software and development costs to be acceptable (2019: acceptable).

	The risk	Our response
Impairment losses on trade receivables £71.7m; (2019: £97.1m) Refer to p66 (Audit and Risk Committee Report), p115 (accounting policy) and p134 (financial disclosures).	**Subjective estimate:** The calculation of the impairment provision on trade receivables includes a number of subjective judgements and estimates, such as the determination of significant increases in credit risk ("SICR"), lifetime and 12 month probability of default ("PD"), loss given default ("LGD") and the macro-economic variables ("MEVs"). There is a risk that the impairment allowances for trade receivables is misstated as a result of inappropriate judgements or estimates made by management. This risk is heightened in the current year given the pressure to improve the group's results following the group's profit warning in January 2020 and share price fall around the year end. The effect of these matters is that, as part of our risk assessment, we determined that the impairment allowances on trade receivables 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. The financial statements (note 2) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Our expertise:** Together with our financial risk modelling specialists, we critically assessed the methodology for determining SICR and tested the staging allocation with reference to the SICR thresholds. With the support of economic specialists, we also performed an assessment of the macro-economic variables included within the provision. We performed sensitivity analysis over SICR and MEVs to assess how the model would perform under alternative assumptions and the resulting impact on the provision. • **Test of detail:** We critically assessed the key assumptions in the impairment calculation against historical experience where appropriate, such as PD and LGD. We tested on a sample basis the accuracy and completeness of underlying data used in the key assumptions, inspecting a sample to relevant source data We critically assessed the validity and appropriateness of management manual overlays to the model, based on our understanding of the customers under payment arrangements and wider macro-economic scenarios. • **Analytical procedures:** We analytically assessed IFRS 9 key model outputs against underlying customer behaviour and our understanding of the Groups refinements to assumptions to identify unexpected trends and results. • **Benchmarking assumptions**: We critically assessed key assumptions: SICR, LGD and MEVs in the model against recent performance, industry developments, forecasted economic conditions, comparative firms in the wider market and our understanding of the Group. • **Assessing transparency**: We assessed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the impairment losses on trade receivables. **Our results** • We found the impairment losses on trade receivables to be acceptable (2019: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF N BROWN GROUP PLC
CONTINUED

	The risk	Our response
Carrying value of inventories £94.9m; (2019: restated £112.3m) Refer to p66 (Audit and Risk Committee Report), p114 (accounting policy) and p134 (financial disclosures).	Subjective estimate: 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. 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. The level of risk has increased in the year given the increased pressure to improve results following the group's profit warning in January 2020 and share price fall around the year end. 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.	Our procedures included: • **Test of detail:** We compared aged inventory levels in the current financial year against the prior financial year to identify categories with significant slow moving or obsolete inventories. We 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. We 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 selling prices of inventory around the year end to the cost of inventory for a statistical sample of aged items. We 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, we derived our expectation of the year end provision for the aged inventory based on historical sales data and expected future sales routes and compared this against the corresponding year end provision held. • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of the inventory provisioning. Our results: • We found the carrying amount of inventories to be acceptable (2019: acceptable).
Allianz legal claim Refer to p66 (Audit and Risk Committee Report), p118 (accounting policy) and p145 (financial disclosures).	Dispute outcome: In the normal course of business for the Group, potential exposures may arise from disputes relating to regulatory matters. Whether there is a liability is inherently uncertain. A legal claim from Allianz has been received during the year and this has been disclosed as a contingent liability. The amounts involved are potentially significant, and the application of accounting standards to determine whether a liability should be recognised requires the exercise of significant judgement.	Our procedures included: • **Enquiry of lawyers:** On the Allianz legal claim received during the year, together with the help of our own compliance specialists, we inspected correspondence with Group's external counsel and held discussions with in-house legal counsel. • **Our compliance expertise:** With the assistance of our own compliance specialists, we assessed the facts, complexities and uncertainties of the claim received to evaluate whether a reliable estimate of the amount of any potential settlement could be determined. • **Assessing transparency:** We assessed whether the Group's related disclosures adequately disclose the potential liability of the Group. Our results • We found the judgement made and the contingent liability disclosures to be acceptable.

4 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 £2.80m (2019: £3.24m), determined with reference to a benchmark of Group profit before tax, normalised to exclude exceptional items, as disclosed in note 6 (of which it represents 4.4% (2019: 3.7%).

Materiality for the parent Company financial statements as a whole was set at £2.10m (2019: £2.71m), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2019: 0.6%).

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £140,000 (2019: £160,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 33 reporting components, we subjected four to full scope audits for Group purposes, and one to specified risk-focused audit procedures over cash. The latter was not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

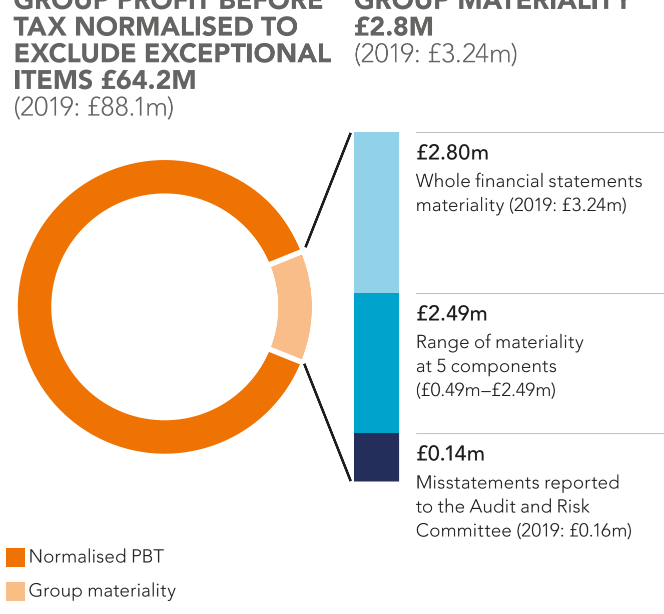
For the residual components, we performed analysis at an aggregated group level and at a disaggregated entity level, to re-examine our assessment that there were no significant risks of material misstatement within these.

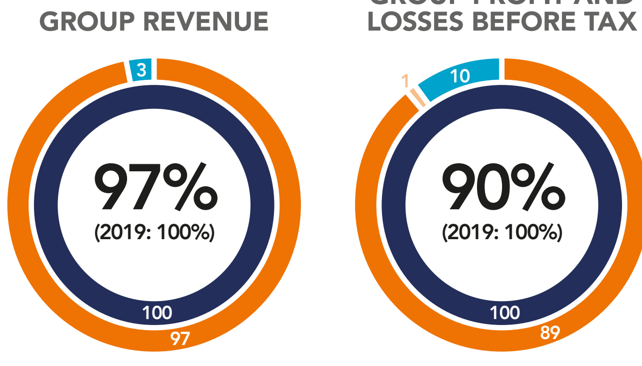
In prior year, the Group team performed the audit of the Group as if it was a single aggregated set of financial information including procedures on the exceptional items excluded from group profit before tax excluding exceptional items. The audit was performed using the Group materiality level set out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

The work on the 5 components, including the audit of the parent company was performed by the group team.

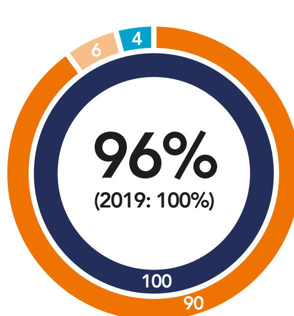
The component materialities ranged from £0.49m to £2.49m having regard to the mix of size and risk profile of the Group across the components.

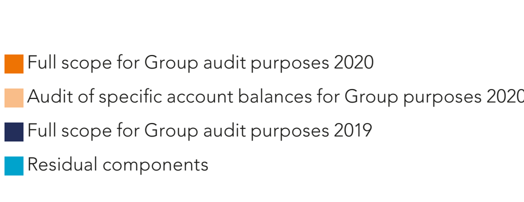
The Group team performed procedures on the items excluded from normalised Group profit before tax.





GROUP TOTAL ASSETS





Strategic report
Governance report
Financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF N BROWN GROUP PLC
CONTINUED

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 EMERGING AND 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 p94 that they have carried out a robust assessment of the emerging and 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 judgments 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 and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 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:

Aadequate 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 p95, 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, 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, taxation legislation and FCA legislation 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. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

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

24 June 2020

GROUP ACCOUNTS

CONSOLIDATED INCOME STATEMENT

		52 weeks ended 29 February 2020			52 weeks ended 2 March 2019		
	Note	Before exceptional items £m	Exceptional items (note 6) £m	Total £m	Before exceptional items £m	Exceptional items (note 6) £m	Total £m
Revenue		**594.9**	**–**	**594.9**	647.2	–	647.2
Credit account interest	4	**263.3**	**–**	**263.3**	267.2	–	267.2
Total revenue (including credit interest)	3,4	**858.2**	**–**	**858.2**	914.4	–	914.4
Cost of sales		**(290.7)**	**(0.3)**	**(291.0)**	(308.4)	–	(308.4)
Impairment losses on customer receivables	4	**(133.9)**	**–**	**(133.9)**	(119.0)	–	(119.0)
Profit on sale of customer receivables	4	**6.3**	**–**	**6.3**	10.7	–	10.7
Net impairment charge	4	**(127.6)**	**–**	**(127.6)**	(108.3)	–	(108.3)
Gross profit		**439.9**	**(0.3)**	**439.6**	497.7	–	497.7
Operating profit/(loss)	4,5	**76.6**	**(28.5)**	**48.1**	97.9	(145.6)	(47.7)
Finance costs	8	**(17.1)**	**–**	**(17.1)**	(14.3)	–	(14.3)
Profit/(Loss) before taxation and fair value adjustments to financial instruments		**59.5**	**(28.5)**	**31.0**	83.6	(145.6)	(62.0)
Fair value adjustments to financial instruments	18	**4.7**	**–**	**4.7**	4.5	–	4.5
Profit/(Loss) before taxation		**64.2**	**(28.5)**	**35.7**	88.1	(145.6)	(57.5)
Taxation	9	**(13.8)**	**5.5**	**(8.3)**	(23.7)	22.9	(0.8)
Profit/(Loss) for the period		**50.4**	**(23.0)**	**27.4**	64.4	(122.7)	(58.3)
Profit/(Loss) attributable to equity holders of the parent		**50.4**	**(23.0)**	**27.4**	64.4	(122.7)	(58.3)
Earnings/(Loss) per share from continuing operations							
Basic	11			**9.63**			(20.50)
Diluted	11			**9.62**			(20.50)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks ended 29 February 2020 £m	52 weeks ended 2 March 2019 £m
Profit/(Loss) for the period		**27.4**	(58.3)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit pension schemes	29	**0.8**	3.9
Tax relating to items not reclassified	9	**(0.3)**	(4.9)
		0.5	(1.0)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**0.2**	0.7
Total comprehensive income/(expense) for the period attributable to equity holders of the parent		**28.1**	(58.6)

CONSOLIDATED BALANCE SHEET

	Note	As at 29 February 2020 £m	As at 2 March 2019 (restated*) £m	As at 4 March 2018 (restated*) £m
Non-current assets				
Intangible assets	12	**151.4**	145.2	156.0
Property, plant and equipment	13	**62.6**	59.4	67.4
Right-of-use assets	27	**5.6**	–	–
Retirement benefit surplus	29	**26.3**	23.9	19.3
Derivative financial instruments	18	**1.3**	–	–
Deferred tax assets	20	**13.2**	18.8	2.8
		260.4	247.3	245.5
Current assets				
Inventories	15	**94.9**	112.3	126.8
Trade and other receivables	16	**614.4**	619.8	652.7
Derivative financial instruments	18	**4.0**	–	–
Cash and cash equivalents	25	**47.5**	43.7	58.2
		760.8	775.8	837.7
Total assets		**1,021.2**	1,023.1	1,083.2
Current liabilities				
Bank overdraft	17	**–**	(11.4)	–
Provisions	22	**(11.1)**	(24.8)	(43.8)
Trade and other payables	21	**(110.5)**	(152.2)	(147.9)
Lease liability	27	**(2.2)**	–	–
Derivative financial instruments	18	**(1.3)**	(1.5)	(6.0)
Current tax liability		**(13.8)**	(7.1)	(3.3)
		(138.9)	(197.0)	(201.0)
Net current assets		**621.9**	578.8	636.7
Non-current liabilities				
Bank loans	17	**(544.6)**	(500.2)	(405.0)
Lease liability	27	**(4.7)**	–	–
Provisions		**–**	–	(5.4)
Derivative financial instruments	18	**(0.9)**	–	–
Deferred tax liabilities	20	**(14.6)**	(14.5)	(12.2)
		(564.8)	(514.7)	(422.6)
Total liabilities		**(703.7)**	(711.7)	(623.6)
Net assets		**317.5**	311.4	459.6
Equity attributable to equity holders of the parent				
Share capital	23	**31.4**	31.4	31.4
Share premium account		**11.0**	11.0	11.0
Own shares	24	**(0.3)**	(0.3)	(0.2)
Foreign currency translation reserve		**3.0**	2.8	2.1
Retained earnings		**272.4**	266.5	415.3
Total equity		**317.5**	311.4	459.6

* *Refer to prior year adjustment note 32.*

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 24 June 2020.

