

**N BROWN
GROUP PLC**



ACCELERATING OUR TRANSFORMATION

N BROWN GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2021

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ACCELERATING OUR TRANSFORMATION

We have continued to transform N Brown from a catalogue retailer to a digital retailer. We see an opportunity to further improve our customer proposition and to capitalise on current industry drivers, not least the increasing trend towards online retail.

Our £100m capital raise gives us the firepower to invest further in our digital capabilities and accelerate our growth strategy. It has also significantly strengthened the Group's balance sheet to provide us with ongoing flexibility and a strong platform from which to deliver returns for shareholders.

HIGHLIGHTS

REVENUE⁵

£728.8m

2020 (restated): £837.5m -13.0%

ADJUSTED EBITDA¹

£86.5m

2020: £106.7m -18.9%

ADJUSTED OPERATING COSTS TO GROUP REVENUE RATIO²

32.5%

2020: 39.8%

ADJUSTED PROFIT BEFORE TAX³

£30.1m

2020: £59.5m -49.4%

STATUTORY PROFIT BEFORE TAX

£9.9m

2020: £35.7m -72.3%

ADJUSTED NET DEBT⁴

£(301.1)m

2020: (£497.2)m -£39.3%

¹ Adjusted EBITDA is calculated as operating profit, excluding exceptional items, with depreciation and amortisation added back. The Directors believe adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance as it removes items that do not form part of the recurring activities of the Group.

² Adjusted operating costs to revenue ratio is calculated as operating costs less depreciation, amortisation and exceptional items as a percentage of Group revenue. The Directors believe this is the most appropriate measure to demonstrate the efficiency of the Group's operating cost base.

³ Adjusted profit before tax is calculated as profit before tax, excluding exceptional items and fair value movement on financial instruments. The Directors believe that adjusted profit before tax represents the most appropriate measure of the Group's underlying profit before tax profit as it removes items that do not form part of the recurring activities of the Group.

⁴ Adjusted net debt is calculated as total liabilities from financing activities less cash, excluding lease liabilities. The Directors believe this is the most appropriate measure of the Group's net debt in relation to its unsecured borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure. A reconciliation is included in note 19.

⁵ The revenue has been restated in FY20 as outlined in note 32 on page 151.

A reconciliation of statutory measures to adjusted measures is included on page 31. A full glossary of Alternative Performance Measures and their definitions is included on page 161.

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 HOME PROPOSITION, SERVING CUSTOMERS ACROSS FIVE STRATEGIC BRANDS

OUR FIVE STRATEGIC BRANDS

JD WILLIAMS

An online boutique shopping experience showcasing own brand and third-party brand fashion and home product for 45 - 65 year old women.

JDWILLIAMS

SIMPLY BE

A size-inclusive online brand showcasing own brand and third-party brand fashion and beauty for women aged 25 - 45.

simply be.

AMBROSE WILSON

An online womenswear brand for the more mature customer, supported by home, showcasing own brand and third-party brands targeting women aged 65+.

ambrose*
Wilson



SUSTAIN

This year we rebranded our Environmental, Social and Governance (“ESG”) strategy to SUSTAIN. Fully embracing the values of our business, SUSTAIN encompasses Our People and Our Planet pillars.



SEE MORE ON
p42

REVENUE BREAKDOWN

	FY21	FY20 (restated) ¹
Strategic brands	£341.2m	£372.7m
Other brands	£127.2m	£174.3m
Total Product revenue	£468.4m	£547.0m
Financial Services revenue	£260.4m	£290.5m
Group revenue	£728.8m	£837.5m

¹ FY20 restated see note 32 on page 151

JACAMO

A size-inclusive online fashion and grooming brand for men, showcasing own brand and third-party brands targeting men aged 25 - 50.

JACAMO



HOME ESSENTIALS

A one-stop home brand offering own brand and third-party brand modern homeware helping customers to “dress their homes”. The target customer is mums aged 25 - 45 with children at home.

HOME essentials



OTHER BRANDS

Our other brands complement our five strategic brands by focusing on distinct customer niches which are not served by JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.

fashion *Marisota*

Oxendales **PREMIER MAN**

FOLDED INTO STRATEGIC BRANDS

FIGLEAVES HIGH & MIGHTY



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, customers either pay us immediately or utilise a credit account for their purchases, spreading the cost of their purchase over time. We are regulated by the Financial Conduct Authority (“FCA”) in the UK and the Central Bank of Ireland (“CBI”) in Ireland and we support our customers throughout the credit journey with us.

Gross customer loan book

£605.8m
-7.8%

CHAIR'S STATEMENT



"I would like to thank the whole team at N Brown for the way they responded to the challenges presented by Covid-19. The Board's number one priority has been to keep colleagues safe whilst maintaining their commitment to servicing our customers throughout the year."

Ron McMillan
Chair

On 31 March 2021 Matt Davies, who was appointed as Chair in May 2018, resigned from the Board to spend more time on his other business interests. On behalf of the Board, I would like to thank Matt for his contribution over the past three years and for guiding the business through a successful refinancing and transfer to the Alternative Investment Market ("AIM"). On 31 March 2021, I stepped down as the Senior Independent Director and Audit Committee Chair and succeeded Matt as Chair of the Group.

REVIEW OF THE YEAR

Our performance in the year was impacted by the onset of Covid-19 in the first few weeks of the financial year. I am very proud of the way in which the business reacted, ensuring the safety of our colleagues whilst maintaining our commitment to servicing our customers.

Despite the challenging environment, we produced a resilient performance for the year, with product revenues recovering

each quarter, following a sudden and sharp drop at the onset of the crisis. This was matched by tight cost control as we demonstrated our flexible cost base, accelerated our digital transformation and took swift actions to enhance liquidity.

Group revenue for the year declined 13.0% to £728.8m with Product revenue down 14.4% and Financial Services ("FS") revenue down 10.4%. Our focus on building an appropriate cost base for a digital retailer resulted in a material improvement in our operating cost efficiency with our adjusted operating cost to Group Revenue ratio improving from 39.8% in the previous financial year to 32.5% this year. This enabled the business to deliver adjusted EBITDA of £86.5m which was above the top end of our guidance.

Details of the strategic transformation undertaken in the year are laid out in the Chief Executive's Statement and I am pleased with the initial progress we have made to deliver sustainable profitable growth. We remain committed to our medium-term targets of delivering 7% product revenue growth and a 14% adjusted EBITDA margin.

CAPITAL RAISE

During the financial year the Group saw a compelling opportunity to de-risk and accelerate its refreshed strategy; by eliminating unsecured net debt and bringing forward strategic investment. In December 2020 this culminated in the Group successfully raising £100m through a pre-emptive equity raise, admission to AIM and the agreement of new and extended bank facilities. These provide the Group with a significantly strengthened balance sheet and the right platform to accelerate its strategy.

BOARD CHANGES

During the financial year Craig Lovelace left the business and we were delighted to welcome Rachel Izzard as our new Chief Financial Officer. Rachel joined us from Aer Lingus where she had been Chief Financial Officer since 2015.

Following completion of the £100m equity raise in December 2020 we were pleased to welcome Joshua Alliance to the Board as a new Non-Executive Director. Joshua was formerly Head of Business Innovation for J.D. Williams & Company Limited and is a Non-Executive Director of a number of digitally based private companies in the UK and Israel.

On my appointment as Chair, Gill Barr became the Senior Independent Director and on an interim basis, Vicky Mitchell has assumed the Audit Committee Chair role. A recruitment process is underway for an additional independent Non-Executive Director who will become the permanent Audit Committee Chair.

On 31 March 2021, Lesley Jones stepped down from the Board after nearly seven years following her appointment as the Chair of Sainsbury's Bank. On behalf of the Board I would like to thank Lesley for her wise counsel and contribution to the Group.

SUSTAIN

SUSTAIN is our overarching Environmental, Social and Governance strategy. As part of our focus on plastics, in Year One of our sustainability plan, we have successfully conducted a trial of Green Polyethylene ("Green PE") despatch bags. This is an important step as we progress our goal of 100% Green PE despatch bags by the end of 2021. We are also proud to have signed up to the British Retail Consortium ("BRC") Climate Action Roadmap to help the retail industry, including supply chains, to hit zero carbon emissions by 2040.

DIVIDEND

Following the outbreak of Covid-19 and the subsequent impact on the business and the wider economy, the Board suspended dividend payments. The Directors recognise that dividends are an important part of the Company's returns to shareholders and the Board will consider the resumption of dividend payments at the end of FY22.

COLLEAGUES

In a particularly challenging year I would like to thank all our colleagues for their immense hard work, dedication and effort and I look forward to working with all colleagues to deliver our strategy of returning N Brown to sustainable, profitable growth.

LOOKING AHEAD

Our key objective is to deliver profitable growth on a sustainable basis and our retail brands are focused on delivering fashion for our individual brands. We have also launched a new Home Essentials brand and, in FS, we will be making significant enhancements to our FS platform.

CHIEF EXECUTIVE'S STATEMENT

PERFORMANCE REVIEW



“It has been an extraordinary 12 months, with our financial year beginning just weeks before the onset of the Covid-19 pandemic in the UK. This presented unique challenges and difficulties for everyone across the country, and at N Brown it has been no different. I am immensely proud of all our colleagues for their resilience and commitment in serving our customers throughout the year.”

Steve Johnson
Chief Executive Officer

ACCELERATING STRATEGIC TRANSFORMATION FROM A STRENGTHENED BASE

Against that backdrop, I am immensely proud of how our colleagues have looked out for and supported one another. I am also grateful for the effectiveness and dedication which our colleagues and supplier partners have shown in adapting to a more flexible way of working during the pandemic and for their continued unstinting commitment to supporting our loyal customer base. Despite the tough trading environment, we have achieved a lot during the year, transforming the shape of our business so that it is leaner, more digitally enabled, and even more focused on our five strategic brands. We have also produced a resilient financial performance, with product revenues recovering each quarter, following a sudden and sharp drop at the onset of the crisis. We have delivered adjusted EBITDA above the top end of our guidance, a tight control of costs throughout, and a stable performance in our FS division. Our Executive and Senior Leadership teams have been refreshed and strengthened in the year leaving us well placed to continue our transformation.

We have also significantly strengthened the capital structure of the Group, having completed a £100m fundraise to both strengthen our balance sheet, by eliminating our unsecured debt, and give us the firepower to accelerate our sustainable growth strategy. I am pleased with the strategic progress we have made to deliver sustainable profitable growth in the future and we remain committed to our medium-term targets of delivering 7% product revenue growth per annum and a 14% adjusted EBITDA margin.

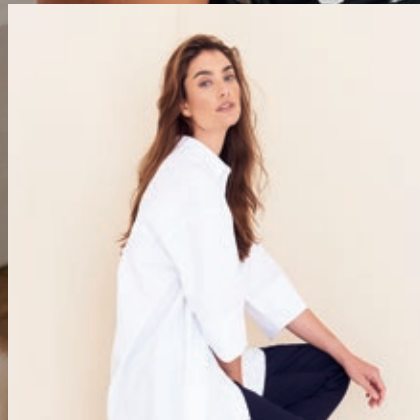
OUR RESPONSE TO COVID-19

Our absolute priority has been and remains to protect the health, safety and wellbeing of our colleagues, both across our Distribution Centres and at Head Office, whilst maintaining continuity of service for our customers shopping our brands. Since the outbreak of Covid-19 in early 2020 we have managed to keep a continuous supply of goods to our customers, whilst at all times keeping colleagues safe in our Distribution Centres and Head Office and operating in line with Government guidelines.

We made several changes to ensure continuing safe operations and to follow the Public Health England guidelines on social distancing and the subsequent guidelines for workplaces. Across our sites these changes included re-organising the floorplan layouts to ensure social distancing, introducing one-way walkways, increasing points of access and exit, staggering the entry and exit times of colleagues and laying out clear floor markings. We also installed thermal imaging cameras, significantly expanded our cleaning regime and introduced additional hand washing stations for all colleagues. To support our colleagues we established ‘well-being ambassadors’ who are mental health first aiders, and we provided packs which included masks, hand sanitiser and cutlery as well as providing lateral flow tests. As restrictions ease, we continue to support and work collaboratively with all our colleagues to find a hybrid approach to onsite and home working for our Head Office colleagues.

At the start of the pandemic we used the Government’s Job Retention Scheme, totalling £3.8m, which allowed us to work through the challenges that Covid-19 initially presented for our business and preserve a significant number of jobs for our colleagues.

CHIEF EXECUTIVE'S STATEMENT
CONTINUED



STRATEGIC UPDATE

In June 2020 we announced our refreshed strategy to return N Brown to sustainable growth by developing a stronger brand and product proposition for our customers, driving profitability through the Retail business and continuing to offer attractive and flexible credit solutions. We have made significant progress in transforming the Group in the year and we are now in the “accelerate” phase of our strategy driven by our five growth pillars and underpinned by our three enablers below. An update on the transformation achieved in the year is provided on the following pages.

1 DISTINCT BRANDS TO ATTRACT BROADER RANGES 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



CHIEF EXECUTIVE'S STATEMENT CONTINUED

1 DISTINCT BRANDS TO ATTRACT BROADER RANGES OF CUSTOMERS

WHAT WE HAVE ACHIEVED IN FY21

As set out in June 2020, our review of the markets in which we operate highlighted that we needed to extend our reach to a broader set of customers through a portfolio of brands with clearer, more focused propositions. We have therefore continued to simplify our portfolio, towards having four apparel brands and one standalone home brand as follows:

Simply Be – a size-inclusive online brand showcasing own brand and third-party brand fashion and beauty for women aged 25 - 45.

Jacamo – a size-inclusive online fashion and grooming brand for men, showcasing own brand and third-party brands targeting men aged 25 - 50.

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

Ambrose Wilson – an online womenswear brand for the more mature customer, supported by home, showcasing own brand and third party brands targeting women aged 65+.

Home Essentials – a one-stop home brand offering own brand and third-party brand modern homeware helping customers to "dress their homes". The target customer is mums aged 25 - 45 with children at home.

This year we have progressed our simplification journey, reducing the total number of brands by 25% to nine in total. We discontinued the High & Mighty and House of Bath brands, successfully migrating customers to Jacamo and Ambrose Wilson respectively. We also closed the Figleaves website and now offer Figleaves on Simply Be.

We have refreshed the creative style across our apparel brands to support our brands' clearer, more focused propositions and to build stronger brand identities. For example, our AW20 Simply Be 'Fit for an Icon' campaign which challenged convention about how curvy women are portrayed whilst demonstrating our fashion and fit credentials, is the beginning of a brand ethos which will provide direction for seasons to come.

We have accelerated the use of social media throughout FY21 and have seen encouraging results. During the period, revenue generated via social media was up 27% across the Group, with a total of 1.9m followers across Facebook and Instagram, of which 14% were acquired in the year.

WHAT WE WILL FOCUS ON IN FY22

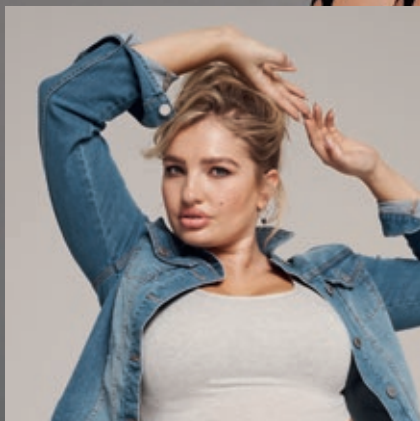
With significant work done on improving the brand and customer proposition, we are now focused on acquiring new customers in our core target segments, particularly those where N Brown is under-represented today. The successful equity raise, completed in December 2020, will enable us to accelerate our plans. We will undertake a range of activities, including expanding the presence of the core retail brands through increased investment in brand-building activity and through more specific, targeted activity through digital and social channels.

We will now communicate what makes our brands special and unique to our customers. We will focus on ensuring that our brands are visible in the most relevant way to our target customer, and in a way and at times that they are most receptive to receiving that message through channels including above the line ("ATL") marketing and social media. For example, this will mean a significant focus on social media for Simply Be and Jacamo, and a focus on broadcast campaigns for our JD Williams and Home Essentials brands.





CHIEF EXECUTIVE'S STATEMENT
CONTINUED



2 IMPROVED PRODUCT TO DRIVE CUSTOMER FREQUENCY

WHAT WE HAVE ACHIEVED IN FY21

Refining and improving our product offering is central to driving our new brand propositions, encouraging customer loyalty and frequency. We have made good progress on three key areas.

First, we started the process of improving our product 'handwriting' through clearly defined designs for each brand, investing in fabric, quality and consistency of fit. With our passion to define our unique and more differentiated customer proposition by brand we recruited a new Group Design Director and created dedicated teams, aligned to each strategic brand. These changes to our design process mean that our prints are now completely unique to us and our palettes and product are designed with a specific customer in mind. In the year we increased the proportion of own designed womenswear ranges from 53% to 57%. Our new teams were able to swiftly pivot our product offer to meet the customer demand for Leisurewear and Nightwear whilst protecting our 'famous for' categories such as lingerie and denim.

Secondly, we have redefined our good/better/best price architecture with the purpose of creating product which represents great quality and value as well as introducing new brands which stretch the range within the 'best' category. We have rationalised our ranges to ensure there is less duplication and a clearer more considered offer. These investments are being well received by our customers. We have also made significant progress with launching new third-party brands on our websites, with Hugo Boss and Ralph Lauren both launched on Jacamo in the year.

Finally, we have continued with our commitment to embed sustainability throughout the organisation, our product ranges and all our processes. In March 2020 we introduced our sustainably sourced Jacamo men's denim range which uses a mixture of organic cotton, cotton sourced through Better Cotton Initiative ("BCI") and Repreve polyester meaning the

entire men's denim range has sustainable attributes. 85% of our women's denim offer is now sustainably sourced and our aim is to increase this further throughout FY22. We have also further consolidated our supplier base, with an 18% year on year reduction in the total number of suppliers. Throughout the pandemic we were able to respond with increasing flexibility to shifting customer demands and delivered on average a one week improvement in lead times on product changes throughout the year.

WHAT WE WILL FOCUS ON IN FY22

We will accelerate our initiatives around improving our product handwriting, transforming our pricing architecture and driving our sustainability agenda.

We will continue to drive improvement in our product handwriting to deliver exciting product which resonates with our customers. We are accelerating our investment in our design team with a particular focus on 'print' and the "famous for" categories such as lingerie, denim and footwear.

Our range rationalisation is ongoing as we continue to improve the quality of the product and ranges which we offer our customers. On the Simply Be website we launched exciting new third-party brands Finery and Nobody's Child in March and April 2021 respectively with exclusivity through sizing. We plan to add French Connection, Sonder and Khost to JD Williams later this year alongside increasing the range size for existing third-party brands such as Hobbs, Joules and Monsoon.

We are entering the second year of our sustainability roadmap with the focus being on ensuring all denim ranges will have sustainable properties, completing the roll out of Green Polyethylene bags across Jacamo and Simply Be and reviewing recycling options for our customers. We will also focus on a roadmap for delivering a continued CO₂ reduction in our supplier base.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

3 NEW HOME OFFERING FOR CUSTOMERS TO SHOP MORE ACROSS CATEGORIES

WHAT WE HAVE ACHIEVED IN FY21

On 1 April 2020 we launched our Home Essentials brand as a standalone trading site for customers who enjoy dressing their home with a close eye on affordability. We have curated a home furnishings offer alongside electrical and gifting categories; much of which is designed by and unique to the Group. The timing of our Home Essentials launch coincided with an increase in consumer demand for Home and Garden, triggered by the pandemic, which had an immediate impact on the Group's Home sales and has subsequently been sustained. We were quick to pivot our offering to address new customer demand trends, for example by expanding our electrical and home office proposition which saw increased demand, particularly during the first national lockdown.

In addition we launched Facebook and Instagram pages for Home Essentials in April, which have gained over 82,000 followers. This encouraging start has demonstrated the significant opportunities available to us to inspire and serve even more potential customers through these channels and will support our customer acquisition strategy for the brand.

WHAT WE WILL FOCUS ON IN FY22

Home Essentials is a brand whose focus is around in-house design which ensures the complete offer is individual and bespoke to this customer cohort. Our customers come to Home Essentials to find furniture alongside chairs, tables, soft furnishings, lighting, small appliances and storage. We will continue to invest in key product categories such as furniture and bedding to accelerate Home Essentials' second year as a standalone website.

New customer acquisition is key to the success of Home Essentials. We have exciting plans around broadcast campaigns as well as continued social media activity to drive customer recruitment.





Strategic report

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CHIEF EXECUTIVE'S STATEMENT
CONTINUED



4 ENHANCED DIGITAL EXPERIENCE TO INCREASE CUSTOMER CONVERSION

WHAT WE HAVE ACHIEVED IN FY21

We have implemented Bloomreach technology across our strategic brands in order to optimise and personalise each customer's digital experience. Bloomreach uses machine learning and artificial intelligence ("AI") to offer advanced merchandising tools and includes the ability to serve every customer with a personalised product list based on their preferences. Bloomreach has driven a 19% increase in 'click through rates' from search to the relevant product page and a 55% reduction in 'zero results' across our strategic brands' websites.

Our agile approach to digital transformation enabled us to launch the standalone Home Essentials website on 1 April 2020 as well as migrate customers from High & Mighty and House of Bath to Jacamo and Ambrose Wilson respectively. We have also started developing new Application Programming Interfaces for social media integration to enable more automated re-targeting of customers. Once embedded, this will increase efficiency and is expected to benefit conversion.

WHAT WE WILL FOCUS ON IN FY22

The existing N Brown websites are built on a legacy technology stack, which has been developed over many years. Following the equity raise in December 2020, the Group is accelerating its investment in new front-end websites with the aim of improving the customer experience through a cleaner website resulting in better conversion rates and search optimisation benefits. It is an important step on N Brown's technology roadmap as we move away from the legacy web technology stack, improve stability and accelerate the pace of future change.

An additional benefit to this is an improvement to site speed which is key to enhancing search engine optimisation ("SEO"). This will include a new sales journey, supported by a fresh customer experience in line with brand principles and improved search, navigation, product listing, details pages, bag and checkout functions.

Finally, we are focused on improving our digital self-service capabilities and refreshing our contact centre and telephony offering for our customers.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

5 FLEXIBLE CREDIT TO HELP CUSTOMERS SHOP

WHAT WE HAVE ACHIEVED IN FY21

Our focus at the start of the pandemic was on protecting our customers and our business by ensuring continuity of service whilst minimising any risk exposure. Throughout the year our credit proposition remained a key point of difference for our customers by providing access to products they both need and desire. With the structural shift in the year towards higher value Home and Electricals, being able to spread the cost of purchases either through necessity or convenience, helped to drive the recovery in product sales throughout the year. This has been further helped by the launch of seasonal offers for our credit customers through 0% interest and credit back campaigns.

Providing credit to make shopping affordable is at the heart of N Brown's business model and remains at the core of the strategy moving forwards. N Brown's current credit platform is built on a mainframe system which is robust but lacks flexibility to make changes to enhance the customer proposition. Customer behaviours have evolved and are generally shifting towards a range of more flexible payment products, which the Group's current system cannot currently service. To deliver more modern products, the Group needs to develop a new FS platform that has the flexibility to offer these products and the equity raise completed in December 2020 will enable investment in this.

A new Financial Services platform development project is underway to better understand the delivery options for the new FS platform and the scale of the business and technology change. We have also conducted a comprehensive customer research programme to understand the needs of our customers, both now and in the future, the products that appeal to them and the customer experience they expect from a digital retailer.

At the start of the pandemic we moved swiftly to offer our customers payment deferrals, ahead of FCA guidance, and have provided this support throughout the pandemic. We also proactively changed

lending criteria to prevent any harm to our customers during these unprecedented times, therefore ensuring good customer outcomes. At the beginning of FY21 we were facing into a challenge with regards to customers identified as in Persistent Debt. This was one of the key focus areas for the year and a dedicated Persistent Debt Programme was set up to find the right solution. We ended FY21 with a solution in place that delivers good outcomes for our customers whilst mitigating the commercial impact resulting from having to suspend or close customers' credit facilities. This solution is now live and will be monitored closely throughout this year.

Good progress has been made in FY21 to enhance the use of different data sources and analytical tools and techniques to drive improvements in our lending proposition. We continue to work with Aire using their proprietary AI models to enhance our creditworthiness process and have also successfully launched a new lending model using the DataRobot tool which has further enhanced our capability. Multiple tests are also underway on refining our credit limit increase programme and we have also started a Credit Limit Optimisation initiative working with Experian. All these areas are helping to drive incremental improvements to our credit proposition and the FS team continue to explore further opportunities in this area.

WHAT WE WILL FOCUS ON IN FY22

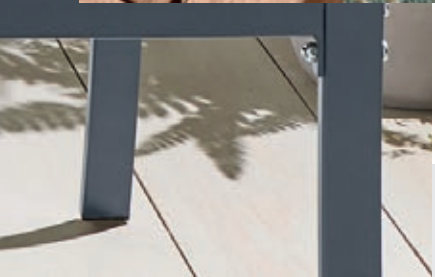
Our strategic focus for the medium-term will be on the delivery of the new FS platform and the launch of new credit products that will broaden the appeal of our proposition. Whilst overall performance in FS remains strong with low arrears and strong payment behaviour from customers, we remain cautious on the impact of the lockdown being eased and the end of the furlough scheme in September. We continue to embed regulatory changes such as the Senior Managers & Certification Regime ("SM&CR") and remain focused on providing inclusive financial services to our customers to enable them to shop our compelling products across our brands.





CHIEF EXECUTIVE'S STATEMENT
CONTINUED





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

PEOPLE AND CULTURE

Our colleagues are our biggest asset and they continue to show commitment like no other in their flexibility and adaptability in response to the change in ways of working due to the pandemic. We have remained fully operational throughout this difficult period and we are grateful to our colleagues for the part they have played in this.

Within the year we welcomed Rachel Izzard, CFO, and Sarah Welsh, Retail CEO, to the Group as we continued to refresh our Executive team. We have also strengthened our Product team through a series of senior hires and appointments with a new Group Buying Director, Group Design Director and a newly created role of Group Sourcing, Sustainability, Quality and Fit Director.

DATA

We continue to increase our use of data across the business to understand our customers better and drive continued efficiencies in revenue, marketing and product ranging. Our use of AI to develop a model to predict customer lifetime value now informs our marketing decisions and has been crucial in reducing unprofitable marketing expenditure and making our cost base more efficient and sustainable.

We have completed discovery projects to determine the optimal pricing strategies for our brands and we are in the process of building models which will determine how to maximise revenue, margin or other strategic key performance indicators ("KPIs") through promotional pricing.

The Group has continued to invest in its people and infrastructure with new key hires such as Data Scientists, Architects and Product Managers to build out modern, cloud-based data structures increasing our ability to deliver rapid insight-to-action analytics.

SUSTAINABLE COST BASE

The final enabler of our strategy is developing a sustainable and appropriate cost base to help build retail profitability. We took swift and decisive action to respond to the pandemic and were able to reduce our adjusted operating costs by 28.9% in the year. We had previously identified a range of sustainable efficiencies in our marketing costs and were able to accelerate these in response to the trading environment. Our marketing costs fell 55.7% in FY21, far in excess of the 13.0% decline in Group revenue.

We also took the difficult decision to conduct a redundancy programme in order to ensure the Group had an appropriate and sustainable cost base for a digital retailer. This process resulted in c.245 colleagues leaving the business, who we were regrettably unable to redeploy in other areas.

Targeted initiatives across the entire cost base resulted in adjusted operating costs as a percentage of Group revenue significantly improving from 39.8% in FY20 to 32.5% in FY21.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

KEY PERFORMANCE INDICATORS ("KPIS")

As a digital retailer, accelerating our strategy, and moving out of a period impacted by Covid-19, we are in a position to start reporting various digital customer metrics, which provide operational measures of how our strategy is progressing. The initial disclosure below reflects the impact of Covid-19 on the business in FY21 and we are now focused on driving improvements across these measures.

Total website sessions remained relatively high in the year despite a 55.7% reduction in marketing expenditure supported by our ability to pivot into the products the customer was looking for such as home office and garden. As expected and in-line with other retailers, conversion was lower in FY21 due to more customers browsing during the pandemic.

The reduction in orders in FY21 was reflective of customer demand and within this there was a significant pivot from Clothing and Footwear to Home and Gift. Average order value ("AOV") was broadly similar to the prior year reflecting the strong Home and Gift performance in the year offsetting the price sensitivity in clothing and footwear. The increase in average item value ("AIV") was driven by the mix effect of Home and Gift as this category typically has higher average prices. This mix effect also resulted in a small decrease in 'items per order' as Home and Gift items typically have a higher price point. Total active customers declined in the year, primarily driven by the reduction in 'other brands' customers.

FS arrears fell due to an increase in the quality of the loan book and an increasing propensity for our credit customers to pay down their balances in the year. Our relentless focus on improving the experience for our customers resulted in Net Promoter Score ("NPS") increasing by 2ppts in the year to 63.

FY22 GUIDANCE

Since the start of FY22 we have returned to Product revenue growth and for the full year we currently expect Product revenue growth of between 3% and 7%. Financial Services revenue is expected to be lower compared to FY21 as a result of a smaller debtor book at the start of FY22. Overall we currently expect Group revenue growth to be +1% to +4% for FY22 and for adjusted EBITDA to be in the range of £93m to £100m.

We expect capex of £30m - £35m, depreciation and amortisation of c.£40m reflecting the acceleration of our strategy and net interest costs of c.£16m. In FY22 the Group will use its adjusted EBITDA to fund investment in capital expenditure and working capital for growth. At the end of FY22 this would leave the Group with a strong unsecured net cash position and at that point the Board will consider the resumption of dividend payments. FY22 year-end adjusted net debt is expected to be in the range of £280m to £300m.

SUMMARY AND OUTLOOK

FY21 was a year of significant strategic progress and the business is in a much stronger position than it was at the start of the pandemic. We are heartened by the strategic progress we have made, however we remain cautious on the external environment given the uncertainty around the relaxing of the government restrictions and the end of the furlough scheme.

We are confident that our strategy is the right one and we have demonstrated throughout the year that we have a flexible and agile business model which is able to react swiftly to the external environment and deliver for our customers. We remain committed to our medium-term targets of 7% product revenue growth per annum and a 14% adjusted EBITDA margin. Achieving these will deliver sustainable returns for shareholders.



Steve Johnson
Chief Executive Officer

TOTAL WEBSITE SESSIONS

232m



DEFINITION

Total number of sessions across N Brown apps, mobile and desktop websites.

TOTAL ACTIVE CUSTOMERS

2.8m



DEFINITION

Customers who placed an accepted order in the 12-month period.

TOTAL ORDERS

10.0m



DEFINITION

Total orders placed in the 12 month period. Includes online and offline orders.

CONVERSION

3.8%



DEFINITION

% of app / web sessions that result in an accepted order.

AVERAGE ORDER VALUE ("AOV")

£69.0



DEFINITION

Average order value based on accepted demand¹.

AVERAGE ITEM VALUE ("AIV")

£25.0



DEFINITION

Average item value based on accepted demand¹.

ITEMS PER ORDER

2.8



DEFINITION

Average number of items per accepted order.

FINANCIAL SERVICES ("FS") ARREARS

7.9%



DEFINITION

FY20 and FY21 arrears are stated including both customer debts with two or more missed payments, or customer debts on a payment hold (including Covid-19 payment deferrals).

NET PROMOTER SCORE ("NPS")

63



DEFINITION

Customers asked to rate likelihood to "recommend the brand to a friend or colleague" on a 0-10 scale (10 most likely). NPS is (% of 9-10) minus (% of 0-6). NPS is recorded on JD Williams, Simply Be, Ambrose Wilson, Jacamo, Home Essentials and Fashion World.

¹ Accepted Demand is the value of orders from customers (including VAT) that we accept, i.e. after our credit assessment processes. Excludes Fingleaves for FY20 and FY21 due to different internal reporting systems.

MARKETPLACE

ADAPTING TO MARKET TRENDS

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

The significant social and economic challenges posed by Covid-19 have accelerated the shift to online retail with growth of online retail sales by 43.8% in Q4 2020¹. Whilst Covid-19 vaccine programmes continue to bring hope for sustained easing of restrictions throughout 2021, a degree of uncertainty remains, and it is expected that consumers will continue to shop more online. Some customers will be reluctant to return to in-store shopping and many have become accustomed to shopping online during the pandemic.

This year has seen an increased focus on home products as people have spent more time than ever at home. The launch of our Home Essentials brand and our ability to pivot to meet changing consumer demand have been important for N Brown in navigating the fast-changing retail environment this year.

The clothing and footwear sector has been the hardest hit retail sector in the UK amid the pandemic² as consumers prioritised essential items due to economic uncertainty and the restrictions imposed on social events, occasions and holidays reducing the need for new clothing. Our focus is on responding promptly to changing trends and customer demand, and for example this year, we successfully pivoted to newly resilient categories such as Leisurewear and Nightwear. We will continue to monitor changes in consumer demand across categories where our brands have a very strong, differentiated offering.



¹ BRC State of Trade Q4 2020, January 2021.

² GlobalData UK Clothing & Footwear Market 2015 – 25e, 2 October 2020.

CONSUMER CREDIT

Our credit proposition is a key differentiator, enabling us to provide convenient financial services to customers, while using data to provide them with personalised and targeted offers. Our credit customers are also loyal to N Brown, helping to drive demand for our products.

As the refined brand propositions attract a broader and more affluent section of the market, we have begun the process of developing new financial products that are familiar to these customers and drive higher volumes of full price incremental retail sales. Supporting the delivery of these new credit options will be our new FS platform and we have made good progress in a discovery phase to help understand the different delivery options.

We are also enhancing our use of data sources, analytical tools and techniques to improve our lending proposition. Aire Labs is an AI tool which supports better credit decisions and customer

outcomes. This is helping drive incremental improvement and we see further opportunities in this area.

In response to the pandemic and to ensure our customers are fully supported, we implemented and adapted processes at pace, to meet our customers' needs. The Group fully embraced the revised FCA guidance on the impact of Covid-19 and expanded our contact channels, rolled out additional forbearance in the form of the temporary payment deferral, and enhanced our monitoring and reporting of vulnerable customers.

MARKETPLACE OUTLOOK

Our success as a business is determined by the demand for our products, which stems from consumer confidence, and our ability to benefit and service that demand by cultivating brands that resonate, products that stand out, and a leading digital customer experience.

The latest GfK Consumer Confidence Index³ shows a further increase in the Overall Index Score for March which increased by a sturdy seven points to -16, marking an improvement each month in 2021 so far. Whilst consumer confidence is expected to continue to rise, economic uncertainty and overall lower consumer confidence are expected to remain throughout 2021 as a result of the pandemic.

The anticipated sustained easing of restrictions over the coming months and a return to some level of normality will mean that consumers look to spend on categories which have been less popular in 2020, such as formalwear. Our ability to pivot our business model into product categories to meet consumer demand is key to supporting our overall strategy to ensure sustainable long-term growth.



³ GfK Consumer Confidence Index, 19 March 2021.

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.

Brands

We operate five strategic retail brands and a portfolio of other brands selling Clothing and Footwear, and Home and Gift.

Product

Delivering product which 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 appropriately.

OUR RELATIONSHIPS

Customers

We are proud to make great products which our customers 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.

Shareholders

We work to deliver long-term sustainable value for our shareholders.

Further information on our relationships is on p39

What makes us different?

UNDERSERVED MARKET FOCUS

DISTINCT BRAND PORTFOLIO

GREAT PRODUCT

DIGITAL CAPABILITIES

CONVENIENCE OF FINANCIAL SERVICES OFFER

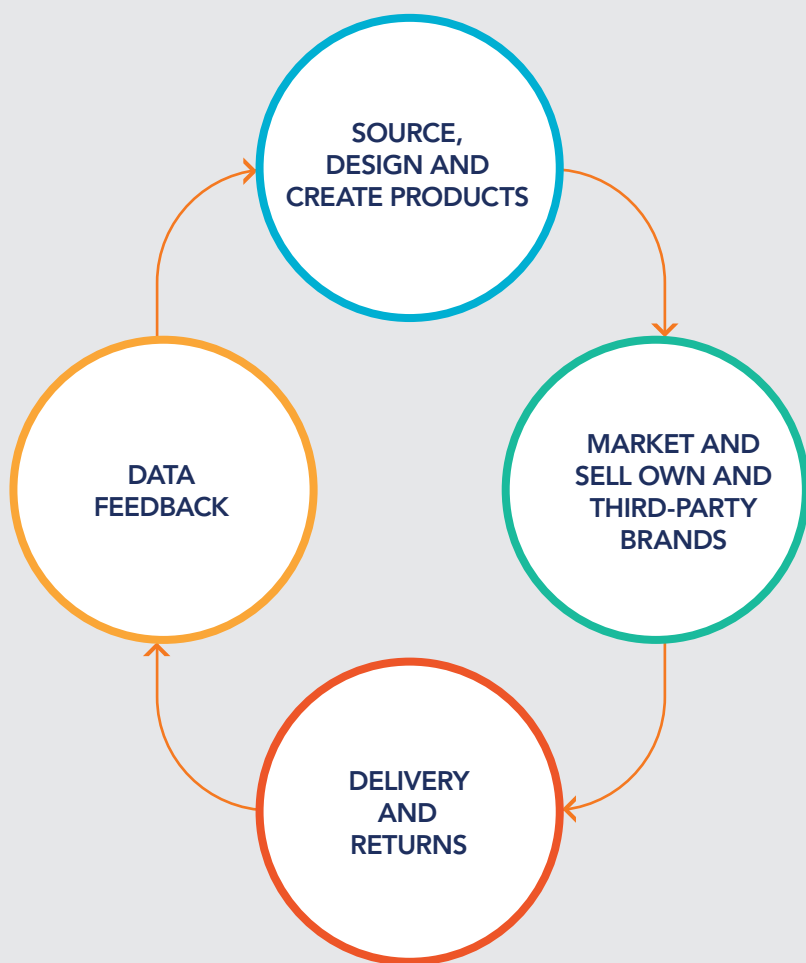
OUR VALUES UNDERPIN EVERYTHING WE DO

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

£20.0m

Reinvested for long-term growth¹

£64.9m

Cash generated²

NON-FINANCIAL

71%

Colleague satisfaction³

£84,054

Charity and community investment⁴

¹ Capital expenditure, i.e. purchases of intangible assets and property, plant and equipment.
² Net cash generated from the Group's operating activities. The Directors believe that net cash generated is the most appropriate measure of the Group's cash generation from underlying performance.
³ Overall colleague engagement score measured through the Group's VIBE survey in FY21.
⁴ Charitable donations made by the Group in FY21.