They were signed on its behalf by:

Craig Lovelace
CFO and Executive Director

GROUP ACCOUNTS CONTINUED

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the 52 weeks ended 29 February 2020 £m	For the 52 weeks ended 2 March 2019 £m
Net cash inflow/(outflow) from operating activities		51.4	(37.1)
Investing activities			
Purchases of property, plant and equipment		(6.5)	(3.4)
Purchases of intangible assets		(33.2)	(32.9)
Net cash used in investing activities		(39.7)	(36.3)
Financing activities			
Interest paid		(17.8)	(15.4)
Dividends paid		(20.1)	(32.2)
Increase in bank loans		44.4	95.2
Principal elements of lease payments		(3.5)	–
Purchase of shares by ESOT		(0.1)	(0.1)
Proceeds on issue of shares held by ESOT		–	–
Net cash inflow from financing activities		2.9	47.5
Net foreign exchange difference		0.6	–
Net increase/(decrease) in cash and cash equivalents and bank overdraft		15.2	(25.9)
Cash and cash equivalents and bank overdraft at beginning of period		32.3	58.2
Cash and cash equivalents and bank overdraft at end of period	25	47.5	32.3

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	For the 52 weeks ended 29 February 2020 £m	For the 52 weeks ended 2 March 2019 (Restated*) £m
Profit/(Loss) for the period	27.4	(58.3)
Adjustments for:		
Taxation charge	8.3	0.8
Fair value adjustments to financial instruments	(4.7)	(4.5)
Net foreign exchange difference	(0.6)	–
Finance costs	17.1	14.3
Depreciation of right-of-use assets	1.3	–
Depreciation of property, plant and equipment	4.2	4.9
Loss on disposal of property, plant and equipment	–	5.0
Loss on disposal of intangible assets	–	0.7
Impairment of intangible assets	1.8	17.8
Impairment of property, plant and equipment	–	1.5
Amortisation of intangible assets	24.7	25.2
Share option (credit)/charge	(1.3)	0.1
Operating cash flows before movements in working capital	78.2	7.5
Decrease in inventories	16.6	14.5
Decrease/(increase) in trade and other receivables	5.5	(32.8)
(Decrease)/increase in trade and other payables	(41.1)	0.7
Decrease in provisions	(10.9)	(24.4)
Pension obligation adjustment	(0.7)	(0.5)
Cash generated/(utilised) by operations	47.6	(35.0)
Taxation received/(paid)	3.8	(2.1)
Net cash inflow/(outflow) from operating activities	51.4	(37.1)

* *Refer to prior year adjustment note 32.*

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	52 weeks to 29 February 2020 £m	52 weeks to 2 March 2019 £m
Loans and borrowings		
Balance brought forward	500.2	405.0
Changes from financing cash flows		
Net proceeds from loans and borrowings	43.2	94.1
Leases recognised at transition of IFRS 16	9.5	–
New leases entered into in the period	0.9	–
Lease payments in the period	(3.6)	–
Increase in loans and borrowings due to interest	1.3	1.1
Increase in bank loans	51.3	95.2
Balance at 29 February 2020	551.5	500.2

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
Balance at 4 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 loss for the period	–	–	–	0.7	(1.0)	(0.3)
Total comprehensive gain/(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
Changes in equity for the 52 weeks ended 29 February 2020						
Balance at 2 March 2019	31.4	11.0	(0.3)	2.8	266.5	311.4
Adjustment on initial application of IFRS 16 (net of tax)	–	–	–	–	(0.5)	(0.5)
Balance at 3 March 2019	31.4	11.0	(0.3)	2.8	266.0	310.9
Comprehensive income for the period						
Profit for the period	–	–	–	–	27.4	27.4
Other items of comprehensive income for the period	–	–	–	0.2	0.5	0.7
Total comprehensive income for the period	–	–	–	0.2	27.9	28.1
Transactions with owners recorded directly in equity						
Equity dividends	–	–	–	–	(20.1)	(20.1)
Issue of own shares by ESOT	–	–	–	–	–	–
Share option credit	–	–	–	–	(1.3)	(1.3)
Adjustment to equity for share payments	–	–	–	–	(0.1)	(0.1)
Tax on items recognised directly in equity	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	(21.5)	(21.5)
Balance at 29 February 2020	31.4	11.0	(0.3)	3.0	272.4	317.5

NOTES TO THE GROUP ACCOUNTS

1 GENERAL INFORMATION

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is listed in the Shareholder Information section on p165 at the end of the report. The nature of the Group's operations and its principal activities are set out on p120.

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 29 February 2020 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 and these are presented on p154 to 164.

The Directors have concluded that due to the uncertain economic outlook resulting from Covid-19 there is a material uncertainty as to the ability of the Group to successfully refinance its borrowing facilities at commercially acceptable terms. This is explained further in note 2 (Going Concern section).

The accounting policies have been applied consistently in the current and prior period except where noted otherwise.

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 mandatory:

IFRS 17 "Insurance Contracts"
"Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)"
"Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)"
"Definition of Material (Amendments to IAS 1 and IAS 8)"
"Definition of a Business (Amendments to IFRS 3)"
Revised "Conceptual Framework" and "Amendments to References to the Conceptual Framework in IFRS Standards"
"Covid-19-Related Rent Concessions amendment to IFRS 16"

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.

The following accounting standards and interpretations became effective this financial year and have been applied for the first time in these financial statements:

IFRS 16 "Leases"
"Annual Improvements to IFRS Standards 2015-2017 Cycle"
"Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)"
"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"
"Prepayment Features with Negative Compensation (Amendments to IFRS 9)"
IFRIC 23 "Uncertainty over Income Tax Treatments"

None of these new standards and interpretations have had any material impact on the financial statements, other than IFRS 16 as explained below.

IFRS 16 LEASES

The Group has adopted IFRS 16 on 3 March 2019 using the modified retrospective approach. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and for lease contracts for which the underlying asset is of low value. The Group have also applied the practical expedients to apply a single discount rate over all leases with similar characteristics. Included in the contracts being transitioned to IFRS 16 are the store portfolio which is in the process of being exited. All right-of-use assets have been measured at an amount equal to the lease liability adjusted for prepaid or accrued lease payments. The Group has elected to offset the onerous lease provision held in respect of the store portfolio and other vacant properties against the right-of-use asset.

IFRS 16 impacts 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 a corresponding lease liability representing its obligation to make lease payments. Lease liabilities are measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate of 2.8% approximated at the transition date to the Group's weighted cost of borrowing reflecting the rate the Group would have to pay to borrow the funds necessary to obtain assets of similar value to the right-of-use assets, in a similar economic environment with similar terms, security and conditions. Right-of-use assets are depreciated on a straight-line basis over the shorter of estimated useful life and the lease term.

The effect of IFRS 16 at adoption is as follows:

Impact on the Consolidated balance sheet as at 3 March 2019:
Right-of-use assets of £6.2m were recognised and presented separately in the balance sheet.
Additional lease liabilities of £9.5m were recognised and presented separately in the balance sheet.

MEASUREMENT OF LEASE LIABILITIES

The table below reconciles the operating lease commitments disclosed in the prior year financial statements in accordance with IAS 17 to the lease liability recognised in the opening balance sheet for the current financial year.

	£m
Operating lease commitments disclosed as at 2 March 2019	8.1
Discounted using the incremental borrowing rate at the date of initial application	7.3
(Less): low value leases not recognised as a liability	(2.0)
Add: Other amounts recognised at transition	4.2
Lease liability recognised as at 3 March 2019	9.5

The impact on retained earnings at 3 March 2019 was a decrease of £0.5m, due to the recognition of the net investment on subleases where the Group holds property sublet at a lower rental than the head lease cost incurred by the Group. £4.2m other amounts recognised at transition consisted of other contracts identified as leases on transition to IFRS 16.

Further information relating to the closing balance sheet position and profit and loss impact on the current financial year are included in note 27.

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 2020 means at 29 February 2020 or the 52 weeks then ended; reference to 2019 means at 2 March 2019 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.

SECURITISATION

Where the Group securitises its own financial assets, this is achieved through the sale of these assets to a securitisation trust (the "Trust"), which is financed through the issuance of loan notes to a number of funders. The Trust used to hold the securitised receivables and funds raised by the issued loan notes is controlled by N Brown Group plc due to the Group retaining the risks and rewards over the financial assets and issued loan notes; as such it is consolidated under IFRS 10 Consolidated Financial Statements. The Group therefore continues to recognise the receivables in full and the amounts repayable under the securitised borrowing is presented as a bank loan.

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. Product revenue is recognised in accordance with IFRS 15, with the sale of a product.

In the case of goods sold through our trading websites and other routes, including goods delivered to the customers directly from suppliers, revenue is recognised when goods are delivered to the customer and therefore control is transferred to the customer. In regards to goods directly despatched to the customer from suppliers, the Group has the ability to direct the use of, and obtain substantially all of the benefits from the specified goods. More specifically, the Group is responsible for providing the specified goods to the customer, has inventory risk prior to these being transferred to the customer and has significant influence over the pricing of the goods, therefore it is acting as the principal in these arrangements. Revenue from direct despatch sales is therefore recognised gross.

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 against trade receivables. 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

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. Effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's gross carrying amount, being its amortised cost excluding expected credit losses. Interest income from stage 1 and 2 trade receivables is recognised by applying the effective interest rate to the gross carrying amount of the asset; for stage 3 trade receivables, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses.

Revenue from non-interest related financial services income primarily comprises administration fees arising from missed payments by customers and is recognised when the associated arrears management activity has been performed.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment in value.

Depreciation is charged so as to write off the cost of assets to their estimated residual values, based on current prices at the balance sheet date, over their remaining useful lives, using the straight-line method. No depreciation is charged on freehold land. In this respect the following annual depreciation rates apply:

Land and Buildings	
Freehold buildings	2%
Leasehold property and improvements	over the period of the lease
Fixtures and Equipment	
Computer equipment	between 10% and 20%
Plant and machinery	between 5% and 20%
Fixtures and fittings	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

Any borrowing costs directly attributable to the acquisition, development or production of qualifying assets 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.

RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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 development 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.

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 (including right-of-use 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in the income statement immediately.

INVENTORIES

Inventories have been valued at the lower of cost and net realisable value. Provision is made based on management's estimates of future disposal strategies. Cost comprises of direct materials calculated on a first-in-first-out basis and those overheads that have been incurred in bringing inventories to their present location and condition based on the standard costing method. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

Stock in transit is recognised where control of the goods has transferred to the Group, following acceptance of the asset and the transfer of the risks and rewards associated with it.

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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS – CLASSIFICATION – FINANCIAL ASSETS

IFRS 9 contains a 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 Group has determined that all of the trade and other receivables are classified as amortised cost, as a financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

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

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.

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; and
- terms that may adjust the contractual coupon rate.

IFRS 9 contains two classification categories for financial liabilities: measured at amortised cost or fair value through profit and loss ("FVTPL"). All of the Group's financial liabilities other than derivative liabilities are measured at amortised cost.

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

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.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition.

Financial assets classified as amortised cost are subsequently measured using the effective interest method, less any impairment. Financial liabilities classified as amortised cost are subsequently measured using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating amortised cost and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition;

Financial instruments held at fair value through profit or loss relate entirely to derivative contracts. As noted below, these instruments are carried in the balance sheet at their fair value with changes in the fair value recognised in the income statement as they arise.

IMPAIRMENT – FINANCIAL SERVICES AND CONTRACT ASSETS

The Group recognises an allowance for expected credit losses (ECLs) for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL. Customer receivables relate to trade receivables included in the Group balance sheet.

Additional ECL provisions that are recognised in the income statement are presented as "Impairment losses on customer receivables". Any change to ECL provisions required where there is a difference between sale price and carrying value at the point of derecognition due to a spot debt sale is presented in the income statement as "Profit on sale of customer receivables".

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 (i.e. defaulted)

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.

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the current effective interest rate (EIR). In accordance with IFRS 9, the current EIR is used as the discount rate because all trade receivables have a variable interest rate.

The probability of default is an estimate of the likelihood of default over 12 months (stage 1) or the expected lifetime of the debt (stage 2). It is 100% for balances within stage 3 as these have already defaulted. The calculation of PDs is based on statistical models that utilise internal data, adjusted to take into account estimates of future conditions.

The exposure at default is an estimate of the exposure at the date of default and is capped so as not to exceed the balance outstanding at the reporting date because receivables arising from future sales are not incorporated into the ECL calculation as explained below.

The loss given default is an estimate of the loss arising on default, including an estimation of recoveries based on the Group's history of recovery rates from debt sales and expectations of how these are expected to change in the future. Recoveries exclude estimated future proceeds from VAT Bad Debt Relief. Instead VAT Bad Debt relief is recognised within the net VAT creditor in Other creditors at the point at which the receivable balance meets the agreed criteria with HMRC for VAT Bad Debt Relief to apply.

IFRS 9 ordinarily requires an entity to not only consider a loan, but also the undrawn commitment when calculating the ECL, where the exposure to credit risk cannot be limited by the ability to cancel or demand repayment. However, the guidance in IFRS 9 excludes from its scope a sales commitment, being the rights and obligations from the delivery of goods as a result of a contract with a customer within the scope of IFRS 15. Thus, a sales commitment is not considered to be a financial instrument, and therefore the impairment requirements are not applied by the Group until delivery has occurred and a receivable has been recognised, at which point the 12-month ECL will be recognised in line with the above.

SIGNIFICANT INCREASE IN CREDIT RISK

A financial asset will be considered to have experienced a significant increase in credit risk (SICR) since initial recognition where there has been a significant increase in the lifetime probability of default of the asset. The assessment uses behavioural risk scores (which comprise both internal data around how customers have been using their accounts and credit bureau data as to how customers have been managing their credit obligations with other lenders) to compare the estimated risk of default occurring at the reporting date with that at initial recognition to identify the proportional change in risk score. The SICR threshold is set at the point at which, in recent historical observations, the proportional change in risk score resulted in the PD after 12 months for such stage 1 customers being higher than the average PD for stage 2 customers that are one payment in arrears.

Where the proportional change in risk score since initial recognition exceeds the threshold, the asset will be deemed to have experienced a significant increase in credit risk. The credit risk of a financial asset may improve such that when this threshold is no longer exceeded, it is no longer considered to have experienced SICR and would move back to stage 1.

IFRS 9 requires a backstop to be applied whereby a receivable that is over a certain number of days past due (presumed to be no later than 30 days) is automatically considered to have experienced SICR. The backstop applied by the Group is a receivable that is 28 days or more past due. This period is used as customers have a 28 day statementing cycle. 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 or forbearance that may have been made available to the borrower.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

DEFINITION OF DEFAULT

At each reporting date, the Group assesses whether financial assets carried at amortised cost are in default (stage 3).

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 collection activity has been exhausted. Write offs include where receivables have been sold to third parties in accordance with the Group's recovery strategies.

INCORPORATION OF FORWARD-LOOKING DATA

The Group incorporates forward looking information into its measurement of expected credit loss. Separate macro-economic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make repayments and the losses incurred given default, in addition to the core impairment provisions already recognised.

This is achieved through engagement of external expert advisors to devise a central, downside and upside of potential economic scenarios and modelling expected credit losses for each scenario. Management uses the outputs from each scenario to apply a weighting of 40% central, 30% upside and 30% downside, to estimate the likelihood of each scenario occurring to derive a probability weighted estimate of expected credit loss.

The macro-economic measures used are changes in unemployment and real wage earnings and are disclosed in more detail in note 19. A significant portion of the Group's customers are not currently in employment and therefore this segment of customers do not have a significant correlation to these or any other readily determinable economic indicators.

The future macro-economic scenario assumptions are reviewed at each reporting date and updated accordingly.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, less bank overdrafts where a right to offset exists, 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 to market risks of changes in foreign currency exchange rates relating to the purchase of overseas sourced products, and interest rates relating to the Group's floating rate debt. The Group uses foreign exchange derivatives (forward contracts and options) and interest rate derivatives (caps) 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 classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") and therefore stated at their fair value with changes in the fair value recognised in the income statement as they arise. Hedge accounting is not applied by the Group.

Foreign currency and interest rate derivative fair values represent the estimated amount that the Group would receive or pay to terminate the derivative at the balance sheet date based on prevailing foreign currency and interest rates.

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. In the cases where the amount of the obligation cannot be estimated reliably, no provision is made.

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. 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, other than rental costs offset against the right-of-use asset under IFRS 16. An onerous contract is one where the unavoidable costs of meeting the Group's contractual obligations exceed the expected economic benefits.

CONTINGENT LIABILITIES AND ASSETS

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.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised but information about them is disclosed where an inflow of economic benefits is probable.

LEASE LIABILITIES

The Group leases offices, warehouses, retail stores that have now closed, equipment and vehicles.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Where the Group is a lessee, it recognises a right-of-use asset and a corresponding lease liability, measured at the present value of remaining cash flows on the lease. Lease liabilities include the net present value of fixed payments less any lease incentives receivable. There are no residual value guarantees or purchase options present in any contracts entered by the Group. The lease payments are discounted using the Group's incremental borrowing rate at transition or at the lease start date for leases entered into after transition, calculated by applying a weighting to all recent third-party financing.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is subsequently measured at the amortised cost using the effective interest rate method. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to nil.