EMPOWERED BY TRUST

MOTIVATED BY PACE

FINANCIAL PERFORMANCE

REVIEW OF THE YEAR



"I would like to thank all our stakeholders for the support which they have given the Group in such an unprecedented year. The Group was able to demonstrate its flexible business model to deliver a resilient adjusted EBITDA performance in year above the top end of guidance. We also significantly strengthened the capital structure of the Group, completing a £100m equity raise which leaves us well positioned to deliver sustainable growth."

Rachel Izzard
Chief Financial Officer

With the financial year beginning on 1 March 2020, and the first UK lockdown announced on 23 March 2020, this has been an unprecedented period for N Brown with an initial immediate and material impact on product sales. By reacting quickly and flexibly, and building on strategic changes already underway, we were successful in mitigating a large proportion of the impact and remain profitable at all levels.

As a result of this resilient financial performance and support from all stakeholders including our shareholders, the Group has eliminated unsecured debt and extended its financing facilities. We entered the pandemic with the RCF fully drawn at £125m and have finished the year with an undrawn RCF and a significantly improved leverage position.

Product revenue improved every quarter following the sudden decline at the onset of the pandemic, and in Q4 our strategic brands delivered Product revenue growth. We have demonstrated the flexibility of our cost base with

material improvement in the adjusted operating costs to Group revenue ratio in the year enabling us to offset more than 80% of the reduction in gross profit and remain profitable.

We supported our Financial Services credit customers through the period and repayment rates stayed in line or ahead of previous years with an improved arrears position. IFRS 9 requires the inclusion of future expected credit losses which consider the forecast impacts of the pandemic. This has resulted in our IFRS 9 provision ratio increasing to 14.1% from 10.9% in FY20.

As a result of the equity raise, tight cost and working capital control, temporary reductions in capital expenditure and suspension of the dividend, combined with a smaller debtor book, the Group reduced adjusted net debt by £196.1m in the year.

N Brown is now well placed to deliver its strategic goals of medium-term Product revenue growth of 7% per annum and an adjusted EBITDA margin of 14%.

REVENUE

£m	FY21	FY20 (Restated) ¹	Change
Revenue			
Strategic brands ²	341.2	372.7	(8.5)%
Other brands ³	127.2	174.3	(27.0)%
Total Product revenue	468.4	547.0	(14.4)%
Financial Services revenue	260.4	290.5	(10.4)%
Group revenue	728.8	837.5	(13.0)%

¹ FY20 restated see note 32 on page 151.

² JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.

³ Other brands are Fashion World, Marisota, Oxendales and Premier Man. High & Mighty, House of Bath and Figleaves were folded into Strategic brands in FY21.

Group revenue declined 13.0% to £728.8m, as a result of a 14.4% decline in Product revenue and a 10.4% decline in Financial Services revenue.

£m	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Product revenue	(25.7)%	(15.0)%	(9.6)%	(4.3)%
Strategic brands ¹	(19.6)%	(9.8)%	(2.5)%	1.3%
Other brands ²	(38.3)%	(26.2)%	(26.0)%	(18.5)%
Financial Services revenue	(8.3)%	(15.8)%	(8.3)%	(8.0)%

Q1 FY21 is the 13 weeks to 30 May 2020, Q2 FY21 is the 13 weeks to 29 August 2020, Q3 FY21 is the 18 weeks to 2 January 2021, Q4 FY21 is the 8 weeks to 27 February 2021. All percentage changes reflect FY21 revenue against the comparable period in FY20 restated. Product revenue has been adjusted to reflect the actual returns performance in the year.

¹ Strategic brands are JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.

² Other brands are Fashion World, Marisota, Oxendales and Premier Man. High & Mighty, House of Bath and Figleaves were folded into Strategic brands in FY21.

Following the sudden and significant decline at the onset of the pandemic, Product revenue made a steady recovery throughout the period predominantly driven by the performance of the strategic brands which ended the year in growth. The Group was able to pivot its offer to meet customer demand of Home and Gift products, boosted by the launch of Home Essentials as a standalone website on 1 April 2020 and as a result, the percentage of Home and Gift product revenue increased from 29% in FY20 to 41% in FY21.

Customer returns rates were lower in the year, (8.8)ppts vs FY20, due to a combination of mix into the lower returning Home and Gift products (4.4)ppts as well as an underlying improvement through the pandemic period (4.4)ppts.

During the year we have changed our treatment of where we record the VAT bad debt relief received from HMRC as a consequence of writing off customer receivables. The VAT relief was previously represented in Product revenue. We now believe a more appropriate treatment, is to credit the VAT relief as a reduction to cost of sales. This credit is reflected within the Product gross margin as the relief would not be available to a standalone Financial Services business. Both the prior year and current year have been amended to this approach which is covered in note 32.

In Financial Services the customer receivables gross debtor balance reduced during the year 7.8% at the year end, and (6.4)% on average through the year due to a combination of lower Product revenue sales, and higher levels of customer repayment rates, partially offset by lower write offs. As a consequence, Financial Services revenue declined 10.4%.

Throughout the year our Financial Services teams have been focused on treating customers fairly and where appropriate they were supported with Covid-19 forbearance periods. When a customer was on a Covid-19 payment deferral, the Group did not apply interest to their credit balances. The larger decline in Financial Services revenue in Q2 FY21 was due to c.3% of account balances being on a Covid-19 payment deferral. By the end of FY21 fewer than 1% of account balances remained on a Covid-19 payment deferral.

ADJUSTED GROSS PROFIT¹

£m	FY21	FY20 (Restated) ³	Change
Product gross profit	204.1	279.1	(27.1)%
Product gross margin %	43.6%	51.0%	(7.4)ppts
Financial services gross profit	119.4	160.8	(25.7)%
Financial services gross margin %	45.8%	55.4%	(9.6)ppts
Adjusted Group gross profit¹	323.5	439.9	(26.4)%
Adjusted Group gross profit margin²	44.4%	52.5%	(8.1)ppts

¹ Adjusted gross profit is gross profit excluding exceptional items. The Directors believe adjusted gross profit represents the most appropriate measure of the Group's underlying trading performance.

² Adjusted gross profit margin is calculated as adjusted gross profit as a percentage of Group Revenue. The Directors believe adjusted gross profit margin represents the most appropriate measure of the Group's underlying trading performance.

³ FY20 restated see note 32 on page 151.

The Group's overall adjusted gross margin was 44.4%, compared to 52.5% in FY20 (as restated).

Product gross margin declined 7.4ppts to 43.6% primarily as a result of the strategic decision to pivot the customer offer towards Home and Gift to respond to customer demand. Whilst Home and Gift has a lower gross margin, it also has a much lower returns rate. Product gross margin also declined as a consequence of discounting to clear down older stock, a continued highly promotional market and increased freight rates from the second half of the financial year.

The Financial Services gross margin declined 9.6ppts to 45.8% due to the movement in the impairment provision for future expected credit losses. In the first half of the financial year and in accordance with IFRS 9, the Group increased the impairment provision by £17m to reflect future expected credit losses as a result of the impact of Covid-19 and payment deferrals. At the end of FY21 the impact has been reassessed at £15.4m. The Financial Services gross margin in the prior year also benefitted from IFRS 9 provision reassessments.

ADJUSTED OPERATING COSTS¹

£m	FY21	FY20	Change
Warehouse and fulfilment costs	(64.8)	(78.1)	17.0%
Marketing and production costs	(60.3)	(136.0)	55.7%
Admin and payroll costs	(111.9)	(119.1)	6.0%
Adjusted operating costs¹	(237.0)	(333.2)	28.9%
Adjusted operating costs¹ as a % of Group Revenue	32.5%	39.8%	(7.3)ppts

¹ Adjusted operating costs are defined as operating costs less depreciation, amortisation and exceptional items. The Directors believe this is the most appropriate measure of the Group's operating cost base as it removes items that do not form part of the recurring activities of the Group.

At the start of the pandemic, we took swift and decisive action on the operating cost base, highlighting the agility of the business model. This included tight control of marketing expenditure, management pay cuts, furlough support, and working with suppliers to unlock volume variability. As a result of these initiatives, adjusted operating costs decreased by 28.9% compared to the prior year, significantly more than the 13.0% decline in Group revenue. Statutory operating costs decreased by 26.4% compared to the prior year. These cost savings mitigated 83% of the Gross Margin decline, in-line with our guidance of offsetting more than 80% of the absolute Gross Margin decline.

FINANCIAL PERFORMANCE CONTINUED

Marketing costs were down 55.7% year on year to £60.3m driven by the strategic focus on sustainable profitable marketing activity and from the immediate and sharp removal of non-revenue generating spend in H1 in response to Covid-19;

Warehouse and fulfilment costs were 17.0% lower year on year, better than the 14.4% reduction in Product revenue. Costs decreased as a result of lower returns and continued efficiencies; and

Admin and payroll costs decreased by 6.0%, driven predominantly by an immediate essential spend only response to Covid-19 in the first half of the financial year, lower headcount, minimal discretionary spend and travel, and continued Head Office efficiencies. Across Warehouse and Fulfilment and Admin and Payroll, the Group benefitted from c.£3.8m of furlough support from the Government in H1 which allowed us to work through the challenges that Covid-19 initially presented for our business and preserve a significant number of jobs for our colleagues.

Overall, adjusted operating costs as a percentage of Group revenue significantly improved from 39.8% in FY20 to 32.5% in FY21 through a combination of strategic change and Covid-19 response.

ADJUSTED EBITDA AND STATUTORY OPERATING PROFIT

We were able to offset more than 80% of the reduction in gross profit and the IFRS 9 provision increase through control of costs and therefore adjusted EBITDA decreased by £20.2m to £86.5m. Statutory operating profit was £35.1m a decrease of £13.0m compared to the prior year.

DEPRECIATION AND AMORTISATION

The successful equity raise and refinancing in December 2020 has enabled the Group to push ahead with strategic investment in technology advancements. Following the equity raise and refinancing, the Group has therefore performed a detailed review of the useful economic lives ("UEL") of its legacy assets in light of general advancements in technology and the Group's revised strategy. This resulted in shortening the useful economic lives of certain assets and an increase in the amortisation charge of £6.6m. More detail is included in note 12 on page 132.

As previously guided, Depreciation and Amortisation increased in the year as the Group accelerated the pace of its strategic change. FY21 Depreciation and Amortisation was £39.8m, compared to £30.1m in the prior year.

NET FINANCE COSTS

Net finance costs were £16.6m, a decrease of 2.9% compared to last year as a result of lower levels of debt following the equity raise, management actions to maintain liquidity and a smaller debtor book.

EXCEPTIONAL ITEMS

Exceptional items are items of income and expenditure which are one-off in nature and material to the current financial year or represent true ups to items presented as exceptional in prior periods. These were significantly lower than the prior year as the Group has now reached conclusion over the majority of legacy issues, with legacy tax structures resolved and the FCA customer redress deadline behind us. The only significant legacy issue still outstanding is the Allianz contingent liability, more detail is provided on the following page.

In line with the Board's strategic review and multi-year transformation of the business, a material level of cost reduction programs have been completed as well as an increased focus and refinement of the Group's five strategic brands. During FY21, total redundancy costs of £5.2m have been incurred across the Group including Fingleaves, in order to align the Group's people costs to deliver an organisational design that supports the revised strategy. A further £2.7m has been incurred on the restructure and the transfer of the Fingleaves business under the Simply Be brand, including stock write down of £1.1m and onerous contract provisions of £0.8m. The one-off costs related to the transformation are substantially complete.

In accordance with the requirements of IAS 36 management have assessed the carrying value of the intangible assets held in respect of the International (£1.2m) and Fingleaves business (£0.8m), following the Group's strategic decision during the year to focus on the UK as a market and the five strategic brands, and have written the value of these assets down in full.

Further details are included in note 6 on page 126.

£m	FY21	FY20
Strategic change	7.9	3.5
Impairment of tangible and intangible assets and brands	1.7	1.8
Legal costs	1.1	1.0
Customer redress	(0.1)	22.9
Tax matters	1.0	(0.7)
Gain from early settlement of derivative contracts	(1.4)	–
Items charged to profit before tax	10.2	28.5

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 and proceedings remain at an early stage, with each party only recently having completed a lengthy disclosure exercise. We continue to gather detailed and factual expert and witness 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 financial outflow and has, therefore, not made provision for this claim at this time and instead a contingent liability has been disclosed. Further details can be found in note 26 on p144.

ADJUSTED PROFIT BEFORE TAX AND STATUTORY PROFIT BEFORE TAX

Adjusted profit before tax was £30.1m, down 49.4% year on year as a result of lower gross profit, the increase in the IFRS 9 provision and the accelerated depreciation and amortisation.

Statutory profit before tax was £9.9m (FY20: £35.7m) which reflects a £13.3m reduction in fair value adjustments to financial instruments and is inclusive of the £15.4m Covid-19 impact on the IFRS 9 provision made in the year.

TAXATION

The taxation charge for the period is based on the underlying estimated effective tax rate for the full year of 19.0%. Further details are contained in note 9 on p129.

EARNINGS PER SHARE

Adjusted earnings per share were 7.89p (FY20: 16.37p). Statutory earnings per share were 2.63p (FY20: 9.63p). Both measures include the impact of the reduction in earnings as well as the 61.1% increase in the share capital following the equity raise in December 2020. Further details can be found in note 11 on p130.

FINANCIAL SERVICES CUSTOMER RECEIVABLES AND IMPAIRMENT

In FY21, the gross debtor book reduced by 7.8% to £605.8m due to lower product sales and an increase in customer repayment rates partially offset by lower write off rates.

Customer arrears rates improved in the year (1.3ppts to 7.9%) with the government pandemic support in place. The pricing for the previously bi-annual debt sales improved underpinned by the decision to move to a single larger debt sale at the end of the year.

IFRS 9 requires the inclusion of future expected credit losses which consider the forecast impacts of the pandemic. This has resulted in our overall IFRS 9 provision ratio increasing to 14.1% from 10.9% in FY20, with the Covid-19 impact model overlay assessed at £15.4m at the year end.

Customer loan balances have reduced in the period, and the IFRS 9 provision rates increased as shown in the following table:

£m	FY21	FY20	Change
Gross customer loan balances	605.8	656.9	(7.8)%
IFRS 9 provision	(85.2)	(71.7)	(18.8)%
<i>Normal account provisions</i>	(60.9)	(66.3)	+0.4ppts
<i>Payment arrangement provisions</i>	(8.8)	(5.4)	(0.6)ppts
<i>Covid-19 impacts</i>	(15.4)		(2.5)ppts
IFRS 9 provision ratio	14.1%	10.9%	(3.2)ppts
Net Customer Loan Balances	520.2	585.2	(11.0)%

The profit and loss net impairment charge for FY21 was £139.1m, £11.5m higher than last year due to the increase in IFRS 9 provision offset by lower write-offs as shown below.

£m	
FY20 net impairment charge	127.6
Under IFRS 9, we have provided an extra £15.4m for expected future credit losses as a result of the economic impacts of Covid-19	15.4
A reduction in the amount of debt sold due to improved arrears performance	4.6
A smaller debtor book due to lower product sales	(5.5)
Improved book quality year-on-year	(3.0)
FY21 net impairment charge	139.1

FINANCIAL PERFORMANCE CONTINUED

FUNDING AND EQUITY RAISE

In November 2020 the Group announced a £100m equity raise to eliminate unsecured debt and accelerate strategic investment, concurrent with new and extended banking facilities. Following shareholder approval and the subsequent move to the Alternative Investment Market ("AIM") the Group fully repaid the RCF, and repaid and cancelled the £50m Coronavirus Large Business Interruption Loan Scheme ("CLBILS") facility put in place in May 2020.

As a result, the Group now has the following arrangements in place with its lenders:

An up to £500 million securitisation facility committed until December 2023, drawings on which are linked to prevailing levels of eligible receivables;

An RCF of £100 million committed until December 2023; and

An overdraft facility of £12.5 million which is subject to an annual review every July.

At the end of FY21 the Group had total available liquidity of £184.8m.

In May 2020, in response to the pandemic, the Group put in place an up to £50 million three-year Term Loan facility, under the Government's CLBILS, amended certain terms and covenants of the securitisation facility and widened certain covenants on the unsecured RCF facility. These were replaced with the facilities outlined above following the December 2020 equity raise and refinancing.

INVENTORY

Net inventory levels at the year end were down 18.1%, to £77.7m (FY20: £94.9m) following the Group's focus on reducing the level of inventory held in respect of old seasons, as well as a reduction in stock purchases reflecting the reduction in customer demand for certain products.

CASH FLOW

The Group initially reduced capital expenditure to preserve liquidity at the start of the pandemic. Following the equity raise in December 2020, capital expenditure levels started to increase as the Group began to accelerate its strategic plans and in the year capital expenditure was £20.0m (FY20: £39.7m).

Total net cash generated in the year was £158.4m compared to £0.2m in the same period last year. Excluding the £93.5m equity raise net proceeds, net cash generated from operations was £64.9m (FY20: £20.3m). This increase was a result of the successful reduction in inventory levels, a release of working capital from the FS customer loanbook with customer repayments net of funds returned on the associated securitisation debt facility, the suspension of dividends and a reduction in the level of exceptional cash drain.

£m	FY21	FY20
Adjusted EBITDA	86.5	106.7
Inventory working capital	17.0	16.6
Other working capital and operating cashflows	2.5	(35.6)
Cashflow adjusted for working capital	106.0	87.7
Exceptional Items	(16.4)	(39.6)
Capital Investment	(20.0)	(39.7)
Non-operating tax and treasury	(12.4)	0.3
Interest	(19.0)	(17.8)
Non-operational cash outflows	(67.8)	(96.8)
Net repayment / (increase) in loan book	64.5	(0.1)
Net (decrease) / increase in securitisation debt balance	(37.8)	29.5
Net cash from the customer loan book	26.7	29.4
Net cash generated from operations	64.9	20.3
Dividends	–	(20.1)
Equity raise	93.5	–
Net cash generated from operations	158.4	0.2

ADJUSTED NET DEBT

As a result of the Group's successful equity raise, on-going focus on cash generation, tight cost control, reduction in capital expenditure and suspension of the dividend, together with a smaller debtor book, the Group significantly reduced adjusted net debt in the year.

Unsecured net debt, which is defined as the amount drawn on the Group's unsecured borrowing facilities less cash balances was eliminated in the period and the Group closed the year with net cash of £80.8m (FY20: unsecured net debt (£77.5)m).

Adjusted net debt decreased by 39.4% in the year, to £301.1m (FY20: £497.2m). This is the net of £80.8m of cash and £381.9m of debt drawn against the securitisation funding facility which is backed by the eligible customer receivables. The £520.6m net customer loan book significantly exceeds this net debt figure.

DIVIDEND AND CAPITAL ALLOCATION

As announced on 23 March 2020 due to the impact of Covid-19 the Board suspended dividend payments for the foreseeable future. The Directors recognise that dividends are an important part of the Company's returns to shareholders and the Board will consider the resumption of dividend payments at the end of FY22.

PENSION SCHEME

The Group's defined benefit pension scheme has a surplus was £25.5m and remained broadly similar to the prior year (FY20: £26.3m).