Extension and termination options are not currently included in measurement of any of the leases across the Group, as all options present in the contracts have been exercised in the past. Any new leases or renegotiated leases which the Group enters into in future containing an extension or termination option will be considered when determining the lease length with reference to management intention and historic action.

The Group applies the recognition exemption in IFRS 16 for leases with a term not exceeding 12 months and low value leases. For these leases the lease payments are recognised as an expense on a straight-line basis over the lease term.

Policy applicable before 3 March 2019.

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 using the Monte Carlo method 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

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. Curtailments gains and losses are also accounted for as a past-service cost within operating expenses. Net interest expense or income is recognised within finance costs.

The retirement benefit asset recognised in the balance sheet represents the fair value of scheme assets as reduced by the present value of the defined benefit obligation. Any asset resulting from this calculation is recognised in full as the Group considers it has unconditional right to any surplus after all members' benefits have been settled.

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 grated 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.

EXCEPTIONAL ITEMS

Exceptional items are those that do not form part of the recurring operational activities of the Group and are so material in nature and impact that the Directors believe that they require separate disclosure on the face of the consolidated income statement to avoid distortion of underlying performance.

SUPPLIER FINANCING ARRANGEMENTS

The Group has a supplier financing scheme as part of its normal course of business. This scheme is based around the principle of reverse factoring whereby the banks purchase from the suppliers approved trade debts owed by the Group. Access to the supplier finance scheme is by mutual agreement between the bank and supplier; the Group is not party to this contract. The scheme has no cost to the Group as the fees are paid by the supplier directly to the banks. The banks have no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities as trade payables.

GOING CONCERN

Summary

For the reasons set out in detail below, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

As at 19 June 2020, the Group had total accessible liquidity ("TAL") of £148.4m, which was £73.4m higher than as at 29 February 2020, due to the additional £50m CLBILS facility granted in May 2020 and additional cash generation measures taken since the year end totalling £23.4m. Under our base case scenario, the Group's TAL will increase further by the end of FY21 and would allow it to trade for the foreseeable future thereafter. Even under severe downside scenarios outlined below, with management taking appropriate mitigating actions, the Group is expected to have sufficient liquidity in place to allow it to trade, to meet its covenants, until at least December 2021.

The Group's £125m RCF and securitisation facilities are committed to September 2021 and December 2021 respectively. The Group continues to expect to renegotiate these facilities well in advance of these maturity dates. Whilst the amount drawn under these facilities is expected to be lower at these dates than the year end position or current position, the Directors have concluded that due to the uncertain economic outlook resulting from Covid-19 there is a material uncertainty as to the ability of the Group to successfully refinance these facilities at commercially acceptable terms.

In the event that this uncertainty crystallises, the Directors believe that mitigating actions would be available given that the Group is expected to continue to have significant net assets and therefore in the event that refinancing at commercially acceptable terms is not possible, asset sales outside the normal course of business or alternative financing options would be entered into.

The lenders to the Group have been consistently supportive to date. Whilst however no certainty can be provided that the facilities will be renewed until refinancing negotiations have been successfully completed, the maturity of the facilities in September and December 2021 provide a substantial window in which to undertake such refinancing activities proactively. In the event of being unable to successfully renegotiate the facilities, the Group would undertake a variety of mitigating actions, but given the ongoing longer-term economic uncertainty arising from Covid 19, it is not possible to be certain as to their success.

The above material uncertainty may cast significant doubt on the Group and Company's ability to continue as a going concern and therefore realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Cash flow forecasts

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors have 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 p40 to 45.

The Directors have taken into consideration that, since the balance sheet date, restrictions on trading activity and the movement of people applied by the UK Government to contain the spread of Covid-19 have had a severe and sudden effect on economic activity. Measures, both immediate and planned, were taken across the Group to mitigate the consequential and significant profit and cash flow impacts arising from the loss of sales following the UK lockdown.

The Group has considered carefully its debt covenants and performance metrics inherent in the securitisation and RCF facilities which link to the available levels of draw and its cash flows. These metrics reflect the foreseen restrictions on trading as well as the mitigating factors applied by the Group, for the next 18 months from the date of signing the financial statements. These have been appraised in the light of the current economic climate by applying a series of stress tests. The stress tests apply a range of sensitivities to Group revenue and associated costs, cash collections and arrears levels; reflecting the principal risks arising from continued UK social distancing measures and the uncertainty of the impact of Covid-19 on the business.

New arrangements

On 19 May 2020, the Group announced that it had secured new financing arrangements with its long-standing supportive lenders.

These new arrangements comprise:

A new up to £50 million three-year Term Loan facility, provided by our lenders under the government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS");

Amendment of certain terms and covenants of the securitisation facility, to mitigate a significant amount of the impact that Covid-19 may have in 2020 on the facility. This is to address variations in collection rates and customer behaviour, and to enable the Group to continue to offer its customers enhanced flexibility. The amendments to the facility are in place until late December 2020 and are intended to fully cover the impact of the current three month period of the FCA's forbearance requirements for consumer credit customers impacted by Covid-19; and

The widening of certain covenants at the August 2020 half-year test date in its existing unsecured £125 million Revolving Credit Facility ("RCF") and the introduction of quarterly covenant tests.

Resulting funding and liquidity position

As a result of these changes, the Group currently has the following facilities in place:

An up to £500 million securitisation facility committed until December 2021, drawings on which are linked to prevailing levels of eligible receivables (fully drawn at £393.8m as at 19 June 2020);

An RCF of £125 million committed until September 2021 (of which £nil undrawn);

An overdraft facility of £27.5 million which is subject to an annual review every July (none of which is drawn); and

A £50m CLBILS Term Loan facility committed until May 2023 (none of which is drawn).

The Group continues to expect to renegotiate these facilities well in advance of the maturity dates shown.

As at 19 June 2020, cash balances stood at £70.9 million, which in addition to the undrawn facilities of £77.5 million outlined above, and after deducting cash not immediately accessible, provides the Group with total accessible liquidity ("TAL") of £148.4m. This is £73.4m higher than the TAL available as at 29 February 2020 of £75.0m due to the additional £50m CLBILS facility and additional cash generation measures taken to date of £23.4m. It is also considerably higher than the average TAL available during FY20 of £49.2m.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

Actual trading performance

Trading has improved from the sudden and significant decline experienced in March with Group revenue down 22% in the first quarter of FY21.

Downside trading scenario

It is recognised that there is considerable uncertainty as to the continued impacts of Covid-19 on our customer base and we have therefore also constructed a recently updated severe but plausible downside scenario which applies sensitivities to Group revenue and associated costs, cash collections and arrears levels. Specifically, in terms of FY21 revenue we have sensitised the following reductions on FY20 levels as follows:

Retail product revenue – 25% down

FS revenue – 8% down

Management have confidence, based on successful Q1 FY21 responses to Covid-19, that a significant portion of the impact to EBITDA would be mitigated by operating cost savings across all areas of the cost base.

The Group would continue to have available liquidity in place and meet all necessary debt covenants to allow it to continue to trade under such a scenario after taking necessary management actions that are within the Group's control. If any further downside scenarios were to arise, further management actions are available to the Group:

- Sale of customer receivables
- Sale or sale and leaseback arrangement in relation to the Group's properties
- Temporary reductions in inventory and CAPEX spend
- Further discretionary cost reductions

Covenant compliance

As noted above, the Group's long-standing supportive lenders have adjusted some of their debt covenants.

Under its base and downside scenarios, after taking appropriate management actions, the Group expects to remain in compliance with these amended covenants and all other debt covenants.

The Group also notes the Joint Statement issued by the Financial Reporting Council, the Financial Conduct Authority and the Prudential Regulation Authority on Thursday 26 March 2020 which stated that they would expect lenders to consider the need to treat potential breaches of covenants arising directly from the Covid-19 pandemic differently compared to uncertainties that arise because of borrower specific issues and in doing so consider waiving the resultant covenant breach. The Directors therefore believe it is reasonable to believe that the Group will continue to have in place suitable securitisation facility arrangements should there be any further extension of the FCA's forbearance requirements for consumer credit customers impacted by Covid-19.

CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Group's results and financial position, are as follows:

IMPACT OF COVID-19

Critical judgement

Although the global spread of Covid-19 began before 29 February 2020, the World Health Organisation declaration of a global pandemic did not take place until 11 March 2020. As at 29 February 2020 management did not foresee and could not reasonably have foreseen the escalation of the virus within the UK that subsequently took place. For this reason, the significant effects of Covid-19 that were not foreseen at the balance sheet date are not adjusted within these financial statements. Disclosure of the estimated financial impacts relating to this post balance sheet event is provided in note 31.

TRADE RECEIVABLES

Critical Judgement and Estimation Uncertainty

The allowance for expected credit losses for trade receivables involves several areas of judgement, including estimating forward-looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Group's experience of managing credit risk.

Key judgements involved in the determination of expected credit loss are:

- determining which receivables have suffered from a significant increase in credit risk;
- determining the period over which historical probabilities of default are measured to apply current PD estimates; and
- determining the value and frequency of future debt sales in calculating the LGD.

Refinements have been made in the year to the judgement over when a significant increase in credit risk (SICR) is deemed to have occurred. The refinement has taken place during the year following the first year of full IFRS 9 implementation allowing further analysis over a larger historical data set and model observations, which allowed management to better identify receivables which have experienced SICR.

The significant increase in credit risk SICR threshold was previously based on segmenting the book, where a significant increase in credit risk was considered to have occurred if a customer segment move resulted in a 250% increase in lifetime PD.

The SICR threshold is now set at the point at which the proportional change in the behavioural risk score results in the PD after 12 months for such stage 1 customers being higher than the average PD for stage 2 customers that are one payment in arrears.

Where the proportional change in risk score for a customer since initial recognition exceeds the threshold for the relevant segment for that customer, the asset will be deemed to have experienced a significant increase in credit risk.

The revised approach is considered to be a more appropriate calculation methodology as it removes the risk in certain cases of relatively small score internal behavioural score changes resulting in SICR being applied.

The probability of default of the trade receivables book has also been reassessed during the current year, as previous PDs formed from historical development data did not fully capture the improving credit quality of trade receivables. A PD realignment has taken place by calculating an adjustment factor to give weighting to more recent performance by comparison of historical default data to the performance of more recent vintages. The adjustment factor has then been applied across the PD tables to PD parameters for each customer segment to ensure the model is more reflective of current trends, and in turn a better predictor of future performance.

In management's judgement, the most appropriate probability of default parameter in the ECL model is to reflect observed rates over a two-year period. The two-year period has been selected as this is considered to fully capture recent improvements in PDs resulting from the introduction of new collection models, new payment tools, more stringent affordability rules that led to reduced acceptance rates for new applicants and a reduction in the number of credit limit increases. A shorter period may lead to a less reliable estimate and increased volatility, whereas a longer period would be less likely to provide an up-to-date view of PDs incorporating the above. The sustained significant reductions in observed default rates over recent years have been a key driver in the reduction in ECL provision during the year.

Once collection strategies are no longer appropriate or effective, management typically sell customer receivables to third parties. Therefore the estimated sales price for these balances is a key judgement. Due to forecasted and observed market conditions during the year, the estimated future sales prices used to arrive at LGD have been reduced from the prior year end by between 20% and 40% dependent on the type of debt being sold. A profit on debt sale arises when the consideration receivable from the third party exceeds the carrying value of the customer receivables net of their expected credit losses at the point of the debt sale.

Sensitivities of Estimation Uncertainties

To indicate the level of estimation uncertainty, the impact on the ECL of applying different model parameters are shown below:

- a 20% increase in PDs would lead to a £5.9m increase in the ECL;
- using an 18-month rather than two-year observation window for the PD adjustment factor outlined above would lead to a £1.3m reduction in the ECL; or
- a 20% reduction in debt sale prices would lead to a £1.2m increase in the ECL.

SOFTWARE DEVELOPMENT COSTS

Critical judgement

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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Critical judgment and estimation uncertainty

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a DCF model. The cash flows are derived from the Group's three-year budget, taken into perpetuity, and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used as well as the expected future cash inflows and the long-term growth rate used in perpetuity. The key assumptions used to determine the recoverable amount for the Group's two CGUs, including a sensitivity analysis, are disclosed and further explained in note 12.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

VAT LIABILITIES

Critical judgement

The calculation of the Group's VAT liability involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until final resolution has been reached with HMRC. The Group has provided a total of £3.8m (2019: £6.6m) in respect of future payments which the Directors have a reasonable expectation of making in settlement of these historical positions.

The Group has been in long-running discussions 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.

Since this date the Group has been in discussions with HMRC to settle this matter and whilst substantial progress has been made, with the Group providing detailed calculations and supporting documentation to HMRC on 30 April 2020. A final binding agreement has not yet been reached. As at 29 February 2020, the Group holds a creditor of £3.8m (2019: £6.6m) in respect of this matter, being management's best estimate of the liability to settle.

The level of estimation uncertainty has decreased considerably at FY20 as compared to FY19 as the Group had previously only provided to HMRC actual data for two of the years in question whereas now the Group has provided information for all years, although assumptions have been made for 2007/08 and 2008/09 as the underlying data cannot be found.

INVENTORY

Critical judgement and estimation uncertainty

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.

The selling prices of inventory are estimated to determine the net realisable value of inventory. Historical sales patterns and post year end trading performance are used to determine these. At 29 February 2020 the inventory provision amounted to £7.7m (2019: £6.0m). The increase in the provision in the current year reflects an expected increase in sales through channels that achieve lower realisation rates as well as provision against stock relating to brands that will no longer trade through the Group's main selling channels.

Sensitivity of estimation uncertainty

A 10% change in the volume of inventories sold via sub optimal channels would impact the net realisable value by £2.0m.

ALLIANZ CLAIM AND COUNTERCLAIM

Critical judgement

The ongoing legal claim with Allianz Insurance plc has been disclosed as a contingent liability in note 26. The Group does not consider it appropriate to make any provision in respect of this claim because there is no certainty as to whether any loss will arise and in the event that it did, it is not possible to reliably estimate the amount of any settlement. Similarly, no asset has been recognised for our counterclaim as there is no certainty as to whether the claim will be successful.

3 REVENUE

	2020 £m	2019 £m
An analysis of the Group's revenue is as follows:		
Sale of goods	567.7	615.8
Financial Services revenue	290.5	298.6
Revenue	858.2	914.4

NOTES TO THE GROUP ACCOUNTS CONTINUED

4 BUSINESS SEGMENT

The Group has identified two operating segments in accordance with IFRS 8 – Operating segments, Product Revenue and Financial Services. The Board receives monthly financial information at this level and uses this information to monitor the performance of the Group, allocate resources and make operational decisions. Internal reporting focuses and tracks revenue, cost of sales and gross margin performance across these two segments separately, however it does not track operating costs or any other income statement items.

Revenues and costs associated with the product segment relate to the sale of goods through various brands. The revenue and costs associated with the Financial Services segment relate to the income from provision of credit terms for customer purchases, and the costs to the business of providing such funding. To increase transparency, the Group has included additional voluntary disclosure analysing product revenue within the relevant operating segment, by brand categorisation and product type categorisation.

The move to two reportable segments for the 52 weeks ended 29 February 2020 reflects the change in management structure of the Group through this period.

	2020 £m	2019 £m
Continuing operations		
Analysis of revenue		
Product – total revenue	567.7	615.8
Other financial services revenue	27.2	31.4
Credit account interest	263.3	267.2
Financial Services – total revenue	290.5	298.6
Revenue – total	858.2	914.4
Analysis of cost of sales		
Product – total cost of sales	(288.6)	(295.0)
Impairment losses on customer receivables	(133.9)	(119.0)
Profit on sale of customer receivables	6.3	10.7
Other financial services cost of sales	*(2.1)*	*(13.4)*
Financial Services – total cost of sales	(129.7)	(121.7)
Cost of sales – total	(418.3)	(416.7)
Gross profit	439.9	497.7
Gross margin – Product	49.2%	52.1%
Gross margin – Financial Services	55.3%	59.2%
Warehouse and fulfilment	(78.1)	(84.0)
Marketing and production	(136.0)	(157.8)
Depreciation and amortisation	(30.1)	(30.1)
Other administration and payroll	(119.1)	(127.9)
Segment result and operating profit before exceptional items	76.6	97.9
Exceptional items (see note 6)	(28.5)	(145.6)
Segment result and operating profit/(loss)	48.1	(47.7)
Finance costs	(17.1)	(14.3)
Fair value adjustments to financial instruments	4.7	4.5
Profit/(loss) before taxation	35.7	(57.5)

	2020 £m	2019 £m
Analysis of Product revenue by brand		
JD Williams	153.1	159.5
Simply Be	128.0	120.1
Ambrose Wilson	45.4	51.3
Womenswear	326.5	330.9
Menswear[1]	66.9	64.0
Product brands[2]	170.2	202.6
Product revenue excluding US and Stores	563.6	597.5
US revenue	4.1	11.4
Stores	–	6.9
Total Product revenue	567.7	615.8
Financial Services revenue	290.5	298.6
Group revenue	858.2	914.4

1 Menswear is the Jacamo brand.
2 Product brands are Fashion World, Premier Man, House of Bath, Marisota, Oxendales, High and Mighty and Figleaves.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from Ireland and the US amounted to £30.1m (2019: £37.1m). Operating results from international markets amounted to £3.3m profit (2019: £1.9m loss). All segment assets are located in the UK, Ireland and the US.

For the purposes of monitoring segment performance, assets and liabilities are not measured separately for the two reportable segments of the Group and therefore disclosed together below. Impairments of tangible and intangible assets in the current period were £1.8m (2019: £19.3m). Tangible and intangible assets of £nil (2019: £5.7m) were written off following the closure of stores in the prior year, see note 6.

	2020 £m	2019 £m
Other information		
Capital additions	39.2	36.3
Capital disposals	–	(5.7)
Balance sheet		
Total segment assets	1,021.2	1,023.1
Total segment liabilities	(703.7)	(711.7)
Segment net assets	317.5	311.4

5 PROFIT FOR THE PERIOD

	2020 £m	2019 £m
Profit for the period has been arrived at after charging/(crediting):		
Net foreign exchange gains	(3.2)	(3.0)
Depreciation of property, plant and equipment	4.2	4.9
Loss on disposal of property, plant and equipment (note 6)	–	5.0
Loss on disposal of intangible assets (note 6)	–	0.7
Amortisation of intangible assets	24.7	25.2
Cost of inventories recognised as expense	288.6	295.1
Staff costs (note 7)	78.3	79.9
Auditor's remuneration for audit services	0.8	0.6
Net impairment charge (note 16)	127.6	108.3
Exceptional items (note 6)	28.5	145.6
Operating lease costs (note 27)	0.9	2.3
Depreciation of right-of-use assets (note 27)	1.3	–

Amounts payable to KPMG LLP and their associates by the Group in respect of non-audit services were £nil (2019: £0.1m).

NOTES TO THE GROUP ACCOUNTS CONTINUED

5 PROFIT FOR THE PERIOD CONTINUED

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

	2020 £m	2019 £m
Audit of these Group financial statements	0.2	0.1
Audit of financial statements of subsidiaries of the Company	0.6	0.4
Non-audit services	–	0.1
Total	0.8	0.6

Fees in relation to audit related assurance services totalled £30,000 (2019: £29,000).

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £20,000 (2019: £17,000).

A description of the work of the Audit and Risk Committee is set out in the Corporate Governance Statement on p55 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 EXCEPTIONAL ITEMS

	2020 £m	2019 £m
Customer redress (note 22)	22.9	45.0
Store closure (credit)/costs	(0.3)	22.0
Legal costs	1.0	–
Impairment of tangible, intangible assets and brands	1.8	20.0
Strategy review costs	3.8	–
VAT partial exemption (credit)/cost	(3.1)	49.4
Other tax matters including associated legal and professional fees	2.4	8.9
GMP equalisation adjustment	–	0.3
Items charged to profit before tax	28.5	145.6
Taxation provision (see note 20, included within exceptional tax credit of £5.5m (2019: £22.9m))	–	3.0

CUSTOMER REDRESS

During the prior period, a charge of £16.5m was made to reflect the additional expense following the completion of the customer redress programme in relation to flaws in certain insurance products which were provided by a third-party insurance underwriter. In addition, a charge of £28.5m was recognised to reflect an updated estimate following an increase in the volume of PPI claims and the latest assessment of the expected uphold rate and average redress per claim.

In the current period, in line with wider industry experience, the volume of PPI information requests and claims received in the final days leading up to and including the 29 August 2019 deadline was significantly higher than expected and therefore an additional charge of £25.0m was recognised at 31 August 2019.

The final amount of customer redress including that relating to estimated Official Receiver complaints was less than envisaged as at 31 August 2019 and therefore in the second half of the year a £2.1m credit for customer redress was recorded, resulting in a £22.9m charge for the full year. Included in this amount is £1.3m of withholding tax incurred in relation to interest applied on PPI claims which has been reclassified to exceptional costs. Further information is provided in note 22.

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 in the prior year. The onerous lease provision will run to the earlier of the break clause or lease expiry for all stores. The credit of £0.3m in the current year relates to a release of amounts no longer required in relation to properties that have now been exited.

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 the High & Mighty, Slimma, Diva and Dannimac brands, and following this review, as well as the refocus to the Group's key five brands following a full strategic review, the remaining value of the intangible asset held for these brands (£1.8m) has been written down in full.

In the prior year, management assessed the carrying value of the intangible and tangible assets held in respect of Figleaves and following this review wrote down the full value of the brand (£7.1m), tangible fixed assets (£1.5m) and deferred tax asset of £3.0m in relation to future unutilised tax losses. Also in the prior year, the Group 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.

STRATEGY REVIEW COSTS

During the period, the Board has undertaken a strategic review and has approved a multi-year transformation of the business. Fundamental to delivering this strategic transformation is a material level of cost reduction and increased focus and refinement of the Group's key five brands. As part of this initiative, the Group has incurred costs that are substantial in scope and impact, and incremental to the Group's normal operational and management activities, and have therefore been recognised within exceptional costs. Total costs of £3.8m incurred relate to £1.7m of redundancy costs, £1.8m of consultancy costs incurred in relation to the brand refinement and £0.3m being the write off of stock relating to brands that will no longer continue to trade.

VAT PARTIAL EXEMPTION

In the prior year, a total exceptional charge of £49.4m was incurred in relation to the write off of the reassessment of the VAT debtor previously held by the Group. The Group was 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. Following the final ruling, the asset was no longer considered recoverable and therefore fully written off.

Since this date the Group has been in discussions with HMRC to settle this matter and whilst substantial progress has been made, a final binding agreement has not yet been reached. As at 29 February 2020, the Group holds a creditor of £3.8m (£6.6m at 2 March 2019) in respect of this matter, being management's best estimate of the liability to settle, including interest payable, with the decrease since the prior year end being due to lower VAT disallowance identified as part of the detailed resolution process now nearing completion.

This has resulted in a total credit to the income statement of £2.8m, of which £3.1m relating to the legacy years under discussion has been taken as a credit against exceptional items and a £0.3m charge has been recognised in current year operating profit.

OTHER TAX MATTERS INCLUDING ASSOCIATED LEGAL AND PROFESSIONAL FEES

Of the total charge of £2.4m, £1.3m relates to further expenses in relation to legacy tax issues. The remaining £1.1m relate to legal and professional fees incurred as a result of the Group's ongoing 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 £1.9m (2019: £2.8m).

For further information see note 21.

GMP EQUALISATION

An exceptional pension cost arose in the prior year as a result of the High Court ruling in the case of Lloyds Bank in relation to Guaranteed Minimum Pension ("GMP") equalisation. An exceptional provision of £0.3m was made for the expected one-off impact of GMP equalisation on the reported liabilities of the Company's defined benefit pension scheme.

LEGAL COSTS

A £1.0m provision for future expected legal costs to defend the Allianz Insurance plc claim and continuing to proceed with the counterclaim referred to in note 26 has been recognised in the year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

7 STAFF COSTS

	2020 Number	2019 Number
The average monthly number of employees (including Executive Directors) was:		
Distribution	1,154	1,106
Sales and administration	1,372	1,414
	2,526	2,520

Their aggregate remuneration comprised:	2020 £m	2019 £m
Wages and salaries	67.5	68.6
Social security costs	6.1	5.7
Other pension costs (see note 29)	6.0	5.5
Share option (credit)/costs (see note 28)	(1.3)	0.1
	78.3	79.9

The aggregate amount of remuneration paid or receivable by Directors in respect of services in the year was £1.9m (2019: £2.0m).

The aggregate amount of contributions paid to a pension scheme in respect of Directors' qualifying services was £0.1m (2019: £0.1m). Retirement benefits are accruing in respect of qualifying services in defined contribution pension schemes for two Directors (2019: three).

No amounts were paid to or receivable by Directors under long-term incentive schemes in respect of qualifying services in the year (2019: £nil).

Details of individual Directors' remuneration is disclosed in the Directors' Remuneration Report on p73 to 90.

8 FINANCE COSTS

	2020 £m	2019 £m
Interest on bank overdrafts, loans and lease liabilities	17.8	14.8
Net pension interest credit (see note 29)	(0.7)	(0.5)
	17.1	14.3

9 TAX

Tax recognised in the income statement	2020 £m	2019 £m
Current tax		
Charge/(credit) for the period	2.7	(2.0)
Adjustments in respect of previous periods	0.1	9.7
	2.8	7.7
Deferred tax		
Origination and reversal of temporary timing differences	4.4	(6.8)
Adjustments in respect of previous periods	1.1	(0.1)
	5.5	(6.9)
Total tax expense	8.3	0.8

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 29 February 2020 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have decreased by £0.9m.

The charge for the period can be reconciled to the profit per the income statement as follows:

	2020 £m	2019 £m
Profit/(loss) before tax	35.7	(57.5)
Tax at the UK corporation tax rate of 19% (2019: 19%)	6.7	(10.9)
Effect of change in deferred tax rate	0.4	0.1
Tax effect of expenses that are not deductible in determining taxable profit	0.2	2.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.2)	(0.2)
Tax effect of adjustments in respect of previous periods	1.2	9.6
Tax expense for the period	8.3	0.8

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

Tax recognised in other comprehensive income	2020 £m	2019 £m
Deferred tax – remeasurement of retirement benefit obligations	0.3	4.9
Tax charge in the statement of comprehensive income	0.3	4.9

Tax recognised in equity	2020 £m	2019 £m
Deferred tax – share-based payments	–	0.4
Tax charge in the statement of changes in equity	–	0.4

In respect of corporation tax, as at 29 February 2020 the Group has provided a total of £13.2m (2018: £13.9m) for potential tax future charges based upon the Group's best estimates and their discussions with HMRC. Adjustments in respect of previous periods include the above mentioned increase in tax provision relating to items which are subject to ongoing discussions with HMRC (2019: £9.1m).

NOTES TO THE GROUP ACCOUNTS CONTINUED

10 DIVIDENDS

	2020 £m	2019 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 2 March 2019 of 4.27p (2019: 8.56p) per share	12.1	24.2
Interim dividend for the 52 weeks ended 29 February 2020 of 2.83p (2019: 2.83p) per share	8.0	8.0
	20.1	32.2
Proposed final dividend for the 52 weeks ended 29 February 2020 of nil (2019: 4.27p) per share	–	12.1

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 exceptional items, which are those items that do not form part of the recurring operational activities of the Group and are so substantial in nature and impact that the Directors believe that they require separate disclosure to avoid distortion of underlying performance 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	2020 £m	2019 £m
Earnings/(loss) for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	27.4	(58.3)

Number of shares ('000s)	2020 Number	2019 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	284,665	284,379
Effect of dilutive potential ordinary shares:		
Share options	297	409
Weighted average number of ordinary shares for the purposes of diluted earnings per share	284,962	284,788

Earnings from continuing operations	2020 £m	2019 £m
Total net profit/(loss) attributable to equity holders of the parent for the purpose of basic earnings per share	27.4	(58.3)
Fair value adjustment to financial instruments (net of tax)	(3.8)	(3.6)
Exceptional items (net of tax)	23.0	122.7
Adjusted earnings for the purposes of adjusted earnings per share	46.6	60.8

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

Adjusted earnings per share	2020 Pence	2019 Pence
Basic	16.37	21.38
Diluted	16.35	21.35

Earnings/(Loss) per share	2020 Pence	2019 Pence
Basic	9.63	(20.50)
Diluted	9.62	(20.50)

12 INTANGIBLE ASSETS

	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
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
Additions	–	32.7	–	32.7
Disposals	–	(35.9)	–	(35.9)
At 29 February 2020	**16.9**	**358.2**	**1.9**	**377.0**
Accumulated amortisation and impairment				
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
Charge for the period	–	24.7	–	24.7
Impairment	1.8	–	–	1.8
Disposals	–	(35.9)	–	(35.9)
At 29 February 2020	**16.9**	**206.8**	**1.9**	**225.6**
Carrying amount				
At 29 February 2020	**–**	**151.4**	**–**	**151.4**
At 2 March 2019	1.8	143.4	–	145.2
At 3 March 2018	8.9	147.1	–	156.0

Assets in the course of development included in intangible assets at the year end total £15.2m (2019: £35.4m). No amortisation is charged on these assets. Borrowing costs of £nil (2019: £nil) have been capitalised in the period.

As at 29 February 2020, the Group had entered into contractual commitments for the further development of intangible assets of £10.8m (2019: £4.7m) of which £5.4m (2019: £1.5m) is due to be paid within one year.

IMPAIRMENT TESTING OF 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 is required to test for impairment. At the balance sheet date, the market capitalisation of the Group was lower than the Group's net assets, following a significant drop in the Group's share price. As this is an indicator for impairment, management is required to test for impairment over the Group's total assets, with the recoverable amount being determined from value in use calculations. The value in use assessment has been performed over the Group's total assets under two CGUs, being Figleaves and core Group excluding Figleaves. The Group's results, performance and viability is assessed for the Group as a whole, with the exception of Figleaves which operates from a separate location and maintains a separate management structure.