FINANCIAL KPIS

The Group's non-financial KPIs are contained in the Chief Executive Officer's statement. The Group also uses a number of financial KPIs to manage the business. These are laid out below and the Group will continue to report these going forwards.

£m	FY21	FY20	Change
Product revenue	£468.4m	£547.0m	(14.4)%
Adjusted EBITDA ¹	£86.5m	£106.7m	(18.9)%
Adjusted EBITDA margin	11.9%	12.7%	(0.8)ppts
Adjusted operating costs ² to Group revenue	32.5%	39.8%	(7.3)ppts
Unsecured net cash/(unsecured net debt) ³	£80.8m	£(77.5)m	n/m
Adjusted EPS ⁴	7.89p	16.37p	(51.8)%

¹ Adjusted EBITDA is calculated as operating profit, excluding exceptional items, with depreciation and amortisation added back. The Directors believe adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance as it removes items that do not form part of the recurring activities of the Group.

² Adjusted operating costs to revenue ratio is calculated as operating costs less depreciation, amortisation and exceptional items as a percentage of Group revenue. The Directors believe this is the most appropriate measure to demonstrate the efficiency of the Group's operating cost base.

³ Unsecured net debt excludes debt securitised against receivables (customer loan book) of £381.9m and lease liabilities of £4.9m. The directors believe this is the most appropriate measure of the Group's net debt in relation to its unsecured borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.

⁴ Adjusted earnings per share based on earnings before exceptional items and fair value adjustments, which are those items that do not form part of the recurring operational activities of the Group. The Directors believe that this is the most appropriate measure of the Group's earnings per share as it removes items that do not form part of the recurring activities of the Group.

RECONCILIATION OF STATUTORY FINANCIAL RESULTS TO ADJUSTED RESULTS

The Directors believe that the adjusted measures provide useful information for shareholders to evaluate the Group's underlying trading performance. These measures are used by management for budgeting, planning and monthly reporting purposes and are the basis for executive and colleague incentive schemes.

The adjusted figures are presented before the impact of exceptional items. Exceptional items are items of income and expenditure which are one-off in nature and material to the current financial year or represent true ups to items presented as exceptional in prior periods. These are detailed in note 6.

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

Adjusted profit before tax represents the most appropriate measure of the Group's underlying profit before tax as it removes the exceptional items and the fair value adjustments to financial instruments.

A full glossary of Alternative Performance Measures and their definitions is included on page 161.

£m	Notes	FY21			FY20 (Restated) ¹		
		Statutory	Exceptional items	Adjusted	Statutory	Exceptional items	Adjusted
Group revenue	3	728.8		728.8	837.5		837.5
Gross profit	4	322.4	1.1	323.5	439.6	0.3	439.9
Group gross profit margin	4	44.2%		44.4%	52.5%		52.5%
Operating profit	4	35.1	11.6	46.7	48.1	28.5	76.6
Operating profit margin		4.8%		6.4%	5.7%		9.1%
Depreciation and amortisation		39.8		39.8	30.1		30.1
EBITDA				86.5			106.7
EBITDA margin				11.9%			12.7%
Net finance (costs)	8	(16.6)		(16.6)	(17.1)		(17.1)
Profit before tax and fair value adjustments to financial instruments		18.5	11.6	30.1	31.0	28.5	59.5 ¹
Fair value adjustments to financial instruments	18	(8.6)	(1.4)	(10.0)	4.7		4.7
Profit before tax		9.9	10.2	20.1	35.7	28.5	64.2
Taxation	9	(1.6)	1.7	(3.3)	(8.3)	(5.5)	(13.8)
Profit for the year		8.3	8.5	16.8	27.4	23.0	50.4
Basic earnings per share (p)	11	2.63		7.89	9.63		16.37
Diluted earnings per share (p)	11	2.63		7.88	9.62		16.35

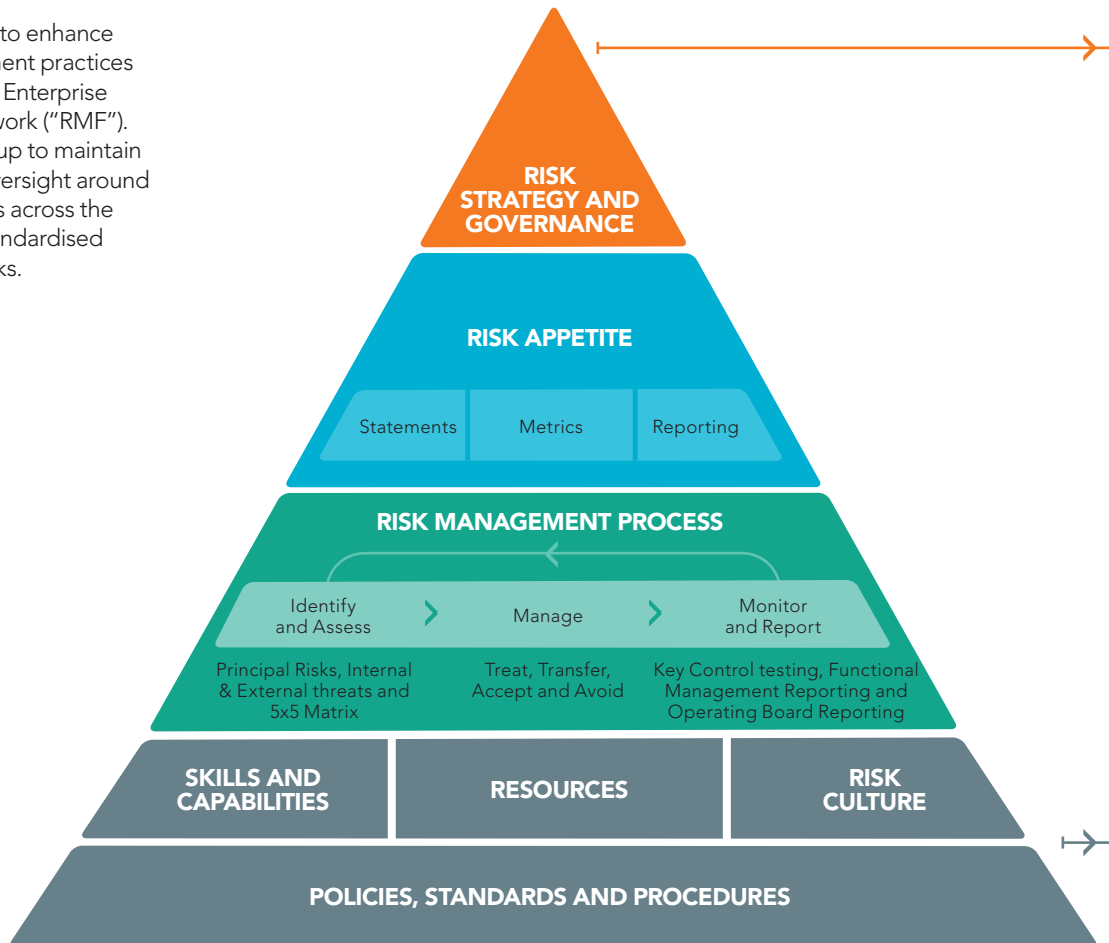
¹ The revenue and gross profit have been restated in FY20 as outlined in note 32 on page 151.

RISK MANAGEMENT

PROTECTING THE INTEGRITY OF OUR BUSINESS STRATEGY

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group has continued to enhance and embed risk management practices in support of the N Brown Enterprise Risk Management Framework (“RMF”). The RMF enables the Group to maintain robust governance and oversight around risk management activities across the business to underpin a standardised approach to managing risks.



RISK IDENTIFICATION AND ASSESSMENT

As part of the deployment of the RMF the Group has, over the last 12 months, transitioned to a more consolidated and standardised set of 14 Principal Risk Categories. Legacy risks have been mapped and indexed directly to one of these 14 Principal Risk Categories.

In order to identify the Group’s areas of Principal Risk and determine risk appetite, legacy risks and the current and horizon risk profile have been mapped against the Group’s strategic priorities and transformation plan. Risk statements, appetite metrics and key risk indicators have been developed for each area of risk.

Principal risks with the potential to impact on performance and the delivery of the strategic roadmap in year or through the planning cycle are listed on p33.

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

Review and identification of existing and emerging risks is facilitated by Board-level risk assessment cycles completed during the year, as informed by risk assessments at business unit level. Outputs are reported to the Audit and Risk Committee. During FY21, facilitation of the process moved from Internal Audit to Group Risk.

In setting strategy, the Board considers Environmental, Social and Governance (“ESG”) factors, drivers and impacts on the health and sustainability of the business. Furthermore, in general terms the strategy is designed to deliver long-term sustainable business management. The RMF has

been established to provide an overview of strategic risk and as such incorporates assessments of risks that have the potential to create ESG exposures; these are reported through the governance framework and managed accordingly.

The Principal Risks are shown in the heat map on p33 and are detailed on p35 to 38. The residual risk profile of the majority of these remains unchanged or has improved over the period. Where the risk profile has deteriorated this is generally a result of continued uncertainty in the risk outlook or uncontrollable external or market. Control enhancements are identified as the Risk Management Framework is rolled out across each principal risk category.

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

RISK MANAGEMENT TEAM

N BROWN GROUP PLC BOARD

- Owns the Risk Management Framework
- Approves risk appetite

AUDIT AND RISK COMMITTEE AND FINANCIAL SERVICES BOARD COMMITTEE

- Board sub-committees responsible for risk oversight
- Support the Board in establishing risk appetite

EXECUTIVE BOARD RETAIL OPERATING COMMITTEE AND FINANCIAL SERVICES OPERATING COMMITTEE

- Responsible for managing risk

BOARD AND COMMITTEES' DIVISION OF RESPONSIBILITIES

p62

AUDIT AND RISK COMMITTEE REPORT

p68

RISK MANAGEMENT TEAM

- Provides 2nd line assurance and reports to the Audit and Risk Committee and Financial Services Board Committee
- Facilitates the implementation of and supports reporting to the Executive Board
- Facilitates effective implementation and oversight of the RMF

FUNCTIONS: RETAIL AND FINANCIAL SERVICES

- Executes the Risk Management Framework

14 PRINCIPAL RISKS

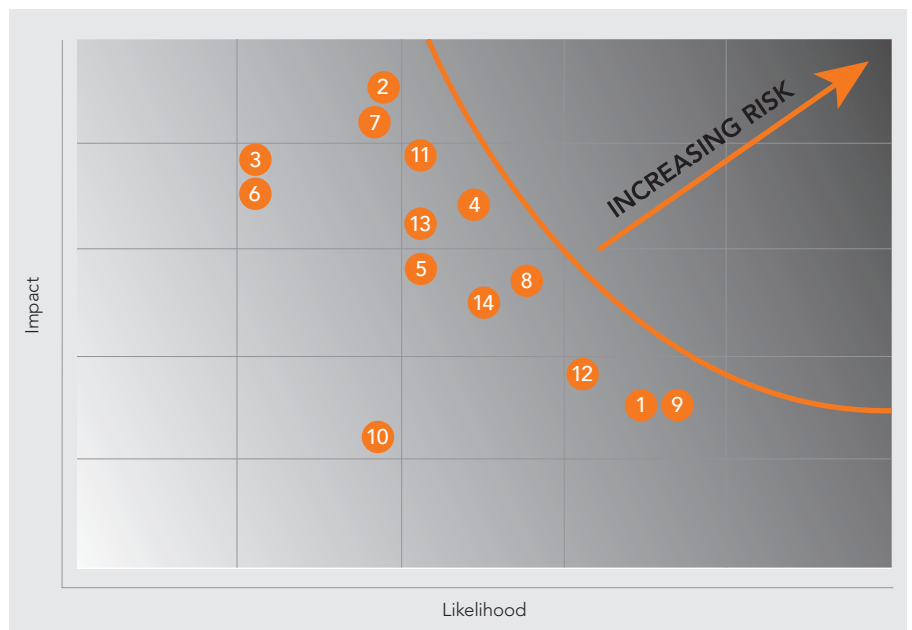
- | | | |
|------------------------|-----------------------------------|-----------------------------|
| 1 Conduct and Customer | 6 Change | 11 Technology |
| 2 Information Security | 7 Data | 12 People |
| 3 Financial Crime | 8 Legal and Regulatory Compliance | 13 Strategic |
| 4 Business Resilience | 9 Credit | 14 Supplier and Outsourcing |
| 5 Financial | 10 Process | |

SEE MORE ABOUT OUR PRINCIPAL RISKS

p35

FY21 RISK HEATMAP

- 1 Conduct and Customer
- 2 Information Security
- 3 Financial Crime
- 4 Business Resilience
- 5 Financial
- 6 Change
- 7 Data
- 8 Legal and Regulatory Compliance
- 9 Credit
- 10 Process
- 11 Technology
- 12 People
- 13 Strategic
- 14 Supplier and Outsourcing



RISK MANAGEMENT CONTINUED

PROTECTING THE INTEGRITY OF OUR BUSINESS STRATEGY CONTINUED

INTEGRATED ASSURANCE

The Group has continued to invest in risk management capability and capacity across the three lines of defence:

1st Line: Owns the risks to deliver a well-managed and compliant business and undertakes testing of key controls as part of the formal Risk and Control Self-Assessment process.

2nd Line: Designs the frameworks, controls and policy structure to manage risks, supports implementation and operations and performs reviews over compliance with key regulatory requirements.

3rd Line: Provides independent assurance of the internal control environment within the Group. Conducts reviews of the key controls within operational processes and the risk management framework. Looks to confirm that effective governance is in place to manage the Group's risks.

Outputs from assurance activities are reported through the Group's governance structure.

RISK APPETITE

Risk appetite defines the level of risk that the Group is prepared to accept in pursuit of strategic objectives and aims to determine guardrails within which the Board expects management to operate. Risk appetite formalisation is an iterative process and needs to be refreshed at least annually to reflect changes in the Group's internal and external environment.

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. Appetite levels and statements are contained within the Group's Principal Risk Policy set along with the requirements for the management of each of the principal risks.

The Board is responsible for approving proposed risk appetite in line with its expectations on risk taking.

Executive Management determines the Group's risk appetite statements and tolerance levels for key risk appetite themes across the Group.

Individual functional leadership teams and colleagues are expected to operate within the risk appetite boundaries approved by the Board and to escalate any exceptions.

Formalisation of risk appetite allows the Board and Executive Management team to:

Better formulate and communicate a clear Board-level direction on acceptable levels of risk.

Implement a mechanism to monitor risk areas needing senior management and Board attention (through key Board-level metrics) and associated actions to address.

Provide guidance for the management teams to make appropriate risk-informed decisions within tolerances set by the Board.

Provide a sound basis for Board assertions around consideration of risk appetite.

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

Covid-19 and its related impacts has dominated the Group's in-year activity and near-term risk horizon. Stress testing and scenario planning has been maintained in relation to a range of extreme but plausible scenarios which include the impact on demand for retail goods resulting from a downturn in consumer confidence, the ability of our credit customers to maintain contractual payments, and loss of operational continuity arising from further lockdown restrictions or global disruption to the supply chain. Management maintains reasonable assurance over the Group's outlook across the range of scenarios modelled but acknowledges that, while likely to improve throughout the year, the risk of continued business interruption is likely to remain the new normal for the foreseeable future in the context of Covid-19. The business has continued to perform well in the context of restrictions and impacts related to the pandemic.

Resilience, continuity, and disaster recovery capability has been successfully exercised and significantly real-world stress-tested through Covid-19 incident management. Notwithstanding, it is difficult to predict the impact that Covid-19 might have on the business. Related medium- and longer-term macro-economic and social impacts are difficult to determine and whilst management has considered extreme but plausible downsides, these do not include the most severe of possibilities.

The Board has continued to monitor Brexit impacts and mitigations with management throughout the year via the Group's Brexit Steering Committee's actions and outputs. Management executed a comprehensive and appropriate set of action plans to mitigate impacts in each of the areas of risk identified – most significantly in relation to supply chain continuity and tariff arrangements. While some uncertainty exists around the application of the Trade and Co-Operation Agreement between the UK and EU to retail and financial services sectors, the outlook for the impact of Brexit-related risk is considered to be relatively benign and to have significantly reduced.

PRINCIPAL RISKS AND UNCERTAINTIES

IDENTIFYING, EVALUATING AND MANAGING RISKS FACING THE GROUP

N BROWN HAS FIVE KEY STRATEGIC OBJECTIVES:

- 1 **DISTINCT BRANDS TO ATTRACT BROADER RANGES 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**

Each one of the areas of Principal Risk described is indexed to one or more of the Group's strategic priorities to ensure that appropriate enabling risk management activity is undertaken.

Conduct and Customer

The risk that the Group's processes, behaviours, products or interactions will result in unfair outcomes for customer or undermine market integrity.

The Group ensures that it is able to respond to customer expectations for fair treatment throughout the customer lifecycle that it has quality products and good service through customer insight modelling and has aligned Financial Services policies and effective compliance monitoring processes.

Planned enhancements include:

Embedding of Customer Outcome focused Quality Assurance Framework.

Enhanced Conduct Risk Dashboard reporting through FS Governance.

Embedding of new Level 2 Conduct and Customer Policy Suite.

Roll out new Conduct Risk Training module.

Embed enhanced Vulnerable Customer regulatory guidance.

Link to strategic priority

1, 3, 4, 5, 6, 7

Information Security

The risk of malicious or accidental disclosure, loss, amendment or corruption of data. The risk a successful cyber attack gains or prevents access to systems or resources.

We protect Group and customer data and respond to cyber threats through continuous cyber security monitoring, network vulnerability scanning and operating system software security and anti-denial of service processes.

Planned enhancements include:

Enhanced Identity and Access Management.

Embedding of Patching and Vulnerability Policy.

Improved governance framework and monitoring system over access to data.

Automated scanning of all assets against baseline security standards.

Link to strategic priority

3, 4, 5, 6, 7

PRINCIPLE RISKS AND UNCERTAINTIES CONTINUED

IDENTIFYING, EVALUATING AND MANAGING RISKS FACING THE GROUP CONTINUED

Financial Crime

The risk that financial crime is attempted or perpetrated against or by the Group or that the Group fails to meet legal and regulatory obligations in relation to financial crime.

The Group ensures that it protects itself and its customers from the effects of financial crime. It does this through the effective identification and management of financial crime risk, including consideration of money laundering, terrorist financing, sanctions violations, bribery and corruption, customer behaviour, external fraud and internal fraud.

Planned enhancements include:

Embedding of enhanced Financial Crime Policy Suite.

Further role-based Financial Crime training to be delivered.

Improved Financial Crime Management Information, reporting and governance.

Link to strategic priority

1, 3, 4, 5, 6, 7

Business Resilience

The risk of a lack of resilience in the delivery of critical services and processes as a result of significant business disruption.

The Group ensures it is able to respond to significant disrupting events through having an effective risk management framework, appropriate crisis management and scenario planning underpinned by business continuity plans for each business area.

Planned enhancements include:

Implementation of Operational Resilience Framework.

Embedding of Business Continuity Management System.

Upweighted Crisis Management Plans and capability.

Link to strategic priority

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

Financial

The risk that the Group has insufficient liquidity, appropriate access to funds or that there are negative movements in the market or we cannot meet our obligations as they fall due.