The value in use calculations used cash flows based on budgets prepared by management covering a three-year period. These budgets had 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. After the three-year cash flows, management have extrapolated the cash flows into a fourth and fifth year using a growth rate of 4.1%. After the fifth year cash flows, a terminal value was 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 were based upon the Group's three-year plan as at 29 February 2020. This detailed forecast addressed the challenges faced by the business during the current year, and assumed like-for-like sales and gross profit margin growth from the third year of the plan onwards. In accordance with the Group's accounting judgement explained in note 2 that the impact of Covid-19 is a non-adjusting post balance sheet event, these forecasts do not include the estimated impacts of Covid-19 that are currently being projected in the latest Board approved five-year plan. The potential impact if such forecasts are used is shown in note 31.

NOTES TO THE GROUP ACCOUNTS CONTINUED

12 INTANGIBLE ASSETS CONTINUED

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 was determined with reference to forecast GDP growth which management believe is the most appropriate indicator of long-term growth rates that was available at 29 February 2020. 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 was based on the Group's weighted average cost of capital as at 29 February 2020, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made.

The key assumptions are as follows:

Expected future cash inflows;

Years 4 and 5 growth rate: 4.1% (2019: 1.5%)

Long-term growth rate: 1.3% (2019: 1.5%)

Pre-tax discount rate: 11.2% (2019: 10.7%)

Following the Board's strategic review and refocus to the Group's key five brands, an impairment of the full carrying value of the remaining brands of High & Mighty, Slimma, Diva and Dannimac has been recorded (£1.8m), reflecting the values in use of these assets and has been disclosed in note 6. These assets formed part of the Group's core CGU excluding Figleaves.

The impairment review performed over the Group's core CGU has indicated that no impairment is required over the remaining assets of the Group.

The following sensitivities have been performed:

a) Stress to three-year cash flows by 5% which has indicated potential impairment in the order of £45m;

b) Decrease in long-term growth rate by 1% resulting in the recoverable amount of the group assets still exceeding their carrying value by £41m;

c) Decrease in Years 4 and 5 growth rate by 1% resulting in the recoverable amount of the group assets still exceeding their carrying value by £60m; and

d) Increasing discount rate by 1% which has indicated potential impairment in the order of £20m.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
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
Additions	–	6.5	6.5
Reclassifications	–	0.9	0.9
Disposals	–	(50.1)	(50.1)
At 29 February 2020	**59.1**	**80.0**	**139.1**
Accumulated depreciation and impairment			
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
Charge for the period	1.2	3.0	4.2
Disposal	–	(50.1)	(50.1)
At 29 February 2020	**17.8**	**58.7**	**76.5**
Carrying amount			
At 29 February 2020	**41.3**	**21.3**	**62.6**
At 2 March 2019	42.5	16.9	59.4
At 3 March 2018	43.7	23.7	67.4

Assets in the course of development included in fixtures and equipment at 29 February 2020 total £8.7m (2019: £2.3m), and in land and buildings total £nil (2018: £nil). No depreciation has been charged on these assets.

At 29 February 2020, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: £nil).

Disposals relate to the retirement of assets no longer in service. All retired assets were fully depreciated and therefore no loss arose as a result (2019: £5.0m).

The reclassification of £0.9m in the year relates to engineering stock reclassified from inventory in line with IAS 16.

14 SUBSIDIARIES

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

15 INVENTORIES

	2020 £m	2019 £m (Restated)
Finished goods	**94.6**	111.1
Sundry stocks	**0.3**	1.2
	94.9	112.3

A net charge of £11.2m (2019: £12.6m) has been made to the income statement in respect of written down inventories. £0.3m of this has been taken to exceptional costs being the write off of stock relating to brands that will no longer continue to trade.

The right of return asset in inventory amounted to £3.9m (2019: £3.9m).

There was no inventory pledged as security for liabilities in the current or prior period.

Sundry stocks relate to packaging stocks.

The comparative figures have been restated for the impact of stock in transit as disclosed in note 32.

16 TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m (Restated)
Amount receivable for the sale of goods and services	**656.9**	682.2
Allowance for expected credit losses	**(71.7)**	(97.1)
Net trade receivables	**585.2**	585.1
Other debtors and prepayments	**29.2**	34.7
	614.4	619.8

The comparative figures for Other debtors and prepayments have been restated for the impact of stock in transit as disclosed in note 32.

Trade receivables are measured at amortised cost.

The amount of expected repayments in relation to net trade receivables for the next 12 months is estimated to be £415.8m.

The weighted average APR across the trade receivables portfolio is 57.9% (2019: 59.2%). For customers who find themselves in financial difficulties, the Group may offer revised payment terms (payment arrangements) to support customer rehabilitation. 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 bespoke credit limit. Credit limits and scores attributed to customers are reviewed every 28 days.

NOTES TO THE GROUP ACCOUNTS CONTINUED

16 TRADE AND OTHER RECEIVABLES CONTINUED

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 29 February 2020.

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £8.7m at 29 February 2020 (2019: £19.9m). Interest income recognised on trade receivables which were impaired as at 29 February 2020 was £16.0m (2019: £16.2m).

The amounts written off in the period of £159.3m (2019: £137.9m) include the sale of impaired assets with a net book value of £19.9m (2019: £14.7m).

There is no significant concentration of credit risk due to the large number of credit customers (1.0 million (2019: 1.1 million) with individually small balances.

Ageing of trade receivables	**2020 £m**			2019 £m		
	Trade receivables	**Trade receivables on payment arrangements**	**Total trade receivables**	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Current – not past due	**550.7**	**8.7**	**559.4**	558.5	19.9	578.4
28 days – past due	**35.9**	**1.5**	**37.4**	35.4	3.3	38.7
56 days – past due	**19.5**	**0.7**	**20.2**	20.7	1.3	22.0
84 days – past due	**13.0**	**0.6**	**13.6**	14.7	0.9	15.6
112 days – past due	**8.9**	**0.4**	**9.3**	10.3	0.6	10.9
Over 112 days – past due	**16.4**	**0.6**	**17.0**	15.8	0.8	16.6
Gross trade receivables	**644.4**	**12.5**	**656.9**	655.4	26.8	682.2
Allowance for expected credit losses	**(66.3)**	**(5.4)**	**(71.7)**	(83.5)	(13.6)	(97.1)
Net trade receivables	**578.1**	**7.1**	**585.2**	571.9	13.2	585.1

Allowance for expected credit losses	**Stage 1**	**Stage 2**	**Stage 3**	**2020 Total**	2019 Total
Opening balance	15.8	40.7	40.6	**97.1**	116.0
Impairment	26.5	42.6	73.6	**142.7**	119.0
Utilised during the period	(29.2)	(62.5)	(76.4)	**(168.1)**	(137.9)
Closing balance	13.1	20.8	37.8	**71.7**	97.1

	2020 £m
Impairment	**142.7**
Recoveries	**(17.0)**
Other items	**1.9**
Net Impairment charge	**127.6**

Further analysis of the constituents of the net impairment charge in the consolidated income statement and the movement in the allowance for expected credit losses has been provided in this year's financial statements.

17 BANK OVERDRAFT AND LOANS

	2020 £m	2019 £m
Bank loans	(544.6)	(500.2)
Bank overdrafts	–	(11.4)
The borrowings are repayable as follows:		
Within one year	–	(11.4)
In the second year	(544.6)	(500.2)
In the third to fifth year		
Amounts due for settlement after 12 months	(544.6)	(500.2)

The bank overdrafts are repayable on demand.

All borrowings are held in sterling.

	2020 %	2019 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	2.3	2.1
Bank loans	3.0	2.6

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

Bank overdrafts of £nil (2019: £11.4m) are repayable on demand, unsecured and bear interest at a margin over bank base rates. The Group has an overdraft facility of £27.5m (2019: £27.5m).

The Group has a bank loan of £419.6m (2019: £390.2m) 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 December 2021, after being extended during the year from the previous end date of September 2021.

The Group also has unsecured bank loans of £125m (2019: £110m) 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 uses interest rate cap derivatives to manage this risk. The notional amount of interest rate caps outstanding at the year end was £0.8m (2019: £nil). Based on current weighted average interest rates and the value of bank loans at 29 February 2020 the estimated future interest cost per annum until maturity is £16.2m (2019: £12.8m).

At 29 February 2020, the Group had an undrawn borrowing facility of £nil (2019: £15m) on the RCF facility in respect of which all conditions precedent had been met. In addition there was an undrawn overdraft facility of £27.5m (2019: £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.

The Group continues to have a supplier financing arrangement which is facilitated by HSBC. The maximum facility limit is £10.0m and as at 29 February 2020 a total of £6.3m (2019: £6.5m) had been funded under the programme. There is no fixed expiry date on this facility. As explained in note 2, these balances are not classified as bank debt and instead included within trade and other payables.

NOTES TO THE GROUP ACCOUNTS CONTINUED

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:

	2020 £m	2019 £m
Notional amount – sterling contract value	**305.9**	271.4
Fair value of asset/(liability) recognised	**3.1**	(1.5)

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are calculated with reference to the duration of the derivative instrument together with the observable market data such as spot and forward interest rates, foreign exchange rates and market volatility at the balance sheet date.

Changes in the fair value of derivatives recognised, being currency derivatives where hedge accounting has not been applied, amounted to a credit of £4.7m (2019: credit of £4.5m) to income in the period.

Financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2019: Level 2).

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 current or prior period.

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 debt and equity structure of the Group consists of debt, which includes the borrowings disclosed in note 17 and lease liabilities as recognised under IFRS 16, disclosed in note 27, net of 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:

	2020 £m	2019 £m
Debt	**544.6**	511.6
Lease liability	**6.9**	–
Cash and cash equivalents	**(47.5)**	(43.7)
Net debt	**504.0**	467.9
Equity	**317.5**	311.4
Gearing ratio	**159%**	150%

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. However, its wholly owned subsidiary, J.D. Williams & Co Ltd does have an FCA regulatory minimum capital requirement, which it comfortably exceeded throughout the year.

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 foreign exchange 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, primarily relating to purchases of inventories and revenue from its overseas operations. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange derivative contracts.

It is the policy of the Group to enter into foreign exchange derivative 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 two years ahead. At the balance sheet date, details of the notional value of outstanding US dollar foreign exchange derivative contracts that the Group has committed to are as follows:

	2020 £m	2019 £m
Less than 6 months	**142.6**	125.4
6 to 12 months	**99.2**	63.1
12 to 18 months	**41.2**	50.0
Greater than 18 months	**22.9**	32.9
	305.9	271.4

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.28 and 1.36.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2020 £m	2019 £m	2020 £m	2019 £m
Euro	**5.1**	4.1	**17.3**	25.9
US dollar	**20.6**	19.7	**35.8**	20.0

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 table below illustrates the sensitivity to the Group's reported operating profit before the impact of fair value adjustments on derivative instruments. The Group's foreign exchange derivatives are not designated hedges and therefore movements in exchange rates impact the income statement.

	Euro currency impact		US Dollar currency impact	
	2020 £m	2019 £m	2020 £m	2019 £m
Income statement				
Sterling strengthens by 10%	**(0.9)**	(1.6)	**(3.0)**	0.3
Sterling weakens by 10%	**1.1**	2.9	**1.2**	0.4

NOTES TO THE GROUP ACCOUNTS CONTINUED

19 FINANCIAL INSTRUMENTS CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets	2020 £m	2019 £m
Derivatives – at fair value through profit and loss	5.3	–
Cash and bank balances – amortised cost	47.5	43.7
Trade receivables – amortised cost	585.2	585.1
Other receivables – amortised cost	6.3	6.2
	644.3	635.0

Financial liabilities	2020 £m	2019 £m
Derivatives – at fair value through profit and loss	2.2	1.5
Bank loans and overdraft – amortised cost	544.6	511.6
Trade and other payables – amortised cost	73.0	95.0
	619.8	608.1

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk, as entities in the Group borrow funds at floating interest rates but earns interest from customers at interest rates which are fixed for at least 12 months. Where appropriate, exposure to interest rate fluctuations on indebtedness is managed by using derivatives such as interest rate caps.

The Group has in place interest rate caps on some of its borrowings to hedge the risk of the Group's financing costs increasing should LIBOR increase above a certain level.

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 29 February 2020 would have decreased by £2.7m (2019: £2.5m).

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.

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 trade receivables in Stages 1, 2 and 3.

				2020	2019
Ageing of trade receivables	Stage 1	Stage 2	Stage 3	Total	Total
Current – not past due	516.2	29.5	13.7	559.4	578.4
28 days – past due	–	35.3	2.0	37.3	38.7
56 days – past due	–	17.5	2.6	20.1	22.0
84 days – past due	–	–	13.7	13.7	15.6
112 days – past due	–	–	9.3	9.3	10.9
Over 112 days – past due	–	–	17.1	17.1	16.6
Gross trade receivables	516.2	82.3	58.4	656.9	682.2
Allowance for expected credit losses	(13.1)	(20.8)	(37.8)	(71.7)	(97.1)

As at 29 February 2020, current debtors are included in Stage 2 if the receivable had suffered from a significant increase in credit risk. Debtors which were in default or on an agreed interest free or interest bearing payment arrangement were included in Stage 3.

Ageing of trade receivables	Stage 1	Stage 2	Stage 3	2019 Total
Current – not past due	**494.2**	**69.6**	**14.6**	**578.4**
28 days – past due	**–**	**36.7**	**2.0**	**38.7**
56 days – past due	**–**	**19.8**	**2.2**	**22.0**
84 days – past due	**–**	**1.9**	**13.7**	**15.6**
112 days – past due	**–**	**–**	**10.9**	**10.9**
Over 112 days – past due	**–**	**–**	**16.6**	**16.6**
Gross trade receivables	**494.2**	**128.0**	**60.0**	**682.2**
Allowance for expected credit losses	**(15.8)**	**(40.7)**	**(40.6)**	**(97.1)**

As at 2 March 2019 current debtors are included in Stage 2 if the receivable had suffered from a significant increase in credit risk or were on a interest bearing payment arrangement. Debtors which were in default or on an agreed interest free payment arrangement were included in Stage 3.

INCORPORATION OF FORWARD-LOOKING INFORMATION

The economic scenarios used as at 29 February 2020 included the following key indicators for the UK for the calendar years 2020 to 2024:

		2020	2021	2022	2023	2024
Unemployment rate (%)	Base	**4.0**	3.9	3.8	3.8	3.8
	Upside	**3.9**	3.8	3.8	3.8	3.8
	Downside	**4.1**	4.1	4.1	4.2	4.3
Annual real wage growth (%)	Base	**0.9**	1.4	1.6	1.7	1.8
	Upside	**1.9**	2.4	2.5	2.6	2.7
	Downside	**(0.1)**	0.6	0.9	1.2	1.4

The scenarios above have been applied to all customers within the Group's ECL model. However, a significant proportion the Group's customers are not currently in employment and therefore this segment of customers do not have a significant correlation to these or any other readily determinable economic indicators.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on historical data.

As required by IFRS 9, these economic scenarios reflect estimated future economic parameters forecasted as at 29 February 2020 and therefore do not reflect the significant changes to the future economic outlook resulting from the Covid-19 lockdown. Note 31 identifies the economic scenario assumptions used to estimate the impact on the ECL that would have been recognised had the Covid-19 impacts been adjusted at 29 February 2020.

	Stage 1	Stage 2	Stage 3	Total
Gross trade receivables				
Balances as at 2 March 2019	494.2	128.0	60.0	682.2
Transfer Stage 1	–	(18.8)	26.4	7.6
Transfer Stage 2	18.8	–	8.5	27.3
Transfer Stage 3	(26.4)	(8.5)	–	(34.9)
Remeasurement of balances	35.5	28.8	8.0	72.3
New financial assets originated	44.9	12.7	5.6	63.2
Financial assets that have been derecognised	(25.2)	(20.4)	(17.2)	(62.8)
Write-offs	(25.6)	(39.5)	(32.9)	(98.0)
Balances as at 29 February 2020	**516.2**	**82.3**	**58.4**	**656.9**

The amounts written off in the period include the sale of impaired assets with a net book value of £19.9m (2019: £14.7m). This sale has also been a material driver in the reduction in trade receivables on payments arrangements, from £26.8m to £12.5m as at 29 February 2020.

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 table below shows the maturity analysis of the undiscounted remaining contractual cash flows (including estimated interest payments) of the Group's financial liabilities, including cash flows in respect of derivatives:

2020	2020 Carrying amount £m	2020 Contractual cash flows £m	2020 1 year or less £m	2020 1 to <2 years £m	2020 2 to <5 years £m	2020 5 years and over £m
Secured bank loans	**(544.6)**	**(549.5)**	**(16.4)**	**(533.1)**	**–**	**–**
Trade payables	**(65.9)**	**(65.9)**	**(65.9)**	**–**	**–**	**–**
Lease liabilities	**(6.9)**	**(7.7)**	**(2.3)**	**(1.9)**	**(2.1)**	**(1.4)**
Other creditors	**(7.1)**	**(7.1)**	**(7.1)**	**–**	**–**	**–**
Accruals and deferred income	**(37.5)**	**(37.5)**	**(37.5)**	**–**	**–**	**–**
	(662.0)	**(667.7)**	**(129.2)**	**(537.1)**	**(2.1)**	**(1.4)**
Derivatives: gross settled						
Cash inflows	**5.3**	**5.3**	**4.0**	**1.3**	**–**	**–**
Cash outflows	**(2.2)**	**(2.2)**	**(1.3)**	**(0.9)**	**–**	**–**
	(658.9)	**(664.6)**	**(126.5)**	**(537.5)**	**(2.1)**	**(1.4)**

2019	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
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)	–	–	–
Other creditors	(14.0)	(14.0)	(14.0)	–	–	–
Accruals and deferred income	(57.2)	(57.2)	(57.2)	–	–	–
	(652.4)	(662.8)	(165.0)	(12.8)	(485.0)	–
Derivatives: gross settled						
Cash inflows	2.9	2.9	2.1	0.8	–	–
Cash outflows	(4.5)	(4.5)	(2.1)	(2.4)	–	–
	(654.0)	(664.4)	(165.0)	(14.4)	(485.0)	–

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of each category of the Group's financial instruments are approximately the same as their carrying value in the Group's balance sheet.

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 deferred tax assets and liabilities £m	Total £m
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
Credit/(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
Adjustment on initial application of IFRS 16	–	–	–	–	–	–	0.1	0.1
(Charge)/credit to income	–	(0.2)	1.2	(0.5)	(1.2)	(4.0)	(0.8)	(5.5)
Charge to equity	–	–	–	(0.3)	–	–	–	(0.3)
As at 29 February 2020	**–**	**–**	**(4.9)**	**(9.2)**	**9.2**	**3.6**	**(0.1)**	**(1.4)**

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:

	2020 £m	2019 £m
Deferred tax assets	**13.2**	18.8
Deferred tax liabilities	**(14.6)**	(14.5)
As at 29 February 2020	**(1.4)**	4.3

At the balance sheet date, the Group has unused tax losses of £17.5m (2019: £17.5m) and capital losses of £3.2m (2019: £3.2m) available for offset against future profits. The Group has recognised a deferred tax asset of £3.3m in relation to trading losses carried forward. As at 29 February 2020, it is management's expectation that sufficient profits will arise in future periods to support these losses and therefore will be utilised in full.

21 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m (Restated)
Trade payables	**65.9**	81.0
Other payables	**7.1**	14.0
Accruals and deferred income	**37.5**	57.2
	110.5	152.2

The comparative for Accruals and deferred income has been restated for the impact of stock on water as disclosed in note 32.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 54 days (2019: 48 days).

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

"Other payables" 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 discussion with HMRC. The Group was 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.

Since this date the Group has been in discussions with HMRC to settle this matter and whilst substantial progress has been made, a final binding agreement has not yet been reached. As at 29 February 2020, the Group holds a creditor of £3.8m (£6.6m at 2 March 2019) in respect of this matter, being management's best estimate of the liability to settle, with the decrease since the prior year end being due to the actualisation of the previously estimated cost disallowances.

21 TRADE AND OTHER PAYABLES CONTINUED

The case had 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).

Whilst discussions are ongoing with HMRC and a final outcome has not yet been achieved, following the final ruling management have reviewed the provision held as at March 2019 and as a result of this reduced liability by £3.1m. The Group has not yet been assessed by HMRC for the period June 2017 to February 2020. However, adjustments have been made to the VAT returns throughout the period to estimate disallowances; which have resulted in an expense recognised in EBITDA of £0.3m. This results in a total reduction to the provision of £2.8m and a VAT creditor at year end of £3.8m (2019: £6.6m). As a final settlement has not yet been reached, inherent uncertainty regarding the outcome of this position remains which means the eventual realisation could differ from the accounting estimate as at 29 February 2020. The tribunal stay is in place until 30 June 2020. If no agreement is reached by this date, there could be a second tribunal hearing on this issue, but this is not management's current expectation.

22 PROVISIONS

	Customer redress £m	Store closure £m	Restructuring £m	Total £m
Balance as at 2 March 2019	17.4	7.4	–	24.8
Provisions made during the period	22.9	–	1.7	24.6
Provisions reversed during the period	–	(0.3)	–	(0.3)
Provisions used during the period	(32.0)	(3.1)	–	(35.1)
Reclassification at IFRS 16 transition	-	(2.9)	–	(2.9)
Balance as at 29 February 2020	**8.3**	**1.1**	**1.7**	**11.1**
Non-current	–	–	–	–
Current	8.3	1.1	1.7	11.1
Balance as at 29 February 2020	**8.3**	**1.1**	**1.7**	**11.1**

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 were treated as an exceptional item and detailed separately in the income statement as per note 6. The provision was made in respect of onerous lease obligations and other store related closure costs.

The majority of these costs have been settled during the current and prior years, and amounts relating to the rental cost have been reclassified to offset against the right-of-use asset recognised at the transition date for IFRS 16, with the provision of £1.1m outstanding as at 29 February 2020 relating primarily to dilapidations and other costs of any remaining stores which will run to the earlier of the break clause or lease expiry for all stores. In the prior year provisions for onerous leases were recognised 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 redress obligations, taking into account factors including risk and uncertainty.

As at 29 February 2020 the Group holds a provision of £8.3m (2019: £17.4m) in respect of the anticipated costs of historic financial services customer redress. These amounts include a provision of £nil (2019: £0.1m) in relation to administration expenses.

RESTRUCTURING

The provision relates to redundancy costs of £1.7m to be incurred by the Group. Prior to the reporting date, the Board approved a formal plan for the restructuring and appropriate communications with those affected were carried out which has created a constructive obligation.

23 SHARE CAPITAL

	2020 Number	2019 Number	2020 £m	2019 £m
Allotted, called-up and fully paid				
Ordinary shares of 111/19p each				
At 29 February 2020 and 2 March 2019	**285,817,178**	285,153,619	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

	2020 £m	2019 £m
Balance at 2 March 2019	**0.3**	0.2
Issue of own shares	**–**	0.1
Balance at 29 February 2020	**0.3**	0.3

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-based payment benefit schemes (see note 28).

At 29 February 2020 the employee trusts held 1,573,598 shares in the Company (2019: 85,171).

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 £0.6m (2019: £0.9m) of restricted cash which is held in respect of the Group's customer redress programmes and £3.6m (2019: £2.9m) in respect of our securitisation reserve account. In addition £4.2m was held at the balance sheet date in relation to an amount to be repaid against the Group's securitisation facility.

A breakdown of significant cash and cash equivalent balances by currency is as follows:

	2020 £m	2019 £m
Sterling	**10.2**	7.6
Euro	**10.3**	18.9
US dollar	**27.0**	17.2
	47.5	43.7

A significant amount of the Group's cash is held in US dollars so as to act as a natural hedge of its US dollar purchase of inventories requirements. After the balance sheet date, £4.5m of the Group's euro balance was converted into sterling.

NOTES TO THE GROUP ACCOUNTS CONTINUED

26 CONTINGENT LIABILITIES

BANK OVERDRAFTS

Parent Company bank overdrafts and loans which at 29 February 2020 amounted to £48.0m (2019: £18.4m) and £125.0m (2019: £110.0m) respectively have been guaranteed by certain subsidiary undertakings.

ALLIANZ CLAIM AND COUNTERCLAIM

Until 2014, JD Williams & Company Limited ("JDW"), a subsidiary of N Brown Group plc sold (amongst other insurance products) payment protection insurance ("PPI") to its customers when they bought JDW products. This insurance was underwritten by Allianz Insurance plc ("Allianz"). JDW was an unregulated entity prior to 14 January 2005 in respect of the sale of PPI insurance. The regulated entity prior to 14 January 2005 was Allianz.

In recent years, JDW and Allianz have paid out significant amounts of redress to customers in respect of certain insurance products, including PPI. In July 2014 JDW and Allianz entered into an indemnity agreement in respect of certain PPI mis-selling liabilities (Indemnity Agreement). In September 2018 JDW and Allianz entered into a Complaints Handling Agreement (CHA) to regulate complaints handling and redress payments for both parties in respect of pre-2005 PPI claims.

In January 2020, a claim was issued against JDW by Allianz in respect of all payments of redress Allianz has made to JDW's PPI customers together with all associated costs. Allianz have made a claim in contribution as well as asserting a number of direct claims against JDW in relation to:

- the Indemnity Agreement;
- alleged negligence as its agent; and
- alleged breaches of the CHA.

On 5 March 2020 JDW issued its defence which refuted each element of the claim and also issued counterclaims in respect of the losses JDW has suffered in respect of two separate insurance policies underwritten by Allianz. JDW has claimed that:

- Allianz is liable to compensate JDW for such loss and damage by way of a contribution to JDW's liability in relation to Product Protection Insurance sales (a separate product to PPI);
- Allianz has been unjustly enriched to the extent that its liability to the complainants was discharged and JDW seeks restitution of all such sums; and
- JDW seeks contribution from Allianz in respect of sums paid by JDW pursuant to the CHA as Allianz was also liable for the same damages in relation to Payment Protection Insurance.

On 9 April 2020 JDW received a Reply and Defence to JDW's counterclaim. This document confirmed that the amount of Allianz's claim was £28m plus interest.

All claims made by Allianz, and counterclaimed by JDW, remain subject to final determination by the court, both as to their success and quantum. The claim and counterclaim are extremely complex, are at an early stage of proceedings and both parties will need to gather detailed and factual expert evidence in relation to multiple elements of the claim and counterclaim.

Having taken legal advice on its own position, the Group has concluded that these issues mean it is not possible to reliably estimate the amount of any potential settlement and has therefore not provided any amount for this claim at this time.

There is also considerable uncertainty as to the timing of any cash outflows/inflows from the claim/counterclaim given that the legal process remains at an early stage and the potential disruption to court timings and process as a result of Covid-19. Legal fees are expected to continue to be incurred during FY21 but it is possible that the cash flows resulting from the claim and/or counterclaim may not arise until FY22.

27 LEASES

The Group leases various buildings, equipment and vehicles under non-cancellable operating leases of varying lengths. In accordance with IFRS 16, from 3 March 2019 the Group has recognised right-of-use assets for these leases except for short term and low value leases, further information on the amounts recognised in the balance sheet are included within this note, and within note 1.

AMOUNTS RECOGNISED IN THE BALANCE SHEET

The Consolidated balance sheet as at 29 February 2020 shows the following amounts relating to leases. As IFRS 16 has not been applied retrospectively the balances alongside represent the equivalent balances at the start of the accounting period after restating for IFRS 16.

Right-of-use assets	Land and buildings £m	Fixtures and equipment £m	**Total £m**
3 March 2019	4.7	1.5	**6.2**
Additions	–	0.7	**0.7**
Depreciation	(1.1)	(0.2)	**(1.3)**
29 February 2020	3.6	2.0	**5.6**

Lease liabilities	**2020 £m**	2019 £m
Current	**2.2**	3.5
Non-current	**4.7**	6.0
	6.9	9.5

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The consolidated income statement shows the following amount relating to leases:

	2020 £m	2019 £m
Depreciation charge of right-of-use buildings	**1.1**	–
Depreciation charge of right-of-use equipment and vehicles	**0.2**	–
Interest expense (included in finance costs)	**0.1**	–
Expense relating to leases of low-value assets (included in operating expenses)	**0.8**	–
Expense relating to short-term leases (included in operating expenses)	**0.1**	–

The total cash outflow for leases during the year was £4.4m.

In the prior year all leases were classified as operating leases under IAS 17. Because there were no leases classified as finance leases, no lease liabilities or related assets were recognised in the prior year balance sheet.

The required disclosures under IAS 17 for these operating leases for the prior year are shown below:

	2020 £m	2019 £m
Minimum lease payments under operating leases recognised as an expense for the period	**–**	2.3

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2020 £m	2019 £m
Within one year	**–**	2.1
In the second to fifth years inclusive	**–**	4.3
After five years	**–**	1.7
	–	8.1

NOTES TO THE GROUP ACCOUNTS CONTINUED

28 EQUITY-SETTLED SHARE-BASED PAYMENTS

The Directors' Remuneration Report on p73 to 90 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 2020	Number of shares 2019
Option scheme				
2010 Savings related scheme	189 – 420	May 2010 – February 2022	**1,740,653**	1,048,234
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	**–**	–
August 2016	–	August 2019 – August 2026	**–**	2,437,024
August 2017	–	August 2020 – August 2027	**770,817**	1,273,015
August 2018	–	August 2021 – August 2028	**1,586,211**	2,677,133
June 2019	–	September 2022 – August 2029	**285,409**	–
September 2019	–	September 2022 – September 2029	**3,230,819**	–
Deferred annual bonus scheme awards (DABs)				
May 2014	–	May 2016 – November 2016	**–**	–
May 2015	–	May 2017 – November 2017	**–**	–
May 2016	–	May 2018 – November 2018	**–**	–
September 2017	–	September 2019 – March 2020	**–**	85,269
August 2018	–	September 2020 – March 2021	**175,401**	245,219
June 2019	–	July 2021 – July 2021	**163,766**	–
Deferred share bonus plan (DSBP)				
June 2019	–	July 2022 – July 2022	**84,246**	–

Movements in share options are summarised as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	**1,197,733**	**2.10**	1,238,952	2.45
Granted during the period	**1,225,391**	**1.13**	717,323	1.67
Forfeited during the period	**(532,972)**	**1.85**	(758,542)	2.27
Exercised during the period	**–**	**–**	–	–
Outstanding at the end of the period	**1,890,152**	**1.55**	1,197,733	2.10
Exercisable at the end of the period	**228,361**	**2.62**	150,751	2.50

No options were exercised in the period and the weighted average share price during the period was 116 pence (2019: 147 pence). The options outstanding at 29 February 2020 had a weighted average remaining contractual life of 2.21 years (2019: 2.15 years). The aggregate estimated fair values of options granted in the period is £502,043 (2019: £243,244).