The Group ensures the robustness of its financial controls and the capability for managing liquidity and market risks through return on investment measures for key areas of discretionary spending, detailed cash and margin forecasting processes, a debt securitisation agreement and hedging of FX purchases.

Planned enhancements include:

Embedding of L2 Liquidity and Funding and Financial Reporting policies.

Enhanced MI and Reporting to the Financial Risk Management Committee.

Enhanced stress and scenario testing.

Link to strategic priority

1, 4, 5, 6, 7, 8

Change

The risk that we fail to execute change effectively and do not deliver on strategic objectives.

We provide capacity for the Group to deliver its desired change programme by taking an integrated approach to technological and business change, adopting continuous, agile IT change processes, and ensuring data-driven decision-making.

Planned enhancements include:

Embedding of agile methodology through training and awareness programme.

Embedding of new forecasting processes.

Improved RACI supporting change delivery.

Increased investment in Product Managers and Lead Delivery Managers to build consistency and capability.

Link to strategic priority

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

Data

The risk of failing to appropriately manage, maintain and ensure appropriate usage of data including customer, colleague and the group's proprietary data.

The Group has a strong data governance programme across all business areas and support functions to help ensure data; is protected and maintains its integrity and confidentiality; is available in the right structure, to the right people / systems, at the right time; is of the highest quality required to support business activity; is retained for no longer than is necessary; is processed in accordance with regulatory requirements, and; models are appropriately governed including mitigation of bias.

Planned enhancements include:

Embedding of enhanced Data Risk Policy Suite.

Expand the Data responsibility assignment model implemented in Financial Services and Finance to the rest of the Group.

New Data Protection Training rolled out to all colleagues.

Deployment of technology solutions to underpin data classification and protection.

Link to strategic priority

1, 3, 4, 5, 6, 7

Credit

The risk that our customers fail to meet their obligations when due.

We serve the underserved with inclusive credit whilst ensuring capability and management of the Group's customer portfolio and debtor book, including arrears rates and potential bad or persistent debts through lending and arrears management policies, customer forecasting, credit loss (IFRS 9) modelling and compliance monitoring processes.

Planned enhancements include:

Embedding of Credit Risk Dashboard.

Enhanced forbearance reporting.

Link to strategic priority

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

Legal and Regulatory Compliance

The risk of receiving legal or regulatory sanctions, fines, or restriction on trade as a result of misinterpreting or failing to comply with regulatory or legislative requirements. The risk that our contracts are not enforceable.

The Group ensures there is an appropriate response to existing and new legal and regulatory requirements, maintains relevant licences and authorisations and conducts an open relationship with regulatory bodies. The Group conducts appropriate processes to facilitate the protection of both contractual and copyright infringements.

Planned enhancements include:

Embed Compliance Policy and Methodology.

Additional investment in Compliance Organisation Design.

Link to strategic priority

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

Process

The risk of failure arising from the design, documentation and operation of our processes.

We ensure material operational processes are identified, controlled, compliant with regulation where appropriate and underpinned by documented standard operating procedures.

Planned enhancements include:

Operational Resilience Framework implementation.

Embedding of Quality Assurance Framework within Financial Services.

Risk and Control Self-Assessment Key Control testing requirements implemented over core processes.

Link to strategic priority

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

PRINCIPLE RISKS AND UNCERTANTIES CONTINUED

IDENTIFYING, EVALUATING AND MANAGING RISKS FACING THE GROUP CONTINUED

Technology

The risk of the stability of the Group's current mix of new and legacy IT systems and infrastructure and the failure arising from the design, documentation and operation of our processes.

We seek to ensure the stability and sustainability of the Group's IT systems through continuous, agile IT change processes, ongoing system performance monitoring and modernisation of legacy IT systems.

Planned enhancements include:

Enhanced Disaster Recovery / Resilience capability.

Embedding of Technology Risk Policy suite.

Delivery of Technology Roadmap to reduce reliance on legacy technology.

Update change management methodology from IT Infrastructure Library 3 to 4.

Link to strategic priority

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

Strategic

The risk that incorrect planning assumptions or management information result in incorrect decisions or that management fail to make decisions in light of changes in the external environment.

The Group has a well-established and rigorous process for setting strategy which involves assessing its internal position and priorities and reviewing this in light of competitor and market context to form a view on strategic direction. The strategy is reassessed annually and governed through the Executive Board and N Brown Group Board. The strategy forms the basis of the Company roadmap and three-year financial plan to enable strategy measurement.

Planned enhancements include:

Enhance horizon risk assessment process.

Enhanced risk governance to oversee principal risk framework roll out and gap remediation.

Link to strategic priority

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

People

The risk that we fail to recruit, develop and retain colleagues, maintain a safe working environment, maintain an appropriate organisational design or comply with employment-based legislation.

The Group ensures a safe and secure work environment. We manage our cultural and people risks through performance management, personal development, recruitment and talent management of our colleagues through our people policies, performance management system, My People Portal and the intranet communication hub.

Planned enhancements include:

Embedding of People Risk policy suite.

Improved processes for managing key person dependencies.

Enhanced Organisation structures, forums and decision making.

Consolidation and Optimisation of the Group's Data functions and capability.

Embedding of a hybrid Ways of Working model.

Link to strategic priority

4, 5, 6, 7

Supplier and Outsourcing

The risk that we fail to appropriately select and manage Goods For Resale ("GFR") and Goods Not For Resale ("GNFR") suppliers, including outsourced arrangement, specifically that the supplier / outsourcer ceases to operate / suffers a major disruption or undertakes any activity that would impact on the reputation and corporate social responsibility obligations of the supplier or N Brown.

The Group effectively selects and manages GFR and GNFR suppliers and outsourcers, appropriately building strong and trusted relationships, ensuring strong supplier governance processes are followed.

Planned enhancements include:

Embedding a supplier management framework.

Digitisation and roll out of new supplier onboarding process.

Increased supplier charter coverage of own branded suppliers.

Enhanced MI, reporting and governance.

Link to strategic priority

2, 3, 5, 7

SECTION 172 STATEMENT

ENGAGEMENT WITH STAKEHOLDERS

DECISION-MAKING BY THE BOARD

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 to 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.

WHISTLEBLOWING

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 Board.

PROVIDERS OF CAPITAL

Shareholders, Investors and Debt Providers 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 providers of capital via:

The Company's Annual General Meeting

Meetings with shareholders and proxy advisors

Presentations to analysts and investors

Publication of Stock Exchange announcements, press releases, quarterly trading results and Annual Reports and Accounts.

Further information about our engagement with shareholders can be found on p78.

COLLEAGUES

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

While the Company's communication with colleagues has had to fundamentally shift during the Covid-19 pandemic, regular engagement has taken place across a variety of platforms including:

Colleague Forum – The Culture Club

Colleague Voice: twice-yearly engagement surveys and monthly pulse surveys

Executive Director Sessions – coffee with colleagues

Weekly Company-wide newsletters from the CEO and other Directors

Colleague conversations – performance and feedback sessions

Team huddles and meetings

Daily emails from Internal Comms

Colleague recognition and rewards

The Company-wide intranet

Further information about our engagement with colleagues can be found on p40.

CUSTOMERS

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

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

Product testing

Market research groups

Net Promoter Scoring and Customer Services reports

Engagement across social media and Customer Service channels

SUPPLIERS AND PARTNERS

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

The Company has continued to support its suppliers and wider supply chain throughout the Covid-19 pandemic.

Following the Company's admission to AIM in December 2020 we now have a Nominated Adviser whose role is to advise and guide us on our responsibilities under the AIM rules.

Further information about our engagement with suppliers can be found on p45.

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.

Further information about our engagement with charities and our work on Environmental, Social Governance can be found on p42 to 53.

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. For example this year we signed up to the BRC Climate Action Roadmap.

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

UN Global Compact

Action Collaboration and Transformation – Living Wage

Ethical Trading Initiative

2018 Transition ACCORD/
RSC Bangladesh

The Transparency Pledge

Further information about our engagement with trade and industry bodies can be found on p44.

BOARD ENGAGEMENT WITH THE WORKFORCE



MESSAGE FROM RICHARD MOROSS

“My second year, reporting as the Designated Director for Colleague Engagement, has been an insightful one and I continue to be proud of what the Company, and our colleagues, have achieved throughout the year.”

Our engagement surveys continue to provide us with rich and important insight and I am delighted to see the significant year on year improvements to our engagement score and Net Promoter Score. Along with my work with the Culture Club, I have continued to spend time understanding the People agenda, roadmap and milestones for the year ahead.

As we emerge from the various stages of lockdown, now more than ever, colleague communication and engagement continue to be at the centre of our strategy. Without the enthusiasm, energy and passion of our colleagues, we couldn't do what we do and we hope to continue this good work going forward.

Richard Moross
Designated Director for Colleague Engagement

COLLEAGUE VOICE SURVEYS

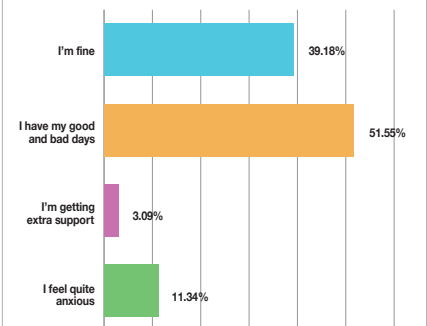
Along with our twice-yearly engagement survey, we also conduct monthly pulse surveys, providing regular insight into colleague sentiment.

This year, the pulse insights have proven extremely helpful in navigating necessary changes to working practices throughout the pandemic, enabling the business to respond quickly and effectively to any issues, questions or ideas from colleagues.

Our full Colleague Voice survey, conducted in February, saw results improving across all key metrics year on year. Our overall colleague engagement score increased from 68% to 71% and our Employee Net Promoter Score moved from -10 to +7, moving us from a moderate score to a positive score.

These are extremely positive results considering the challenges of the year and, particularly pleasing, were teams such as Financial Services and Logistics, which showed increases of 5% and 11% respectively. These teams were key to keeping the business operational throughout FY21.

HOW ARE YOU FEELING?



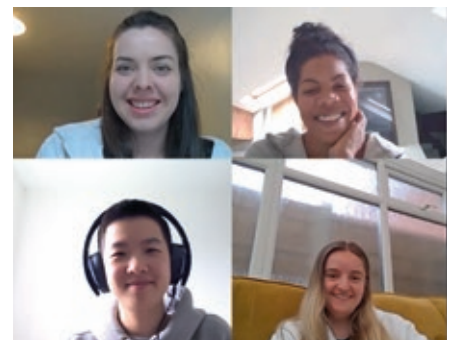
CULTURE CLUB

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

The Culture Club provides a vital channel for feedback and dialogue around key issues and champions the work around colleague engagement. Chaired by the Director of Colleague Experience, and sponsored by myself, a representative group of colleagues from across each area of the business meet on a monthly basis to discuss topical matters.

The Culture Club has gained further momentum in FY21, working with leaders from across the business to share feedback and influence change. Alongside garnering insight from across the organisation, the Culture Club has

piloted walking meetings across our teams and has launched three sub-groups to focus on Wellbeing, Diversity and Inclusion and Ways of Working.



COLLEAGUE CONVERSATIONS

Courageous conversations and feedback are key to colleague engagement.

As we continue to develop our learning and move towards a performance and feedback culture, the statistics around check-ins and feedback show some real improvements on which we can build. A total of 14,218 check-ins have been recorded over 2020 rising from 3,609 in the previous year. We have seen 4,738 pieces of feedback vs 3,931 last year.

Encouragingly, requested feedback has increased from 28% to 51% which really plays into our feedback culture. Much of this feedback has been positive with only 13% constructive or growth feedback and a focus this year will be on increasing constructive or growth feedback.



COLLEAGUE RECOGNITION AND AWARDS

Colleague recognition is a key focus area and remains an engagement driver for the business.

In December 2020, we hosted the first N Brown Awards at our N Brown Big Night In. Nominations and Awards were linked to the Values, along with the Alliance Award, which recognised the colleague who's pulled out all the stops to put the customer at the heart of everything they do.

As we continue to recognise our colleagues with digital Shout Outs and our Wheel of Values, we further developed our channels with our new #ShoutOut noticeboard, giving colleagues opportunities to celebrate each other. The combination of these channels gives us c.200 celebrations each month.

The focus for 2021 is on the introduction of a new Comms Platform which will enable clear communication channels and two-way storytelling and feedback along with additional colleague benefits.

EXECUTIVE BOARD SESSIONS – COFFEE WITH COLLEAGUES

Sessions have been hosted by members of the Executive team with a cross-functional selection of colleagues to support and amplify the work around voice, purpose and community.

As we continue to develop our learning and dovetailing into the drivers of colleague engagement, these sessions work alongside the in-department get togethers.

Held once a month and hosted each month by a different member of the Executive team, attendees are encouraged to share their experience, thoughts, ideas and suggestions. This provides another channel to gather effective feedback and enable two-way dialogue, along with giving colleagues an opportunity for direct contact with members of the Executive team from areas other than their own.

**SUSTAIN – FOR TODAY,
FOR TOMORROW, FOREVER**



#SUSTAIN



MESSAGE FROM MICHAEL ROSS

Michael Ross
Chair of the
ESG Committee

“The Committee’s primary focus in FY21 has been on the impact of the Covid-19 pandemic. Fundamental to our approach has been the support of our colleagues, partners and suppliers during this challenging time. We have adapted to a hybrid system of working and will continue to invest in building the right physical and virtual systems to support our colleagues.”

In FY21, N Brown rebranded its Environmental, Social and Governance strategy to SUSTAIN which aims to fully align our ethical policies with our commercial activities across our key sustainability pillars, Our People and Our Planet.

Despite the challenges of the year, we are pleased to report significant progress on the Year One targets of our sustainability roadmap, all of which were successfully achieved within FY21. Information on the activities in year can be found on p48.

We are proud to announce that we have signed up to the British Retail Consortium (“BRC”) Climate Action Roadmap, committing to an ambitious plan to achieve net zero emissions by 2040. Our current sustainability roadmap will be combined with the BRC’s; further information on our work to-date can be found on p47.

Another key activity in year has been the expansion of our ‘Ethical Principles of Responsible AI’, originally announced in 2019, to a draft framework for assessing ‘Responsible Machine Learning’ (“ML”). The goal of the framework is ensure that our approach to building models does not contain hidden biases. It also includes a commitment to consider the impact of these models on the people who use them. Work is ongoing to finalise the framework following lessons learned from practical application and to embed it alongside the original principles.

I am available to speak with shareholders at any time via the Company Secretary and shall be available at the Annual General Meeting on 6 July 2021 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.

THIS YEAR WE REBRANDED OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) STRATEGY TO SUSTAIN.

SUSTAIN aims to align our ethical policies with our commercial activities, achieving tangible results and benefits for our stakeholders. Fully embracing the values of our business, SUSTAIN is our overarching strategy across our sustainability pillars – Our People and Our Planet.

SUSTAIN – FOR TODAY, FOR TOMORROW, FOREVER CONTINUED

OUR PEOPLE



Our People includes all colleagues, customers and stakeholders across our business and throughout our supply chain.

MEMBERSHIPS

Last year's pandemic gave many organisations the opportunity to pause for reflection, to learn and to adapt, allowing for a change in approach. This has been no different for N Brown. We expect everyone in our supply chain to be treated with dignity and respect, and to be provided with fair opportunity and reward.

In 2020 we saw the transition from the 2018 Transition ACCORD to the Ready-Made Garments ("RMG") Sustainability Council ("RSC"), a new initiative to carry forward the significant accomplishments made on workplace safety in Bangladesh by the ACCORD. The RSC will take over these activities from the ACCORD on 1 June 2021. N Brown remains committed to workplace safety and will continue to support the RSC's 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, and campaigns for the provision of fair wages for workers in support of UN Goal 10 on reducing inequality. We also continue to be active members of the other organisations such as Ethical Trade Initiative ("ETI"), United Nations Global Compact ("UNGC") and All-Party Parliamentary Corporate Responsibility Group ("APCRG"). Over the last year the pandemic has restricted the frequency

of meetings, but working groups have continued to engage and collaborate via video conferences. In November 2020 N Brown signed up to the BRC Climate Action Roadmap. The Company also became members of the Higg Brand and Retail Module in January 2021 and will begin reporting on 2020's achievements this year.

HUMAN RIGHTS

This year has seen N Brown publish a number of reports, including our fourth Modern Slavery statement in December 2020 and our sixth Communication on Progress ("COP") report for the UNGC in January 2021.

Collaboration and transparency has been a key theme across many retail brands and Non-Government Organisations alike. In 2020 we published our Tier 1 factory list on our corporate website, became a member of the ASOS Modern Slavery working group, completed questionnaires for The Business of Human Rights organisation, and signed the Transparency Pledge.

Human rights issues remain a priority across the retail sector and the global apparel industry continues to grapple with varied challenges in an uncertain backdrop. This has seen a growing call for all brands to form a united front, combine resources and work together to end such offences. It has highlighted the need to increase the strength of supply chain transparency so that products can be traced back to their source clearly and efficiently. N Brown acknowledges the importance of a transparent supply base and the assurance this will give our customers in the knowledge that our products continue to be ethically sourced.

COLLEAGUES

As local lockdowns and government restrictions start to ease, we have reviewed the UK Covid-19 guidance protocols in place and adapted our policies to allow colleagues to return to work within a hybrid operational model. Regular briefings continue between the UK sourcing team and global teams, where colleagues provide key updates on the business and the Covid-19 situation globally.



For FY21 our voluntary turnover rate was 11.4%, and our share of temporary colleagues stood at 3.1%. Colleagues have access to a variety of training opportunities, including our online training portal Always Learning, and throughout FY21 a total of 4,847 training hours were recorded on Always Learning, which is the equivalent to an average of 3.5 hours per colleague.

CHARITIES AND OUR COMMUNITY

Since the beginning of the Covid-19 outbreak, charities, our local communities and those who are working tirelessly on the frontline have needed our support more than ever before. Our colleagues continue to support our local corporate charity centres Maggie’s Manchester and Maggie’s Oldham, and are driving towards our goal of raising £100,000 for the cancer support charity. Through the donation of net sales proceeds from a range of products sold across our brands, we have donated over £20,000 to NHS Charities Together. We have also made donations of clothing and household items to frontline NHS staff in Manchester and donated face masks and face shields to a local care home near to our distribution centre in Oldham. Donations of clothing have also been made to a local charity supporting vulnerable people and children within the local community. During the year, the Group made charitable donations of £84,054 (2020: £118,238).

SUPPLIERS

We continue to believe that a transparent supply chain will allow for a more sustainable one. Audits and gradings of those factories that produce our own brand products are managed on our behalf by our supply chain partner, Verisio, who deliver comprehensive supplier audits including information on wages, working hours, general sustainability, and ethical practices. This allows us to better manage our supply chain and align our strategy, whilst giving us a greater understanding of our sourcing and supply base requirements. We have concentrated our efforts to working closely with our suppliers to promote responsible sourcing and ensure that all workers are treated with fairness, respect and are safe at work.

TRANSPARENCY AND COLLABORATION IN OUR SUPPLY BASE

Having a transparent supply base remains key to N Brown’s SUSTAIN strategy, and this has never been more important than during the Covid-19 pandemic. Over the last 12 months we have continued to collaborate with our global supply chain to ensure that our products are ethically sourced. Transparency within our supply chain is paramount and having our Tier 1 supply base mapped and audited has given us the ability to identify countries and factories at greater risk and to work with them to ensure that wages and benefits are paid on time and in full. In July 2020, with the support of Verisio, we carried out unannounced audit visits to all of our UK partners to ensure that their operations were Covid-19-safe and compliant against N Brown’s code of conduct, which parallels the ETI base code. All visits took place outside of lockdown periods and followed full Covid-19 safety guidance.