Movements in management share awards (LTIPs and DABs) are summarised as follows:

	2020 Number of share awards	2020 Weighted average exercise price £	2019 Number of share awards	2019 Weighted average exercise price £
Outstanding at the beginning of the period	**6,717,660**	**–**	4,893,445	–
Granted during the period	**4,457,764**	**–**	3,024,886	–
Forfeited during the period	**(4,567,899)**	**–**	(1,200,671)	–
Exercised during the period	**(310,856)**	**–**	–	–
Outstanding at the end of the period	**6,296,669**	**–**	6,716,660	–
Exercisable at the end of the period	**–**	**–**	–	–

The awards outstanding at 29 February 2020 had a weighted average remaining contractual life of 8.52 years (2019: 8.14 years). The aggregate estimated fair values of options granted in the period is £3,579,266 (2019: £3,170,372).

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:

	2020	2019
Weighted average share price at date of grant (pence)	**112**	141
Weighted average exercise price (pence)	**24**	32
Expected volatility (%)	**46.5**	40.6
Expected life (years)	**2.5-4.3**	2.5-3.5
Risk-free rate (%)	**1.0**	0.8
Dividend yield (%)	**0.6**	–

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 a total credit of £1.3m and an expense of £0.1m related to equity-settled share-based payment transactions in 2020 and 2019 respectively.

NOTES TO THE GROUP ACCOUNTS CONTINUED

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 £6.0m (2019: £5.5m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 20 February 2020, contributions of £0.1m (2019: £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:

	2020	2019
Discount rate	1.75%	2.80%
Future pension increases	2.00%	2.05%
Inflation – Retail Price Index	2.85%	3.40%
Inflation – Consumer Price Index	2.05%	2.40%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	22.0	22.2
Pensioner aged 65 – female	23.4	23.6
Non-pensioner aged 45 – male	23.8	24.0
Non-pensioner aged 45 – female	25.7	25.9

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2020 £m	2019 £m
Current service cost	–	–
Past service cost	–	0.3
Net interest credit	(0.7)	(0.5)
Administrative expenses paid from plan assets	0.1	–
Profit recognised in the income statement	(0.6)	(0.2)

The actual return on scheme assets was £23.8m (2019: £0.7m).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	2020 £m	2019 £m
Present value of defined benefit obligations	(130.9)	(112.0)
Fair value of scheme assets	157.2	135.9
Surplus in the scheme and asset recognised in the balance sheet	26.3	23.9

The amount included in the statement of comprehensive income is as follows:

	2020 £m	2019 £m
Remeasurement (loss)/gain	(19.3)	7.0
Return on scheme assets	20.1	(3.1)
Gain recognised in the statement of comprehensive income	0.8	3.9

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.

Movements in the present value of defined benefit obligations were as follows:

	2020 £m	2019 £m
At 3 March 2019	112.0	120.7
Current service cost	–	–
Past service cost	–	0.3
Interest cost	3.0	3.2
Remeasurement (gain)/loss		
a. Effect of changes in financial assumptions	19.1	(0.4)
b. Effect of experience adjustments	–	(6.6)
c. Effect of changes in demographic assumptions	0.2	–
Benefits paid	(3.4)	(5.2)
At 29 February 2020	130.9	112.0

Movements in the fair value of the scheme assets were as follows:

	2020 £m	2019 £m
At 3 March 2019	135.9	140.0
Interest income	3.7	3.7
Return on scheme assets excluding interest income	20.1	(3.1)
Contributions from sponsoring companies	0.9	0.5
Benefits paid	(3.4)	(5.2)
At 29 February 2020	157.2	135.9

The analysis of the scheme assets at the balance sheet date was as follows. All investments held by the scheme are unquoted:

	2020		2019	
	£m	%	£m	%
Equities	15.2	9.7	16.6	12.2
Fixed-interest government bonds	0.4	0.3	11.1	8.2
Index-linked government bonds	13.8	8.8	40.4	29.7
Corporate bonds	89.2	56.6	50.4	37.1
Property	1.8	1.1	1.7	1.3
Growth fixed income	14.4	9.2	8.9	6.5
Alternatives	1.5	1.0	4.4	3.2
Cash and cash equivalents	20.9	13.3	2.4	1.8
	157.2	100.0	135.9	100.0

All assets had an observable market price (2019: all). Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, inflation and life expectancy.

An increase of 0.25% in the discount rate used would decrease the defined benefit obligation by £6.9m (2019: £5.3m).

An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £3.8m (2019: £4.5m).

An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £4.6m (2019: £3.5m).

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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

29 RETIREMENT BENEFIT SCHEMES CONTINUED

The Group has updated its approach to setting RPI and CPI inflation assumptions in light of the RPI reform proposals published on the 4th September 2019 by the UK Chancellor and UK Statistics Authority.

The Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The inflation risk premium has been increased from 0.05% at 2 March 2019 to 0.25% at 29 February 2020, reflecting an allowance for additional market distortions caused by the RPI reform proposals. For CPI, the Group reduced the assumed difference between the RPI and CPI by 0.2% to an average of 0.8% per annum. The estimated impact of the change in the methodology is approximately a £2.5m decrease in the defined benefit obligation.

The scheme is funded by the Group and current employee members. Funding levels for 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.

Although the scheme has an accounting surplus, the Group expects to contribute £1.0m (2019 actual contributions: £0.9m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 29 February is approximately 20 years (2019: 20 years).

The defined benefit obligation at 29 February 2020 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2019: 0%)
- Deferred members: 64% (2019: 64%)
- Pensioner members: 36% (2019: 36%)

All benefits are vested at 29 February 2020 (unchanged from 3 March 2019).

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 £2.3m (2019: £3.4m). This was split as follows: employment benefits of £2.1m (2019: £2.6m), other benefits of £0.2m (2019: £0.7m) and share-based payments of £nil (2019: £0.1m).

31 POST BALANCE SHEET EVENTS

This note sets out the subsequent events which are material to the Group up to the date of this report.

NEW FINANCING ARRANGEMENTS

On 18 May 2020, the Group secured new financing arrangements with its long-standing supportive lenders.

These new arrangements comprise:

- A new three-year Term Loan facility up to £50 million, provided by our lenders under the government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). This facility requires the Group to comply with various additional covenants including the Group being unable to pay any cash dividends for as long as the facilities remain in place;
- Amendment of certain terms and covenants of the securitisation facility, to mitigate a significant amount of the impact that Covid-19 may have in 2020 on the facility. This is to address variations in collection rates and customer behaviour, and to enable the Group to continue to offer its customers enhanced flexibility. The amendments to the facility are in place until late December 2020 and are intended to fully cover the impact of the current period of the FCA's forbearance requirements for consumer credit customers impacted by Covid-19; and
- The widening of certain covenants at the August 2020 half-year test date in its existing unsecured £125 million Revolving Credit Facility ("RCF") and the introduction of quarterly covenant tests.

IMPACT OF COVID-19

Although the global spread of Covid-19 began before 29 February 2020, the WHO declaration of a global pandemic and escalation of the virus within the UK took place in March 2020 and was not predictable as at the balance sheet date. For this reason the significant effects of Covid-19 are non-adjusting as at the balance sheet date. Management have considered the potential impact on the 29 February 2020 balance sheet if Covid-19 had been treated as an adjusting event, specifically in regards to the recoverability of its tangible, intangible assets and inventory, the impairment of the trade receivables and fair value of the Group's pension surplus.

ASSET IMPAIRMENT

The Group has considered the risk of impairment of its tangible and intangible assets after the balance sheet date, as a result of the impact of Covid-19 on the business, by reperforming the impairment test, using the latest Board approved base trading five year forecasts which includes the estimated impacts of Covid-19. Other key assumptions have also been reviewed and updated where appropriate in light of current market conditions. The resulting value in use exceeds the carrying value of the group's tangible and intangible assets. The following sensitivities have been performed under the base scenario with no impairment resulting for these:

- Decrease in long-term growth rate by 1%;
- Decrease in Years 4 and 5 growth rate by 1%;
- Increasing discount rate by 1%.

It is recognised that the current trading outlook remains highly uncertain and hence management have also assessed for impairment under the core Group downside trading forecasts. No impairment has resulted from this further sensitivity.

INVENTORY

Following the Covid-19 lockdown, management performed an assessment of the Group's inventory holdings in light of the reduced demand in certain product lines, and the Group's five-year plan which includes the estimated impacts of Covid-19 (base case), and have taken appropriate steps to reduce the Group's exposure in regard to the Spring/Summer 2020 season by cancelling all orders no longer needed. Whilst Covid-19 is expected to have a significant impact on the business in FY21, inventory held as at 29 February 2020 was £17.4m lower than the prior year and therefore management consider the maximum exposure in regards to inventory impairment to be £6.4m, of which £2.0m relates to supplier reimbursement for cancellation of orders.

IFRS 9 ALLOWANCE FOR EXPECTED CREDIT LOSSES

IFRS 9 requires an entity to measure expected credit losses that reflect reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future conditions. As noted above, as at the 29 February 2020 reporting date, management could not have reasonably foreseen the material change to actual economic conditions that took place between the year end and the date of approving these financial statements and to forecast future economic conditions that have now arisen due to the impact of the Covid-19 lockdown.

As a result, expected credit losses reported in the 29 February 2020 balance sheet have not been adjusted to include the expected impact of Covid-19 and instead this will be reported in future financial statements of the Group. A potential range for the increase to the 29 February 2020 expected credit loss provision and net impairment charge in the income statement if the impact of the Covid-19 lockdown had been adjusted is £7.7m to £17.7m.

NOTES TO THE GROUP ACCOUNTS CONTINUED

31 POST BALANCE SHEET EVENTS CONTINUED

Given the significant amount of uncertainty as to the extent of the impact of Covid-19 on the debtor book and the business as whole, the actual change to the expected credit loss provision recorded in future financial statements may differ to this.

The following matters have been taken into consideration in arriving at this estimate:

- applying an updated economic scenario into the existing ECL model to reflect current economic forecasts incorporating the impact of Covid-19 and support measures that have been implemented by the government to support the economy;
- given that the extreme nature of the current and forecasted economic stress may not allow the economic inputs in the ECL model to accurately capture future credit losses, a further adjustment to the model to increase expected probabilities of default have been applied; and
- reducing the amount of the expected future proceeds from debt sales (and therefore the modelled LGD) given the adverse impact forecasted on future debt sale market conditions.

The updated economic scenario for calendar years 2020 to 2024 that have been applied is shown below:

	2020	2021	2022	2023	2024
Unemployment rate (%)					
Base	9.7	7.5	5.8	4.9	4.4
Upside	9.3	7.1	5.4	4.4	3.9
Downside	10.3	8.2	6.6	5.8	5.3
Annual real wage growth (%)					
Base	(4.4)	5.3	1.6	1.4	1.5
Upside	(1.5)	6.3	2.5	2.3	2.4
Downside	(7.2)	4.5	0.9	0.9	1.1

Within the PD and LGD stresses outlined above, management have considered the impact on expected credit losses that may arise from the FCA guidance issued on 9 April 2020 that consumer credit lenders, including the Group, should provide under certain circumstances temporary financial relief for customers impacted by Covid-19. Where a customer is already experiencing or reasonably expects to experience temporary payment difficulties as a result of circumstances relating to Covid-19, and wishes to receive a payment deferral, the guidance requires the Group to grant the customer a payment deferral for three months unless it is obviously not in the customer's interests to do so. As at 18 June 2020, the Group had entered into payment holiday arrangements with 9,932 customers with a value of £17.1m.

The bottom end of the potential range disclosed above applies in full the upside economic scenario outlined above, a 10% PD increase and a 10% debt sale price reduction. The top end of the range applies in full the downside economic scenario outlined above, a 30% PD increase and a 30% debt sale price reduction.

PENSION SURPLUS

Review of the key financial assumptions relating to the Group's defined benefit pension scheme subsequent to the balance sheet date indicates that fluctuations in obligations fall within the range of sensitivities described in note 29. Both decreases to the discount rate and inflation post year end are expected to lead to a marginal increase in the liability. The fair value of plan assets is expected to be volatile in the short term due to uncertain market conditions, with the overall impact on the balance sheet expected to be a reduction in the pension scheme surplus since year end.

POST PERIOD-END TRADING

A summary of the Group's trading since the period end and its use of the Coronavirus Job Retention Scheme and deferrals of tax payments to HMRC is included within the note 2 section on Going Concern.

32 PRIOR YEAR ADJUSTMENT

During the period ended 29 February 2020, the Group identified that £12.5m of goods in transit as at 2 March 2019 were not recorded as part of the inventory balance as at the prior period end when they should have been. These goods in transit represented the group's inventories as at 2 March 2019 as the group had obtained control of these assets, having accepted the goods and gained the risks and rewards of ownership, as at that date, as per their agreed supplier terms.

Part of the goods in transit as at 2 March 2019 was already paid for as at that date and were incorrectly recorded as prepaid balances of £1.1m and £3.8m within 'Trade and other receivables' and 'Trade and other payables' respectively instead of being recorded as inventories. No liability was recorded for the unpaid goods in transit of £7.6m as at 2 March 2019.

As a result, inventory balance was understated by £12.5m, trade and other receivables were overstated by £1.2m and trade and other payables were understated by £11.3m as at the prior period end.

These adjustments have no impact on the Group net assets or profit or loss in the prior year and preceding year, and therefore no impact on basic or diluted earnings per share. In addition, within the cashflow statement the movement in inventories, trade and other receivables and trade and other payables have been impacted, however there was no impact on net cash flows from operating activities in either the prior or preceding years.

The prior period has accordingly been restated to correct for these, as shown below. The affected financial statement line items for the prior period are as follows:

Balance sheet (extract)	2 March 2019 £m	Adjustment £m	2 March 2019 (Restated) £m
Current assets			
Inventories	99.8	12.5	112.3
Trade and other receivables	621.0	(1.2)	619.8
Current liabilities			
Trade and other payables	(140.9)	(11.3)	(152.2)
Net assets	311.4	–	311.4
Total equity	311.4	–	311.4

Similarly, a third balance sheet has been presented in accordance with IAS 1 to illustrate the impact on the opening balance sheet for the prior financial year. The group identified that £16.2m of goods in transit as at 4 March 2018 were not recorded as part of the inventory balance when they should have been. Part of the goods in transit as at 4 March 2018 was already paid for as at that date and were incorrectly recorded as prepaid balances of £4.8m within 'Trade and other payables' instead of being recorded as inventories. No liability was recorded for the unpaid goods in transit of £11.3m as at 4 March 2018.

The opening balance sheet of the prior period has accordingly been restated to correct for these, as shown below. The affected financial statement line items are as follows:

Balance sheet (extract)	4 March 2018 £m	Adjustment £m	4 March 2018 (Restated) £m
Current assets			
Inventories	110.6	16.2	126.8
Trade and other receivables	652.7	–	652.7
Current liabilities			
Trade and other payables	(131.7)	(16.2)	(147.9)
Net assets	459.6	–	459.6
Total equity	459.6	–	459.6

COMPANY BALANCE SHEET

	Note	As at 29 February 2020 £m	As at 2 March 2019 £m
Fixed assets			
Investments	35	**366.0**	367.3
Current assets			
Debtors	36	**115.2**	86.6
Creditors			
Amounts falling due within one year	37	**(257.3)**	(213.0)
Net current liabilities		**(142.1)**	(126.4)
Total assets less current liabilities		**223.9**	240.9
Non-current liabilities			
Bank loans	38	**(125.0)**	(110.0)
Net assets		**98.9**	130.9
Capital and reserves			
Called-up share capital	39	**31.4**	31.4
Share premium account		**11.0**	11.0
Own shares		**(0.3)**	(0.3)
Profit and loss account		**56.8**	88.8
Shareholders' funds		**98.9**	130.9

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 24 June 2020.

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 29 February 2020					
Balance at 2 March 2019	31.4	11.0	(0.3)	88.8	130.9
Comprehensive income for the period					
Loss for the period	–	–	–	(10.6)	(10.6)
Total comprehensive loss for the period	–	–	–	(10.6)	(10.6)
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(20.1)	(20.1)
Issue of own shares by ESOT	–	–	–	–	–
Share-based payment credit	–	–	–	(1.3)	(1.3)
Total contributions by and distributions to owners	–	–	–	(21.4)	(21.4)
Balance at 29 February 2020	**31.4**	**11.0**	**(0.3)**	**56.8**	**98.9**
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**

NOTES TO THE COMPANY ACCOUNTS

33 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
- Disclosures required by IFRS 2 Share-based payment

GOING CONCERN

Summary

For the reasons set out in detail below, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

As at 19 June 2020, the Group has total accessible liquidity ("TAL") of £148.4m, which is £73.4m higher than as at 29 February 2020, due to the additional £50m CLBILS facility granted in May 2020 and additional cash generation measures taken since the year end totalling £23.4m. Under our base case scenario, the Group's TAL will increase further by the end of FY21 and would allow it to trade for the foreseeable future thereafter. Even under severe downside scenarios outlined below, with management taking appropriate mitigating actions the Group is expected to have sufficient liquidity in place to allow it to trade to meet its covenants until at least December 2021.

The Group's £125m RCF and securitisation facilities are committed to September 2021 and December 2021 respectively. The Group continues to expect to renegotiate these facilities well in advance of these maturity dates. Whilst the amount drawn under these facilities is expected to be lower at these dates than the year end position or current position, the directors have concluded that due to the uncertain economic outlook resulting from Covid-19 there is a material uncertainty as to the ability of the Group to successfully refinance these facilities at commercially acceptable terms.

In the event that this uncertainty crystallises, the Directors believe that mitigating actions would be available given that the Group is expected to continue to have significant net assets and therefore in the event that refinancing at commercially acceptable terms is not possible, asset sales outside the normal course of business or alternative financing options would be entered into.

The lenders to the Group have been consistently supportive to date. Whilst no certainty can be provided that the facilities will be renewed until refinancing negotiations have been successfully completed, the maturity of the facilities in September and December 2021 provide a substantial window in which to undertake such refinancing activities proactively. In the event of being unable to successfully renegotiate the facilities, the Group would undertake a variety of mitigating actions, but given the ongoing longer-term economic uncertainty arising from Covid 19, it is not possible to be certain as to their success.

The above material uncertainty may cast significant doubt on the Group and Company's ability to continue as a going concern and therefore realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result from the basis of preparation being inappropriate.

CASH FLOW FORECASTS

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors have 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 p40 to 45.

The Directors have taken into consideration that, since the balance sheet date, restrictions on trading activity and the movement of people applied by the UK Government to contain the spread of Covid-19 have had a severe and sudden effect on economic activity. Measures, both immediate and planned, were taken across the Group to mitigate the consequential and significant profit and cash flow impacts arising from the loss of sales following the UK lockdown.

The Group has considered carefully its debt covenants and performance metrics inherent in the securitisation and RCF facilities which link to the available levels of draw and its cash flows. These metrics reflect the foreseen restrictions on trading as well as the mitigating factors applied by the Group, for the next 18 months from the date of signing the financial statements. These have been appraised in the light of the current economic climate by applying a series of stress tests. The stress tests apply a range of sensitivities to Group revenue and associated costs, cash collections and arrears levels; reflecting the principal risks arising from continued UK social distancing measures and the uncertainty of the impact of Covid-19 on the business.

FINANCING ARRANGEMENTS

New arrangements

On 19 May 2020, the Group announced that it had secured new financing arrangements with its long-standing supportive lenders.

These new arrangements comprise:

A new up to £50 million three-year Term Loan facility, provided by our lenders under the government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS");

Amendment of certain terms and covenants of the securitisation facility, to mitigate a significant amount of the impact that Covid-19 may have in 2020 on the facility. This is to address variations in collection rates and customer behaviour, and to enable the Group to continue to offer its customers enhanced flexibility. The amendments to the facility are in place until late December 2020 and are intended to fully cover the impact of the current three-month period of the FCA's forbearance requirements for consumer credit customers impacted by Covid-19; and

The widening of certain covenants at the August 2020 half-year test date in its existing unsecured £125 million Revolving Credit Facility ("RCF") and the introduction of quarterly covenant tests.

RESULTING FUNDING AND LIQUIDITY POSITION

As a result of these changes, the Group currently has the following facilities in place:

An up to £500 million securitisation facility committed until December 2021, drawings on which are linked to prevailing levels of eligible receivables (fully drawn at £393.8m as at 19 June 2020);

An RCF of £125 million committed until September 2021 (of which £nil undrawn);

An overdraft facility of £27.5 million which is subject to an annual review every July (none of which is drawn); and

A £50m CLBILS Term Loan facility committed until May 2023 (none of which is drawn).

The Group continues to expect to renegotiate these facilities well in advance of the maturity dates shown.

As at 19 June 2020, cash balances stood at £70.9 million, which in addition to the undrawn facilities of £77.5 million outlined above, and after deducting cash not immediately accessible, provides the Group with total accessible liquidity ("TAL") of £148.4m. This is £73.4m higher than the TAL available as at 29 February 2020 of £75.0m due to the additional £50m CLBILS facility and additional cash generation measures taken to date of £23.4m. It is also considerably higher than the average TAL available during FY20 of £49.2m.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

33 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

ACTUAL AND FUTURE TRADING PERFORMANCE

Actual trading performance

Trading has improved from the sudden and significant decline experienced in March with Group revenue down 22% in the first quarter of FY21.

Downside trading scenario

It is recognised that there is considerable uncertainty as to the continued impacts of Covid-19 on our customer base and we have therefore also constructed a recently updated severe but plausible downside scenario which applies sensitivities to Group revenue and associated costs, cash collections and arrears levels. Specifically, in terms of revenue we have sensitised the following reductions on FY20 levels as follows:

- Retail product revenue – 25% down
- FS revenue – 8% down

Management have confidence, based on successful Q1 FY21 responses to Covid-19, that a significant proportion of the impact to EBITDA would be mitigated by operating cost savings across all areas of the cost base.

The Group would continue to have available liquidity in place and meet all necessary debt covenants to allow it to continue to trade under such a scenario after taking necessary management actions that are within the Group's control. If any further downside scenarios were to arise, further management actions are available to the Group:

- Sale of customer receivables
- Sale or sale and leaseback arrangement in relation to the Group's properties
- Temporary reductions in inventory and CAPEX spend
- Further discretionary cost reductions

COVENANT COMPLIANCE

As noted above, the Group's long-standing supportive lenders have adjusted some of thier debt covenants.

Under its base and downside scenarios, the Group expects to remain in compliance with these amended covenants and all other debt covenants.

The Company also notes the Joint Statement issued by the Financial Reporting Council, the Financial Conduct Authority and the Prudential Regulation Authority on Thursday 26 March 2020 which stated that they would expect lenders to consider the need to treat potential breaches of covenants arising directly from the Covid-19 pandemic differently compared to uncertainties that arise because of borrower specific issues and in doing so consider waiving the resultant covenant breach. The Directors therefore believe it is reasonable to believe that the Group will continue to have in place suitable securitisation facility arrangements should there be any further extension of the FCA's forbearance requirements for consumer credit customers impacted by Covid-19.

INVESTMENTS

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

IMPAIRMENT

At each balance sheet date, the Company reviews the carrying value of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any). 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 investment 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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in the income statement immediately.

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 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.

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 as 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 the Monte Carlo method 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.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

33 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS – CLASSIFICATION

IFRS 9 contains a 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"). A financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

All of the Company's receivables are due from subsidiary companies, and are classified as amortised cost because:

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

FINANCIAL INSTRUMENTS – RECOGNITION AND MEASUREMENT

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition.

Financial assets classified as amortised cost are subsequently measured using the effective interest method, less any impairment. Financial liabilities classified as amortised cost are subsequently measured using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating amortised cost and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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.

IMPAIRMENT OF FINANCIAL ASSETS

The Company recognises an allowance for expected credit losses (ECLs) on its receivables from subsidiaries.

Receivables from subsidiaries are determined to have a significant financing component, and therefore the ECL model applies 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 (i.e. defaulted)

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.

All receivables are considered to be repayable on demand, and therefore expected credit losses have been measured over the expected period to transfer cash once demanded. Receivables are considered on an entity by entity basis to assess the expected credit loss based on the assets of the counterparty and their ability to repay. In the case of these receivables the PD is considered to either be close to nil which would result in an immaterial loss, or 100% for those entities without sufficient assets to repay, and therefore be considered to be stage 3 credit impaired. The LGD has been determined based on the expected ability to realise cash from the assets of the counterparty entity to calculate the expected credit loss.

CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are as follows:

IMPACT OF COVID-19

Critical judgement

Although the global spread of Covid-19 began before the 29 February 2020, the World Health Organisation declaration of a global pandemic did not take place until 11 March 2020. As at 29 February 2020 management did not foresee and could not reasonably have foreseen the escalation of the virus within the UK, that subsequently took place. For this reason, the significant effects of Covid19 that were not foreseen at the balance sheet date are not adjusted within these financial statements. Disclosure of the estimated financial impacts relating to this post balance sheet event is provided below.

CARRYING VALUE OF INVESTMENTS

Critical judgement and estimate of uncertainty

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. An impairment indicator exists at the year end as the market capitalisation of the Company is exceeded by the value of its investments, and an impairment review was therefore carried out at the year-end date.

Of the Company's investments, £343.0m (2019 £343.0m) are held in a non-trading entity, whose own investments are supported by loan receivables in issue with other Group companies. The critical judgement taken by management is that these loan notes are wholly recoverable, and therefore support the investment value. The carrying value of the investment is sensitive to any changes in the carrying value of the underlying loan notes, which would have a directly proportional impact to the carrying value of investments held within the Company. The carrying value of the parent company investments is supportable through the value in use of the group assets which exceeds their carrying value.

34 LOSS 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 loss after tax for the financial period ended 29 February 2020 of £10.6m (2019: profit £18.0m) which includes dividends received of £nil (2019: £25.0m).

The Non-Executive Directors' remuneration was £603,000 (2019: £628,000) and seven Non-Executive Directors were remunerated (2019: seven). The Executive Directors were remunerated by a subsidiary company in both years; the total was £1,259,000 (2019: £1,417,000). Further details are provided on p83 of the Directors' Remuneration Report.

The auditor's remuneration for audit services to the Company of £20,000 (2019: £17,000) was borne by subsidiary undertakings. There are no non-audit fees for the Company excluding the half year review; details of Group fees for non-audit services are included in note 5.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

35 FIXED ASSET INVESTMENT

	2020 £m	2019 £m
Opening cost and net book value	**367.3**	367.2
Movement in period	**(1.3)**	0.1
Closing cost and net book value	**366.0**	367.3

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

Company	Registered Office Address	Proportion held by the Group (%)
NB Insurance Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Malta No1 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta	100
NB Malta No2 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta	100
Nochester Holdings (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland	100
Odhams Leisure Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Oxendale & Company Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Oxendale & Co. Ltd (Eire Reg)	Woodford Business Park, Santry, Dublin 17, Ireland	100
Reliable Collections Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Sander & Kay Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Speciality Home Shopping (US) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
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

36 DEBTORS

	2020 £m	2019 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	115.1	86.5
Prepayments and accrued income	0.1	0.1
	115.2	86.6

The amounts owed by Group undertakings, whilst there is no fixed term of expiry, are expected to be repaid within the next 12 months.

37 CREDITORS

	2020 £m	2019 £m
Amounts falling due within one year:		
Bank overdrafts (note 38)	48.0	18.4
Amounts owed to Group undertakings	209.3	194.6
	257.3	213.0

NOTES TO THE COMPANY ACCOUNTS CONTINUED

38 BANK LOANS AND OVERDRAFTS

	2020 £m	2019 £m
Bank overdrafts	**48.0**	18.4
Bank loans	**125.0**	110.0
	173.0	128.4

The Company has unsecured bank loans of £125.0m (2019: £110.0m) drawn down under a medium-term bank revolving credit facility committed until September 2020.

At 29 February 2020, the Company had available £nil (2019: £15.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to a £27.5m (2019: £16.1m) undrawn overdraft.

The weighted average interest rates paid were as follows:

	2020 %	2019 %
Bank overdrafts	**2.3**	2.1
Bank loans	**2.5**	2.4

39 SHARE CAPITAL

	2020 Number	2019 Number	2020 £m	2019 £m
Allotted, called-up and fully paid ordinary shares of 111/19p each				
At 29 February 2020 and 2 March 2019	**285,817,178**	285,153,619	**31.4**	31.4

The Company has one class of ordinary share which carries no right to fixed income.

40 GUARANTEES

Parent Company bank overdrafts which at 29 February 2020 amounted to £48.0m (2019: £18.4m) have been guaranteed by certain subsidiary undertakings.

41 POST BALANCE SHEET EVENTS

This note sets out the subsequent events which are material to the Company up to the date of this report.

NEW FINANCING ARRANGEMENTS

On 18 May 2020, the Company secured new financing arrangements with its long-standing supportive lenders.

These new arrangements comprise:

- a new up to £50 million three-year Term Loan facility, provided by our lenders under the government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). This facility requires the Group to comply with various additional covenants including the Company being unable to pay any cash dividends for as long as the facilities remain in place; and
- the widening of certain covenants at the August 2020 half-year test date in its existing unsecured £125 million Revolving Credit Facility ("RCF") and the introduction of quarterly covenant tests.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2019	October	Announcement of interim results
2020	January	Closing of register for interim dividend
	January	Christmas trading statement
	February	Payment of interim dividend
	February	Financial year end
	June	Preliminary announcement of annual results
	July	Publication of 2020 Annual Report and Accounts
	September	Annual General Meeting

An updated version of the financial calendar is available at www.nbrown.co.uk

REGISTERED OFFICE

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Manchester M60 6ES
Registered No. 814103
Telephone 0161 236 8256

REGISTRARS

Link Asset Services PXS
134 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:

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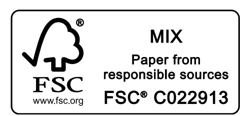

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