Throughout the Covid-19 pandemic we have paid all suppliers on time and in line with agreed payment terms and did not extend any of our agreed payment terms. We have been open and honest with suppliers and made every effort to remain in close contact with them during the year. At the onset of the pandemic in March 2020, we reviewed the business’ commitment to its future purchase order file which allowed us to re-evaluate product. In most instances, we were able to rephase or rework product by engaging closely with our suppliers.

Collaborating with our key supply chains in Bangladesh, India, and China and ensuring that all workers remain safe and are treated with dignity and respect is always high on our agenda. By taking the time to build trusted relationships with our suppliers, we have been able to support each other through the challenges of the Covid-19 pandemic; we will continue to develop these relationships as we move into the next phase of the pandemic.

ESG DISCLOSURE SCORE

As part of SUSTAIN, N Brown will now use the ESG Disclosure Score outlined by the London Stock Exchange to provide stakeholders with a comprehensive assessment of our ESG progress. The ESG Disclosure Score is intended as a tool for companies to consider good practice in disclosure of key quantitative ESG metrics. The London Stock Exchange comment that the “ESG disclosure score is calculated based upon the level of disclosure against the metrics considered by FTSE Russell to be the most material to investors for different industries. This is drawn from existing ESG standards including: the Global Reporting Initiative (“GRI”); Sustainability Accounting Standards Board (“SASB”); and the Carbon Disclosure Project and based upon expertise built over 18 years of commercial activity in ESG data and indexes, working with investors and other market participants.”

Based on N Brown being in the “Consumer Goods, Customer Services & Healthcare” sector, the ESG Disclosure Score assesses the following criteria and more information can be found on the following pages:

- Carbon emissions – p50
- Energy use – p52
- Social and Community investment – p45
- Employee turnover rates – p45
- Share of temporary employees – p45
- Employee training hours – p45
- Independent Directors – p56
- Female Directors – p64

In addition, N Brown also considers the following to be central to its ESG strategy: human rights, supply chain, sustainable clothing and waste and recycling.

SUSTAIN – FOR TODAY, FOR TOMORROW, FOREVER CONTINUED

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.

The climate emergency is recognised as one of the greatest threats to our planet. Globally, the five-year period between 2015 and 2019 was the warmest of any equivalent period on record; temperatures increased by 0.2°C on average, compared to the previous five-year period. Since the pre-industrial period, average global temperatures have increased by 1.1°C.

The Paris Climate Agreement has established a scientific consensus that to avoid the worst impacts of climate change, greenhouse gas emissions need to reach net zero by the mid-century to limit the global temperature rise to 1.5°C.

FY21 IN REVIEW

FY21 has been a challenging year as a result of the global Covid-19 pandemic. We had to adapt quickly to safeguard our colleagues and wider stakeholder base and ensure business continuity alongside progressing our sustainability roadmap and achieving our ESG targets for FY21.

As we begin to emerge from the pandemic, our renewed purpose is to build on the good progress we have made during FY21 in order to deliver on the commitments in our sustainability roadmap.

Further information on our sustainability roadmap can be found on p48.

SUSTAINABLE CLOTHING

Sustainable clothing is an important part of our sustainable roadmap and a key focus for FY22.

N Brown recognises that we need to minimise the effect our products have on the environment and have continued to increase our efforts to move towards more sustainable products.

An example of this is the transition to using recycled polyester in our outerwear products in the Spring/Summer 2020 collections. Across our womenswear and menswear denim categories, we have opted to use sustainably sourced cotton and trims in the upcoming ranges. We continue to focus on moving towards factories which use hydroless denim washing techniques. This is part of ongoing efforts across our supply base as we work closely with suppliers in order to encourage new technologies and ways of working. Our motivation to improve the sustainability of our clothing demonstrates our proactive and precautionary approach towards future environmental challenges. This form of responsible consumption will improve the sustainability of cities and communities around the world.

LED LIGHTING

Works have been completed in the upgrade to LED lighting within one of the warehouses at our main distribution centre in Shaw.

The energy savings delivered by the project have exceeded our original business case, resulting in an 80% reduction in the lighting electricity used and a 20% reduction in the site's overall energy consumption. Following this success, we are currently evaluating three further lighting projects for implementation over FY22.

FLEET VEHICLES

As our business model has changed, we continue to monitor the utilisation of our fleet vehicles.

We have looked to reduce the number of vehicles over the year and the size of our fleet has shrunk in line with operational business requirements. The commercial vehicles that support facilities and logistics are due to be replaced soon and we are working to lease the most environmentally efficient vehicles, with the lowest carbon emissions, to meet our business needs.

EMPLOYEE COMMUTING

Our focus this year has been on protecting the health, safety and wellbeing of our colleagues during the Covid-19 pandemic.

A significant number of colleagues have worked from home during the year and commuting habits have therefore changed significantly. To understand the impact this has had on our emissions, our commuter survey has been expanded to capture emissions arising from home working. As some of our colleagues will continue to work using a home and office hybrid model, we will continue to monitor the impact that home working has on our greenhouse gas ("GHG") emissions.

WASTE AND RECYCLING

During FY21, the facilities team launched two major projects.

The first waste and recycling project was at our Head Office in Manchester to 'reset' the building post-lockdown and to provide a safe Covid-19-secure working environment for all colleagues. The team cleared and sorted all redundant materials, clothing samples and furniture, which generated 113 tonnes of waste being removed from the building and the donation of over 750 bags of clothing to charity.

The second project was at our main distribution centre in Shaw where we removed machinery and assets no longer needed by the business. All machinery was stripped down so that spare parts could be reused; in total 170 tonnes of waste was generated.

All of the waste generated by the projects was either reused or recycled with none going to landfill. During FY21 we have maintained zero waste to landfill from our main operational sites through our ongoing partnership with Viridor.

CARBON DISCLOSURE PROJECT

We continue to report to the Carbon Disclosure Project ("CDP") on both the Climate Change and Forests modules. In FY21, we achieved an improved score of A- for the Climate Change response and a C in the Forests module. We also achieved an A- on the supplier engagement rating for the work we do to engage with our supply chain on climate change.




We will continue to work towards improvements across the Climate Change and Forests modules as we align our sustainability roadmap to the BRC commitments. We intend to expand our disclosure to the CDP to include a response to the Water Security module to cover the FY22 reporting period.

BRITISH RETAIL CONSORTIUM CLIMATE ACTION ROADMAP

We are proud to announce that in November 2020, N Brown signed up to the BRC Climate Action Roadmap, committing to an ambitious plan to achieve net zero emissions by 2040.

We want every customer to be able to make purchases safe in the knowledge that they are not adversely contributing to climate change. We have a fantastic opportunity to make a real global difference by combining our own sustainability roadmap with that of the BRC and sharing knowledge and learning with other retailers in order to work collaboratively towards net zero.

The BRC Climate Action Roadmap has three key targets:

-  **Scope 1**
Net zero direct emissions from operations including from fleet vehicles, heating fuels and refrigeration by 2035
-  **Scope 2**
Net zero emissions from purchased electricity by 2030
-  **Scope 3**
Ambition for net zero emissions embodied in product supply chain, both upstream (from suppliers) and downstream (from customers by 2040)

We are delighted to report that we have met the first major target of the Roadmap, having net zero emissions from purchased electricity, nine years ahead of schedule. For our sites across the UK, we have sourced 100% REGO backed wind power since 2016.

We have obtained renewable energy certificates (GoO's, REGO's & I-RECs) for our non-UK and UK landlord sites. At our main distribution centre, we have a solar PV array, which helps to meet some of our energy demand.

Underpinning the main targets of the BRC Climate Action Roadmap are five pathways ("PW1-5"). These pathways guide organisations towards net zero by setting out a series of milestones to track their progress:

- 1 Placing GHG data at the core of business decisions
- 2 Operating efficient sites powered by renewable energy
- 3 Moving to low carbon logistics
- 4 Sourcing sustainably
- 5 Helping our employees and customers live a low carbon lifestyle

The first series of milestones set out the early actions that can be taken to establish the necessary foundations that will help us deliver our net zero ambition.

Over the coming months, we will plot our journey to net zero in more detail; setting clear and achievable targets and objectives that support our overall SUSTAIN strategy, align with the UN global goals and empower colleagues to help us reach our sustainability goals.








SUSTAIN – FOR TODAY, FOR TOMORROW, FOREVER CONTINUED

OUR PLANET CONTINUED

OUR SUSTAINABILITY ROADMAP

Year in focus – we are one year into our four-year sustainability strategy and below is a summary of progress against our Year One goals.

FY21

Q1	Q2	Q3	Q4
<p>WE SET OUT TO Rebrand to SUSTAIN.</p> <p>OUR PROGRESS We have completed our rebrand to SUSTAIN.</p> <p> Achieved</p>	<p>WE SET OUT TO Implement supplier scorecards to allow buyers full performance viability on sustainability.</p> <p>OUR PROGRESS Supplier score cards have been implemented and are being rolled out across our product teams.</p> <p> Achieved</p>	<p>WE SET OUT TO Introduce sustainable brand product labels.</p> <p>OUR PROGRESS We have successfully rolled out our sustainable product labels. All swing tickets for Jacamo, Simply Be and JD Williams are sustainable, and display the Forestry Stewardship Council-approved logo.</p> <p> Achieved</p>	<p>WE SET OUT TO Trial Green PE despatch bags on Simply Be and Jacamo.</p> <p>OUR PROGRESS Following successful trials, 90% of our despatch bags were replaced with Green PE from March 2021. Our target is to replace 100% by December 2021, giving an estimated carbon saving of 112 tCO₂e.</p> <p> Achieved</p>
<p>WE SET OUT TO Launch new sustainable men's denim ranges.</p> <p>OUR PROGRESS In April 2020, Jacamo launched its new sustainable denim range. All of our Jacamo denim products are made using sustainably sourced fabrics. Our supplier uses hydroless technology, organic cotton and recycled yarns along with other techniques to reduce environmental impact of our denim.</p> <p> Achieved</p>	<p>WE SET OUT TO Complete a green LED lighting project to achieve energy saving.</p> <p>OUR PROGRESS The project has been successfully implemented over FY21. Following this, we are evaluating additional LED lighting projects to further reduce our energy consumption.</p> <p> Achieved</p>	<p>WE SET OUT TO Commence input attribution by raw materials to enable full traceability.</p> <p>OUR PROGRESS The product teams have started to attribute sustainable products into the system and this is being tracked. Targets have been set for FY22 to increase the mix of own brand products with sustainable properties.</p> <p> Achieved</p>	<p>WE SET OUT TO Review progress against the existing 35% target and set new targets for GHG emissions reduction and climate change.</p> <p>OUR PROGRESS Ongoing – we are committed to net zero carbon by 2040 and are a proud supporter of the BRC Climate Action Roadmap. We are in the process of setting interim emissions reduction targets which will align to our overarching net zero ambition.</p> <p> Ongoing</p>

LOOKING FORWARD

FY22

Q1

Own-brand product launches across womenswear knit and linen ranges
Initiate LED lighting project phase 2 (PW2)

Q2

Plan roadmap for CO₂ reduction across the supply base (PW1)
Introduce Better Cotton Initiative targets across own-brand product (PW4)

Q3

Review recycling options for customers (PW5)
Map out new GHG targets aligned to the BRC Roadmap targets for 2023 (PW1)

Q4

Complete roll out of Green PE across all despatch bags (PW5)
All own brand denim ranges to have sustainable properties

FY23

Q3-4

All plastics used across products and packaging to be recyclable (PW4)

Q1-2

50% of own brand product ranges to be sustainably sourced
Implement recycling options for customers (PW5)

FY24

Q1-2

60% of own brand product ranges sustainably sourced
Introduce sustainability auditors to ensure the closed loop can be validated

Q3-4

All own brand cotton products to be 100% Better Cotton Initiative approved
Review and assess the next stage of the sustainability roadmap

YEAR ONE IN THE SPOTLIGHT – GREEN POLYETHYLENE (“GREEN PE”) DESPATCH BAGS

We believe online fashion should be sustainable, and a key element of that is reducing the use of plastic across the delivery process.

This year we changed our delivery packaging to Green PE despatch bags to improve sustainability and reduce our GHG emissions. Green PE is a bio-based plastic, manufactured from polymer derived from sugarcane and therefore produced from an entirely renewable resource. These despatch bags are recyclable and reduce our emissions by an estimated 112 tonnes of carbon per annum.

Following a successful trial of Green PE despatch bags over autumn 2020, the bags were launched on 1 March 2021, replacing 90% of packaging. We will extend to 100% Green PE by the end of 2021.

In future, we want to be known for using sustainable packaging across our brands which ties into the BRC Climate Action Roadmap which we are proud to be committed to.



SUSTAIN – FOR TODAY, FOR TOMORROW, FOREVER
CONTINUED

OUR PLANET CONTINUED

FY21 SOURCING BREAKDOWN

Our sourcing mix has given the business flexibility and supported trade throughout the pandemic.

The summer element of the year was cut short due to the trading conditions, leading to a higher mix of autumnal products such as outerwear and knitwear that are heavily sourced in China. The strength within the homeware product category, which has a higher element of China sourcing, has also impacted the mix of products being sourced closer to home.

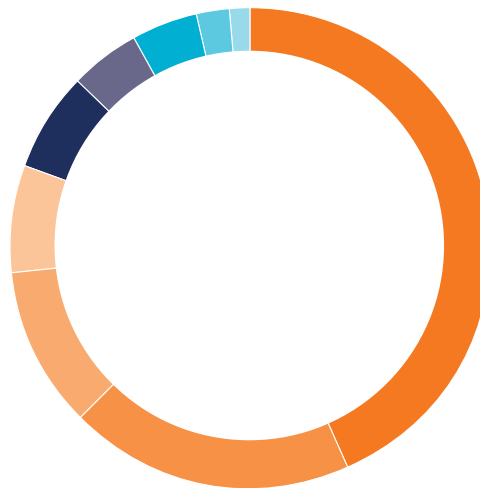
Our sourcing strategy is to increase our closer to home sources which brings the advantage of reducing lead times to allow us to give our customers the product they want quicker.

FY21 EMISSIONS PROFILE

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the Group to disclose GHG emissions and underlying energy use for all direct emissions sources (Scope 1 and 2). Our energy and GHG emissions have been independently calculated in accordance with the GHG Protocol using the operational control approach. Emission factors published by the UK Government and the International Energy Agency have been used.

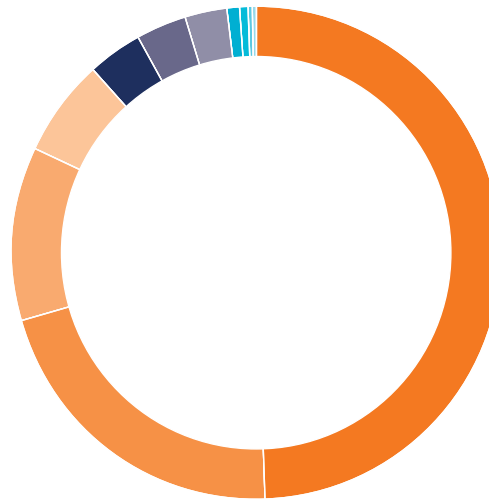
In addition to the mandatory direct emission sources, we continue to quantify a range of indirect emission sources (Scope 3) relating to the operation of our core business including logistics, business travel, employee commuting, waste and water. Due to an increase in homeworking as a result of Covid-19, we have included emissions from homeworking for the first time.

FY21 SOURCING BREAKDOWN



	% sourcing
China	43.5%
UK	19.3%
Bangladesh	10.7%
RoW	7.2%
India	6.7%
Turkey	4.9%
Pakistan	4.4%
Other short lead	2.2%
Morocco	1.2%

EMISSIONS PROFILE FY21 (TCO₂E)



	%
Logistics (upstream)	49.4%
Logistics (downstream)	21.1%
Electricity (location based)	11.6%
Natural gas	6.2%
Fuel and energy-related activities	3.8%
Home working	3.2%
Employee commuting	2.8%
Diesel	0.7%
Business travel	0.6%
Waste	0.3%
Gas oil	0.2%
Company vehicles	0%
Water	0%
HFCs	0%

TOTAL GHG TCO₂E

Direct emissions (Scope 1 and 2) have fallen by 21% (1,253.6 tCO₂e) compared to FY20. We have completed the roll out of a large scale LED lighting project at our main distribution centre and have continued to rationalise our operational estate and vehicle fleets to reduce our emissions. Covid-19 has also had an impact on our emissions profile as colleagues began working from home which reduced emissions from our offices.

We have quantified the emissions associated with home working which are reported separately to employee commuting. We will continue to quantify homeworking emissions in future as we transition towards a hybrid home and office working model for colleagues.

There has been a fall in customer demand over the year and a reduction in the number of items shipped to customers. The amount of stock brought into the business has also decreased as a result of reduced demand and improved supply chain management practices to more effectively manage our stock levels. We have reduced the amount of product brought in via airfreight by over 40% and the amount of sea freight by 8%. Overall upstream emissions have fallen by 25% (4,162.4 tCO₂e).

We have expanded the scope of our downstream calculations in Scope 3 to include deliveries of bulky items direct from suppliers and a greater number of the parcels we ship internationally. When we factor in the new emission sources that were not calculated in FY20, emissions have increased by 17% (762.6 tCO₂e). However, on a comparative basis to FY20, the downstream emissions sources that were reported have actually decreased by 20% (925 tCO₂e). This is a result of a reduced number of deliveries in FY21 and an increase in the operational efficiency across the year from our distribution partners who focus on decreasing the carbon impact of each customer order.

Our business travel emissions have fallen by 93% as a result of restrictions put in place through Covid-19. Whilst business travel will remain an important part of our operations, we will embrace the new ways of working and continue to use technology to keep our business travel emissions down.

Overall, our total emissions including Scope 3 have fallen by 20% (6,357.9 tCO₂e) compared to FY20.

Scope	Source	Total GHG tCO ₂ e			
		FY21	FY20	tCO ₂ e change from previous year	% change from previous year
Scope 1	Natural gas	1,579.6	1,673.0	-93.4	-6%
	Diesel	172.3	278.7	-106.5	-38%
	HFCs	9.5	173.1	-163.6	-95%
	Gas oil	42.4	54.0	-11.6	-22%
	Company vehicles	12.1	28.2	-16.1	-57%
Scope 2	Electricity (location based)	2,925.8	3,788.2	-862.5	-23%
	Electricity (market based)	0.0	54.1	-54.1	-100%
	Total Scope 1 and 2¹	4,741.5	5,995.1	-1,253.6	-21%
Scope 3	Water	11.02	23.30	-12.3	-53%
	Employee commuting	714.1	1,139.4	-425.3	-37%
	Home working	813.9	0.0	813.9	-
	Business travel	141.5	1,955.4	-1,813.9	-93%
	Waste	81.2	105.3	-24.1	-23%
	Fuel and energy-related activities	945.8	1,188.6	-242.8	-20%
	Logistics (upstream)	12,466.3	16,628.7	-4,162.4	-25%
	Logistics (downstream)	5,317.5	4,555.0	762.6	17%
	Total Scope 1, 2 and 3¹	25,232.9	31,590.8	-6,357.9	-20%
	Outside Scopes – Biogenic element – Diesel	8.0	9.4	-1.4	-15%

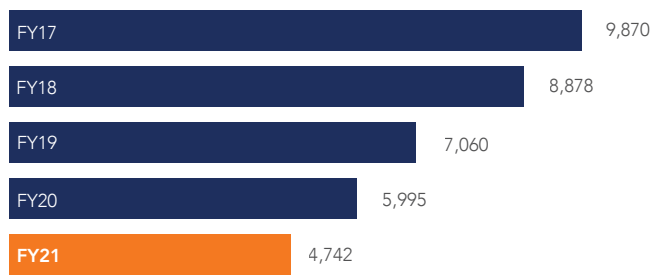
¹ Total Scope 1 and 2 and total Scope 1, 2 and 3 emissions have been calculated using the location-based methodology for Scope 2 reporting.

SUSTAIN – FOR TODAY, FOR TOMORROW, FOREVER
CONTINUED

OUR PLANET CONTINUED

ABSOLUTE PERFORMANCE

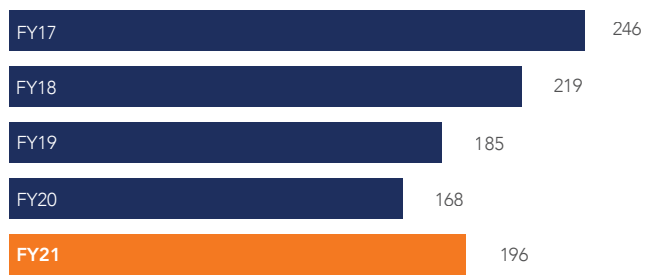
ABSOLUTE GHG EMISSIONS (SCOPE 1 and 2) TCO₂e



Our absolute emissions have more than halved (52.0%, 5,128 tCO₂e) when reviewing our performance over the last five years. We have delivered an average year on year reduction of 17% since FY17. While absolute emissions have fallen between FY20 and FY21, some of this will have been due to the decrease in the number of items shipped in the year. As the Company looks to return to growth in FY22, emissions may increase accordingly. A full narrative of the absolute emissions performance will be given in the 2022 Annual Report.

RELATIVE PERFORMANCE

RELATIVE GHG EMISSIONS (SCOPE 1 and 2)



Our direct emissions intensity per item shipped has increased by 16.6% compared to last year. This is due to a decrease in the number of items shipped as customer demand dropped as a result of the pandemic. However, our absolute emissions have fallen by 1,254 tCO₂e over the same period.

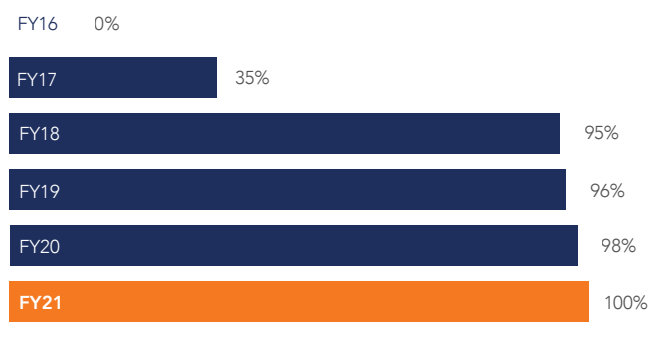
UNDERLYING ENERGY USE

The table below shows the proportion of energy use that occurs within the UK and non-UK countries alongside the total carbon emissions. In FY21, 99.2% of the Group’s energy consumption and 99.0% of carbon emissions arose from UK operations.

Area	FY21 Energy Use		FY21 Carbon Emissions	
	kWh	%	tCO ₂ e	%
UK	21,848,505	99.2%	4,694	99.0%
Non-UK	169,435	0.8%	47	1.0%
Total	22,017,940	–	4,741.5	–

Our sourcing of renewable electricity has grown from 0% in FY16 to 100% in FY21.

SOURCING OF RENEWABLE ELECTRICITY



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 1 March 2020 to 27 February 2021.

GHG emissions factors published by the UK Government and International Energy Agency for 2020 have been used to calculate GHG emissions. For activities outside the UK, emissions factors provided by the International Energy Agency ("IEA") have been used to calculate GHG emissions.

NOTED CHANGE IN EMISSIONS FOR 2019 – 2020

There have been no changes to the figures reported in the previous reporting period.

DATA RECORDS

Natural gas and electricity: Emissions are primarily calculated based on actual or estimated 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.

HFCs: 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. There are a few closed stores which are included within the scope of reporting due to them still being leased to N Brown. As the stores were closed for the duration of the reporting period, it has been assumed that there has been no wastage at the stores.

Employee commuting: Employee commuting habits are captured using an annual online colleague 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.

Home working: Due to Covid-19 restrictions there has been an increase in colleagues working from home during the reporting period. The emissions associated with home working (e.g. as a result of lighting, heating and IT equipment) has been captured using an online colleague survey.

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.

Business travel (air, rail): There are two types of air travel carried out by N Brown: traditional business travel and travel for photoshoots. The business air travel is recorded by Clarity who provide a breakdown, by journey, including distance travelled, type of journey (long-haul, domestic etc.) and journey class (e.g. business or economy). There were no photoshoot journeys by air during the latest reporting period due to Covid-19 restrictions. Rail figures are provided by Clarity who provide a breakdown, by journey, including distance travelled and journey type (underground / national rail).

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

SETTING A HIGH STANDARD OF GOVERNANCE



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INTRODUCTION FROM THE CHAIR



“The Board recognises that good corporate governance underpins business performance. We are committed to maintaining the highest standards of corporate governance following the Company’s move to AIM. By promoting integrity and openness, valuing diversity and ensuring effective engagement with stakeholders, we will continue to develop and improve on our effectiveness.”

Ron McMillan
Independent Non-Executive Chair

The focus of the Board this year has been on ensuring continued colleague support and welfare as we navigate the ongoing challenges posed by the Covid-19 pandemic as well as counselling management through a number of significant strategic and operational challenges.

The Board successfully led the Company through a £100m equity raise and re-listing on the Alternative Investment Market (“AIM”) in December 2020. We believe that the successful completion of these projects puts the Company in a stronger position from which it can deliver sustainable growth.

This is further supported by a number of key appointments made during the year, including the appointment of our new CFO, Rachel Izzard and our first Retail CEO, Sarah Welsh. I was appointed as Chair following the departure of Matt Davies. Full details of all changes are set out in the Nominations and Governance Committee Report on p67.

We maintain active engagement with our stakeholders. Our Section 172 Statement on p39 outlines how the Board has engaged with stakeholders throughout the year and taken their interests into account when making decisions on behalf of the Company.

I would like to take this opportunity to thank my fellow Directors for their support during this challenging year. 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 6 July 2021.

THE CODE

Following the move to AIM, the Company will continue to comply with the UK Corporate Governance Code (“the Code”) on a voluntary basis. The Board is responsible for ensuring that the Company has appropriate frameworks in place to ensure compliance. Explanations about how we have applied the main principles of the Code can be found opposite.

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 p56 to 61.

DIVISION OF RESPONSIBILITY

The Board has the appropriate 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 p62 to 63.

COMPOSITION, SUCCESSION AND EVALUATION

The 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 p64 to 67.

AUDIT, RISK AND INTERNAL CONTROL

The Board determines the Company’s strategy, taking account of the need to avoid or manage 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 p68 to 75.

REMUNERATION

The 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 p76 to 94.

LEADERSHIP AND PURPOSE

GROUP BOARD DIRECTORS



RON MCMILLAN
INDEPENDENT
NON-EXECUTIVE
CHAIR

Appointed to the Board:
April 2013

Appointed Chair of the Board:
March 2021

Meetings attended 16/16

First appointed to the Board in April 2013, Ron served as Senior Independent Director until his appointment to Board Chair in March 2021. Prior to joining the Board, he was the Deputy Chair of PricewaterhouseCoopers in the Middle East and Northern Regional Chairman of the UK firm.

Key strengths

- Retail
- Corporate Finance
- Governance
- Risk management
- Remuneration

External appointments

Ron is the Senior Independent Director and Chair of the Audit Committee of B&M European Value Retail SA and SCS Group plc. He is also a Non-Executive Director and Chair of the Audit Committee of Homeserve plc.



RACHEL IZZARD
CHIEF FINANCIAL
OFFICER

Appointed to the Board:
June 2020

Meetings attended 5/5

Rachel was appointed as CFO in June 2020 after joining the Company in April 2020. Prior to this she was CFO at Aer Lingus, leading the Finance and Technology functions, successfully driving a step change in performance, and integrating the company into the IAG group. Over her career Rachel has held a range of CFO, technology, and senior finance roles in the Airline and Logistics sectors, based in locations in Asia, the US and Europe.

Key strengths

- Strategy and change management
- Retail and digital retail
- Corporate finance
- Governance
- Risk management
- Technology, data analytics and AI

External appointments

None.



**LORD ALLIANCE OF
MANCHESTER CBE**
NON-EXECUTIVE
DIRECTOR

Appointed to the Board:
November 1968

Meetings attended 14/16*

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 and digital retail
- Strategy and change management
- Corporate finance
- Financial Services
- Governance
- Marketing

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.

* Lord Alliance was unable to attend two Board meetings in FY21 due to illness. He was represented at these meetings by Joshua Alliance.



STEVE JOHNSON
CHIEF EXECUTIVE
OFFICER

Appointed to the Board:
September 2018

Meetings attended 16/16

Steve was appointed CEO of N Brown in February 2019, having been appointed Interim CEO in September 2018. Having originally joined the Group as Financial Services Director in February 2016, he 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

- Strategy, transformation and change management
- Retail and digital retail
- Financial Services
- Governance
- Risk management
- Technology, data analytics and AI
- Marketing
- Change management

External appointments

None.



GILL BARR
SENIOR
INDEPENDENT NON-
EXECUTIVE DIRECTOR

Appointed to the Board:
January 2018

Appointed Senior Independent
Director: March 2021

Meetings attended 16/16

Gill joined the Board in January 2018 and was appointed Senior Independent Director in March 2021. She was previously a Non-Executive Director of Morgan Sindall Plc, Group Marketing Director of The Co-operative Group and Marketing Director of John Lewis. Gill also spent seven years at Kingfisher plc in a variety of senior strategy, marketing and business development roles.

Key strengths

- Retail and digital retail
- Strategy and change management
- Financial Services
- Governance
- Remuneration
- Marketing

External appointments

Gill is a Non-Executive Director of PayPoint plc and Wincanton plc. She is also the Chair of the Customer Challenge Group for Severn Trent Water plc.



RICHARD MOROSS
INDEPENDENT NON-
EXECUTIVE DIRECTOR

Appointed to the Board:
October 2016

Meetings attended 16/16

Richard joined the Board in October 2016 and was appointed Designated Director for Colleague Engagement in 2019. 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

- Retail and digital retail
- Strategy and change management
- Technology and data analytics
- Remuneration
- Marketing

External appointments

Richard is an Executive Director of Moo Print Ltd.



MICHAEL ROSS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: January 2018

Meetings attended 16/16

Appointed to the Board in January 2018, 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

- Retail and digital retail
- Strategy and change management
- Financial Services
- Risk management
- Technology, data analytics and AI
- Marketing

External appointments

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



VICKY MITCHELL
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board: January 2020

Meetings attended 16/16

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

- Strategy and change management
- Financial Services
- Governance
- Risk management
- Remuneration

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.



JOSHUA ALLIANCE
NON-EXECUTIVE DIRECTOR

Appointed to the Board: December 2020

Meetings attended 1/1

Joshua joined the Board in December 2020. After graduating from Manchester University in 2011 and, following experience working in other developing hi-tech businesses, Joshua joined the Company in 2014. He was formerly Head of Business Innovation for J.D. Williams & Company Limited.

Key strengths

- Retail and digital retail
- Strategy and change management
- Technology, data analytics and AI

External appointments

Joshua is a Non-Executive Director of a number of digitally based private companies in the UK and Israel.



THERESA CASEY
GENERAL COUNSEL AND COMPANY SECRETARY

Appointed to the Board: March 2015

Meetings attended 16/16

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

MATT DAVIES
INDEPENDENT NON-EXECUTIVE CHAIR

Resigned from the Board: March 2021.

Meetings attended: 16/16

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.

LESLEY JONES
INDEPENDENT NON-EXECUTIVE DIRECTOR

Resigned from the Board: March 2021.

Meetings attended: 16/16

Lesley joined the Board in October 2014 with 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.

CRAIG LOVELACE
CHIEF FINANCIAL OFFICER

Resigned from the Board: June 2020.

Meetings attended: 11/11

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 and Electronic Arts Inc and PwC.

LEADERSHIP AND PURPOSE CONTINUED

EXECUTIVE BOARD DIRECTORS



STEVE JOHNSON
CHIEF EXECUTIVE
OFFICER

Appointed to the Board:
September 2018

Meetings attended 10/10

Steve was appointed CEO of N Brown in February 2019, having been appointed Interim CEO in September 2018. Having originally joined the Group as Financial Services Director in February 2016, he 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

- Strategy, transformation and change management
- Retail and digital retail
- Financial Services
- Governance
- Risk management
- Technology, data analytics and AI
- Marketing

External appointments

None.



RACHEL IZZARD
CHIEF FINANCIAL
OFFICER

Appointed to the Board:
April 2020

Meetings attended 9/9

Rachel was appointed as CFO in June 2020 after joining the Company in April 2020. Prior to this she was CFO at Aer Lingus, leading the Finance and Technology functions, successfully driving a step change in performance, and integrating the company into the IAG group. Over her career Rachel has held a range of CFO, technology, and senior finance roles in the Airline and Logistics sectors, based in locations in Asia, the US and Europe.

Key strengths

- Strategy and change management
- Retail and digital retail
- Corporate finance
- Governance
- Risk management
- Technology, data analytics and AI

External appointments

None.



ALYSON FADIL
CHIEF PEOPLE
OFFICER

Appointed to the Board:
April 2018

Meetings attended 10/10

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

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.



KENYATTE NELSON
CHIEF BRAND OFFICER

Appointed to the Board: June 2019

Meetings attended 10/10

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

Kenyatte is a Non-Executive Director of the British Retail Consortium.



SARAH WELSH
CEO OF RETAIL

Appointed to the Board: March 2020

Meetings attended 9/9

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.



DAN JOY
CEO OF FINANCIAL SERVICES

Appointed to the Board: January 2020

Meetings attended 10/10

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.



THERESA CASEY
GENERAL COUNSEL AND COMPANY SECRETARY

Appointed to the Board: March 2015

Meetings attended 9/10*

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 Shipleigh 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:

CRAIG LOVELACE
CHIEF FINANCIAL OFFICER

Resigned from the Board: June 2020.

Meetings attended: 3/3

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 and Electronic Arts Inc and PcW.

* Theresa Casey was unable to attend one Executive Board meeting in FY21 due to a prior commitment.

LEADERSHIP AND PURPOSE CONTINUED

BOARD LEADERSHIP

The Board comprises nine Directors, of whom seven are Non-Executive Directors including the Chair. Of the seven Non-Executive Directors, Lord Alliance of Manchester and Joshua Alliance are not considered by the Board to be independent. The Board met 16 times during the year, the attendance of which is set out in the table below. In addition, 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.

BOARD COMPOSITION

9



Nine Directors on the Board

7



Seven Directors of the Board, including the Chair, are Non-Executive Directors

Full biographical details of all Directors appear on p56.

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 p32 to 38.

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 p40 and our Section 172 Statement outlining wider stakeholder engagement across the year and whistleblowing procedures is on p39.

Further details on the role and responsibilities of the Board, along with key individual responsibilities can be found on p62.

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. The powers of the Directors are described in the Board Terms of Reference and the Division of Responsibility section on p62. The Terms of Reference for the Board and its Committees are available on the Group's website www.nbrown.co.uk.

BOARD COMMITTEE MEMBERSHIP

Member	A	R	N	F
Ron McMillan		■	■	■
Gill Barr	■		■	
Richard Moross		■	■	
Michael Ross	■		■	
Vicky Mitchell	■		■	■
Steve Johnson				■
Rachel Izzard				■
Theresa Casey (Secretary)	■	■	■	■

Committee key

■ Chair	■ N Nominations and Governance
■ A Audit and Risk	■ F Financial Services Board
■ R Remuneration	

BOARD AND COMMITTEE ATTENDANCE

	Board	Remuneration Committee	Audit and Risk Committee	Nominations and Governance Committee	Financial Services Board Committee
Total meetings	16	5	4	2	4
Ron McMillan	16/16	5/5	4/4	2/2	4/4
Lord Alliance ¹	14/16	–	–	–	–
Gill Barr	16/16	5/5	–	2/2	–
Richard Moross	16/16	5/5	–	2/2	–
Michael Ross ²	16/16	–	3/4	2/2	2/2
Vicky Mitchell	16/16	–	4/4	2/2	4/4
Joshua Alliance	1/1	–	–	–	–
Steve Johnson	16/16	–	–	–	4/4
Rachel Izzard	5/5	–	–	2/2	2/2
Matt Davies	16/16	5/5	4/4	2/2	4/4
Lesley Jones	16/16	–	4/4	2/2	4/4
Craig Lovelace	11/11	–	–	–	2/2

¹ Lord Alliance was unable to attend two Board meetings in FY21 due to illness. He was represented at these meetings by Joshua Alliance.

² Michael Ross was unable to attend one Audit and Risk Committee meeting in FY21 due to a prior commitment.

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 p63.

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 on p60. 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 ADMINISTRATION

Board papers include detailed management reports from the Chief Executive Officer and the Chief Financial Officer, management accounts, broker analysis, 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.

KEY ACTIVITIES



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

Business performance and strategy

Oversight of the Company's strategic move from the Main Market on the London Stock Exchange to the Alternative Investment Market.

Oversight of the Company's operations and trading strategy during the Covid-19 pandemic.

Review of the Company's performance against its strategic priorities and KPIs.

Deep Dive assessments of key strategic initiatives including: People strategy, Product strategy, Financial Services platform and IT roadmap.

Financial performance

Oversight of the Company's £100m equity raise.

Review and approval of the Company's banking arrangements and facilities renewal.

Assessment of the Company's overall financial and operational performance including close monitoring of liquidity.

Approval of the FY20 Annual Report and Accounts and Preliminary Results announcement as well as the FY21 Interim Results and announcement.

Assessment of capital allocations and capital expenditure in respect of the Company's growth strategy.

Approval of the Group's FY21 budget and future financing needs.

Risk and opportunity

Review and approval of the Company's risk management framework, risk register, risk appetite and governance framework.

Discussions on emerging risks and the Board's responsibilities to the Company and its stakeholders, especially in relation to its move to the Alternative Investment Market.

Regulatory compliance

Continued oversight of compliance with the Senior Managers & Certification Regime.

Review of the Company's Persistent Debt strategy and roll out of Persistent Debt interventions to Financial Services customers.

Receipt of whistleblowing reports.

Stakeholder matters

Review of the Company's approach to wider supply chain support and interaction during the Covid-19 pandemic.

Communication with shareholders around the Company's equity raise and move to the Alternative Investment Market in 2020.

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

Culture and governance

Prioritisation of colleague health, safety and welfare during the Covid-19 pandemic.

Review of the colleague engagement survey results.

Recruitment of key Board positions.

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

See p66 for further information.

DIVISION OF RESPONSIBILITY

GOVERNANCE STRUCTURE

ROLES AND RESPONSIBILITIES

GROUP BOARD

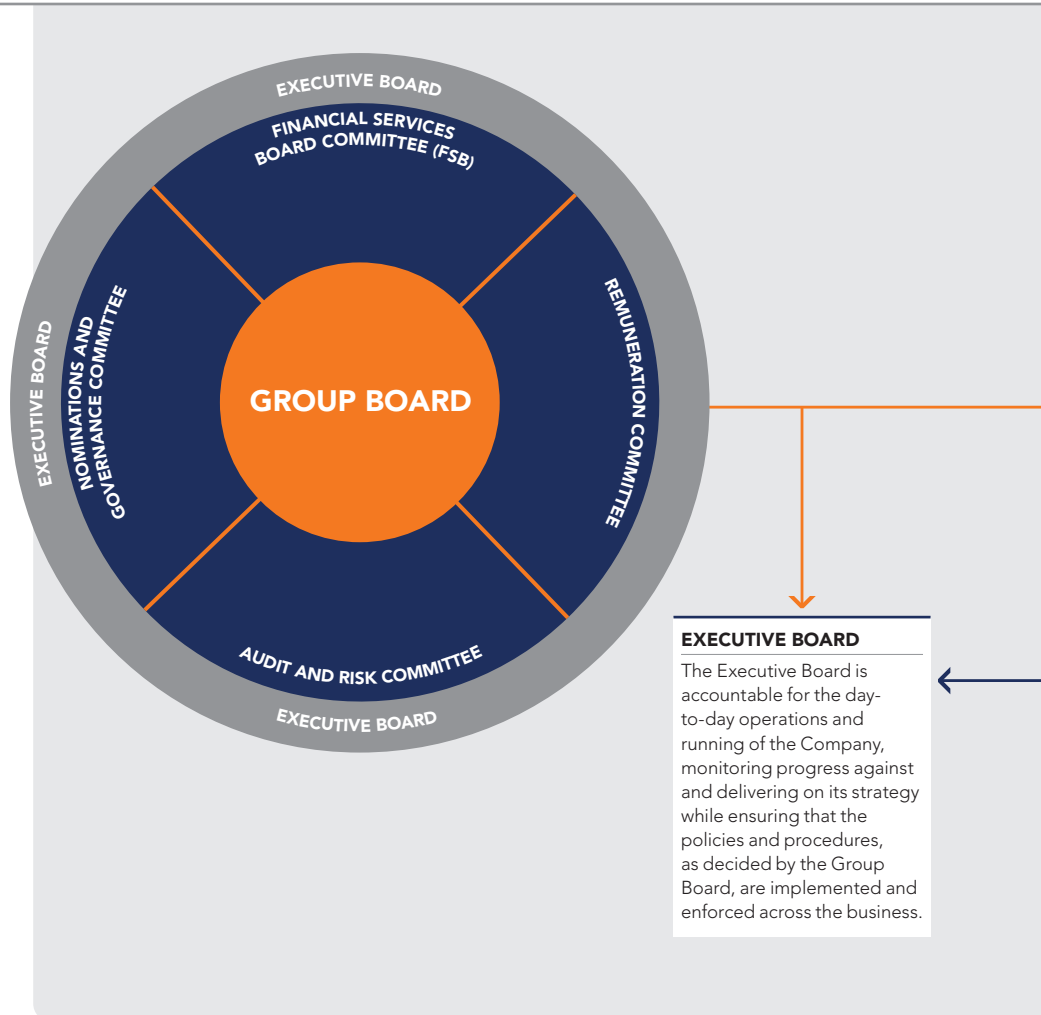
The Group Board is collectively responsible for the overall leadership of the Company and for setting its values and standards. It approves the Company’s strategic aims and objectives, is responsible for all major policy decisions and oversees their delivery while ensuring maintenance of a sound system 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 opposite:



EXECUTIVE BOARD
 The Executive Board is accountable for the day-to-day operations and running of the Company, monitoring progress against and delivering on its strategy while ensuring that the policies and procedures, as decided by the Group Board, are implemented and enforced across the business.

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

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 p75.

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 p76.

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 p68.

NOMINATIONS 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 p67.

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 Nominations 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 AIM 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.

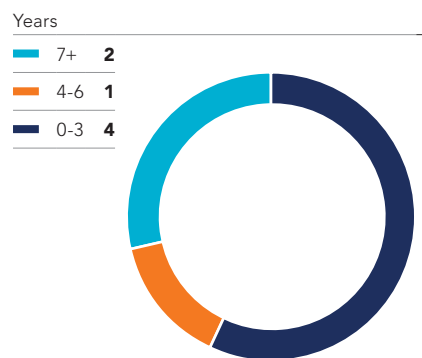
COMPOSITION, SUCCESSION AND EVALUATION

BOARD COMPOSITION

NON-EXECUTIVE DIRECTOR TENURE

	Appointed	2014	2015	2016	2017	2018	2019	2020	2021	
Lord Alliance of Manchester CBE	25 November 1968	[Bar chart showing tenure from 2014 to 2021]								
Ron McMillan	1 April 2013	[Bar chart showing tenure from 2014 to 2021]								
Richard Moross	6 October 2016	[Bar chart showing tenure from 2014 to 2021]								
Gill Barr	16 January 2018	[Bar chart showing tenure from 2014 to 2021]								
Michael Ross	16 January 2018	[Bar chart showing tenure from 2014 to 2021]								
Vicky Mitchell	20 January 2020	[Bar chart showing tenure from 2014 to 2021]								
Joshua Alliance	23 December 2020	[Bar chart showing tenure from 2014 to 2021]								

TENURE



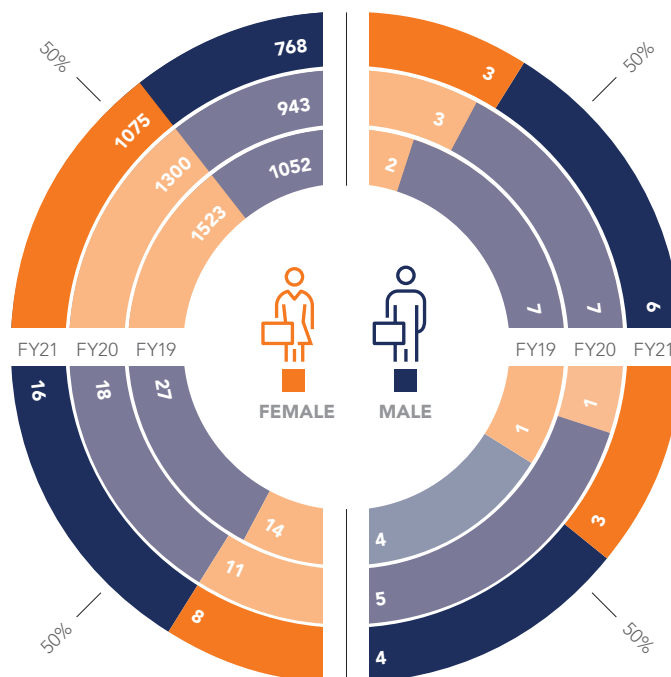
GENDER BALANCE AT FINANCIAL YEAR END

ALL COLLEAGUES

PLC BOARD

SENIOR LEADERSHIP TEAM

EXECUTIVE BOARD



DIVERSITY AND INCLUSION

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.

Balanced gender representation across the business remains a key priority going into FY22. As of June 2021, there is a 33% female representation at Board level and 43% at Executive Board level.

N Brown is committed to creating an inclusive working environment which enables everyone to work to the best of their skills and abilities. As a Company, we pride ourselves on providing opportunities for learning and career development which do not operate at the detriment of disabled colleagues. Our application and interview process are regularly reviewed to ensure that full consideration is given to applications for employment from disabled

persons. We continue the employment wherever possible of anyone who becomes disabled during their employment, providing assistance and modifications to their environment where possible.

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 headhunters and agencies that can provide true diversification in their candidate bases. For more information on our recent Board appointments see p65.

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 27 February 2021 were:

Ron McMillan (Chair, effective 31 March 2021)
Lord Alliance of Manchester CBE
Gill Barr (Senior Independent Director, effective 31 March 2021)
Richard Moross
Michael Ross
Vicky Mitchell
Joshua Alliance
Lesley Jones (Resigned effective 31 March 2021)
Matt Davies (Outgoing Chair, resigned effective 31 March 2021)

The composition of the Board and Committees is regularly reviewed and refreshed. In June 2020, Craig Lovelace resigned as CFO and Rachel Izzard was appointed in his place. Joshua Alliance was appointed as a Non-Executive Director in December 2020. These were the only

changes to Board composition within the FY21 year, but as announced on 25 February 2021, Matt Davies stepped down as Chair effective 31 March 2021 and was replaced by Ron McMillan, previously Senior Independent Non-Executive Director. Gill Barr was appointed Senior Independent Director effective 31 March 2021. As announced on 24 March 2021, Lesley Jones also resigned on 31 March 2021.

Vicky Mitchell stepped into the role of Acting Chair of the Audit and Risk Committee effective 31 March 2021. An external search for a new Audit and Risk Committee Chair is underway. Following his appointment as Board Chair, Ron McMillan became Chair of the Nominations and Governance Committee on 31 March 2021.

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

BOARD COMPOSITION



Executive Directors	2
Non-Executive Directors	2
Independent Non-Executive Directors	5

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
Ron McMillan	■		■		■	■		■	
Lord Alliance of Manchester CBE	■	■	■	■	■				■
Gill Barr	■	■		■	■			■	■
Richard Moross	■	■					■	■	■
Michael Ross	■	■		■		■	■		■
Vicky Mitchell		■		■	■	■		■	
Joshua Alliance	■	■					■		
Steve Johnson	■	■		■	■	■	■		■
Rachel Izzard	■	■	■		■	■	■		

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 appointments made during the year are provided in the Nominations and Governance Committee report on p67.

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. 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.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

BOARD COMPOSITION CONTINUED

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 New Chair and are satisfied he has sufficient time to devote to his role.

External appointments of other significant commitments of the Directors require the prior approval of the Chair. 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.

At the 2021 Annual General Meeting, all of the Directors will retire and will offer themselves for re-election with the exception of Joshua Alliance who will be seeking ratification of his appointment to the Board. All Non-Executive Directors serve on letters of appointment stipulating three-year terms. All appointments are terminable, without compensation, on 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 current external appointments can be found in the Directors' biographies set out on p56.

BOARD DEVELOPMENT AND TRAINING

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, mainly focusing around the Company's obligations upon its move to the Alternative Investment Market ("AIM").

The Board underwent extensive training, facilitated by external providers, on the following:

Equity Raise best practice and procedural requirements under the Companies Act 2006 and the Financial Services and Markets Act 2000

AIM Rules and Regulations

Directors' Duties and Responsibilities under the Companies Act 2006

In addition, all Directors with a designated Senior Manager Function received a combination of written and face-to-face training in relation to their specific duties under the Senior Managers & Certification Regime.

Board meeting agendas across the year included deep dive discussions on the following topics:

Refinancing of the Company and the move to AIM

People strategy

Product strategy

Financial Services platform

Risk Management Framework

IT roadmap (including new website front-end development)

Directors also underwent external training and personal development relevant to their roles.

The Company Secretary is 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. Site visits have not been possible for the majority of FY21 due to the Company's Covid-19 Policy and associated site access restrictions. Site visits will recommence in FY22 when the situation allows.

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

In early 2021, the Board took part in an external Board and Committee evaluation, facilitated by Sam Allen Associates.

A comprehensive questionnaire was developed and completed by all Directors. Key focus topics were as follows:

Business strategy and risk

Communication and remote working

Wider stakeholders

Shareholders' value

Knowledge and skills

Board processes

In addition, performance reviews of all Board Committees and individual Directors were completed, including the Chair.

The results of the evaluation were assessed by the full Board. Key areas of focus and development over the next 12 months were identified, including:

Strategic discussions and decision-making by the Board

Risk appetite review and approval

Interaction of the FS and Retail arms of the business

Board size, skill gap analysis and succession planning

Best practice for remote board engagement

Overall, 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.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

MEMBER		Meetings attended
Ron McMillan	April 2013 – Present (Chair from 31 March 2021)	2/2
Gill Barr	January 2018 – Present	2/2
Richard Moross	October 2016 – Present	2/2
Michael Ross	January 2018 – Present	2/2
Vicky Mitchell	January 2020 – Present	2/2
Matt Davies	November 2019 – March 2021	2/2
Lesley Jones	October 2014 – March 2021	2/2

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.

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

FY22 PRIORITIES

Recruiting a new Independent Non-Executive Director and Chair of the Audit and Risk Committee.

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.

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 Nominations and Governance Committee report for FY21. This is my first report as Chair of the Committee having stepped into the position in March 2021.

FY21 has seen a number of changes for the Company. The onset of the Covid pandemic significantly impacted our business operations and trading strategy; this was reflected in the changes made to the Board and Committee structure across the year.

The Company appointed Russell Reynolds Associates and Sam Allen Associates to support searches for new Board candidates. Rachel Izzard joined the Company as Chief Financial Officer in June 2020, replacing Craig Lovelace. In addition, Sarah Welsh was appointed as CEO of Retail in March 2020. All appointments were unanimously approved by the Board.

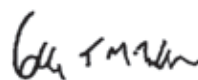
Following the Company's admission to the Alternative Investment Market and successful equity raise in late 2020, the Committee was pleased to recommend the appointment of Joshua Alliance to the Board as Non-Executive Director. Joshua joined the Board in December 2020.

I stepped down as Chair of the Audit and Risk Committee and Senior Independent Director following my appointment as Chair of the Board in March 2021. The primary focus of the Committee over the next few months is to oversee the external process currently underway to appoint a new permanent Chair of the Audit and Risk Committee. In the meantime, Vicky Mitchell has kindly stepped into the role as Acting Chair. Gill Barr became Senior Independent Director effective from March 2021. Gill is one of the longest serving members of the Board and brings a wealth of experience to the role.

In early 2021, the Board and its Committees underwent an externally facilitated Board evaluation, carried out by Sam Allen Associates. The results of the evaluation were discussed with the whole Board and an action plan is now in development for FY22 which will focus on succession planning and talent development. Further information on the external evaluation can be found on p66.

The Company is proud of its commitment to and focus on diversity. Details of our approach to appointments to and of the composition of our Board is set out on p64.

I would like to thank my fellow Board members for their support during this recent transition. I am available to speak with shareholders at any time and shall be available at the Annual General Meeting on 6 July 2021 to answer any questions you may have on this report.



Ron McMillan
Chair of the Nominations and Governance Committee



AUDIT, RISK AND INTERNAL CONTROL

AUDIT AND RISK COMMITTEE REPORT

MEMBER		Meetings attended
Vicky Mitchell	January 2020 – Present (Acting Chair from 31 March 2021)	4/4
Michael Ross*	January 2018 – Present	3/4
Ron McMillan	April 2013 – March 2021	4/4
Lesley Jones	October 2014 – March 2021	4/4

* Michael Ross was unable to attend one of the Committee meetings due to a prior commitment.

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.

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

FY22 PRIORITIES

Appointing a new Audit and Risk Committee Chair.

Continuing to monitor the impact Covid-19 is having on the Group's business, internal control procedures and governance.

Ensuring that the Group's risk management procedures continue to be responsive to the impact Covid-19 is having on resources and ways of working.

Ensuring that the Group's Internal Audit and Risk functions continue to be 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 regime for regulated firms.

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

DEAR SHAREHOLDER

On 31 March 2021, Ron McMillan stepped down as Audit and Risk Committee Chair, following his appointment as Chair of the Board. I am presenting this report as the Acting Chair of the Audit and Risk Committee; the Group has commenced a facilitated search to find a new Committee Chair. 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 to the integrity of published financial information and the effectiveness of audit.

The Committee maintains 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 an independent view of the key disclosure issues and risks from the Group's external auditor.

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 oversaw the internal control assessment and working capital review for the equity raise that completed in December 2020. The Committee also 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 p96 of this Annual Report.

The Committee considered whether the 2021 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 2021 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 6 July 2021 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.



Vicky Mitchell
Acting Chair of the Audit and Risk Committee



COMMITTEE COMPOSITION

The Committee currently comprises two 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 Acting Committee Chair, Vicky Mitchell fulfils that requirement. All members are expected to have an understanding of financial reporting, the Group's internal control environment, relevant corporate legislation, the roles and function of internal and external audit and the regulatory framework of the business. As reflected in the biographical details on p56 the Committee members have significant experience of working in or with companies in the retail, financial services and consumer goods sectors.

The members of the Committee who served during the year were:

Vicky Mitchell (Acting Committee Chair from 31 March 2021)
Michael Ross
Ron McMillan (Resigned 31 March 2021)
Lesley Jones (Resigned 31 March 2021)

Details of Committee meetings and attendances are set out on p68. 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 Group's internal and external auditors attend all meetings. The Secretary of the Committee is the Group's General Counsel and Company Secretary.

FINANCIAL SERVICES BOARD

As more fully explained on p75, the Financial Services Board Committee ("FSB") is responsible to the N Brown Board for oversight of the Financial Services business. While ultimate oversight of Group risk remains with the Group Board, 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.

In relation to internal controls and risk management within Financial Services, 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 FY21

The table on p74 details the core activities of the Committee during the year. Key matters considered included the following:

IMPACT OF COVID-19

Although the global spread of Covid-19 began in February 2020, the World Health Organization's declaration of a global pandemic took place in March 2020 and was not predictable as at the 2020 balance sheet date. The impact of the pandemic has, therefore, been accounted for in the current year.

The Committee has reviewed the disclosures made by management in relation to the pandemic and the measures taken by management to support the business throughout. The Committee has also reviewed the associated assumptions used to support forward estimates. In particular, it has reviewed the reasonableness of the assumptions made in relation to trade receivables bad debt impairment, software intangibles impairment and inventories impairment.

Given the ongoing challenges posed by Covid, the Committee has noted and approved extended timelines for completion of the Internal Audit Plan and the Risk Management Framework Enhancements. In addition and in line with the joint statement issued by the FCA and FRC in January 2021, encouraging boards to use the measures granted to allow listed companies an additional two months to publish their audited annual financial reports, the Committee has approved an extended timeline for completion of the year end accounts.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses its assets for impairment on an annual basis. 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 February 2021, the assumed long-term growth rate of subsequent cash flows and the risk-adjusted discount rate.

REGULATION AND COMPLIANCE

While no longer considered a source of estimation uncertainty, the Group operates in a regulated marketplace. 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.

The Group is regulated in the UK by the FCA under a licence granted on 21 September 2016 and by the Central Bank of Ireland for its Oxendales business. 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.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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.

The Committee concurs with management's reassessment of the useful economic lives of its legacy assets in light of the Group's strategy and in the wider technology arena.

IMPAIRMENT OF CUSTOMER RECEIVABLES

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 again reviewed the IFRS 9 model and the refinements that had been made to it in the year.

DEFINED BENEFIT PENSION PLANS

The Committee has continued to review the various assumptions that underpin the actuarial valuation and recognise that these may differ from actual developments in the future.

The Committee concurs with management's assessment that the assumptions are appropriate for the expert to use in their actuarial valuation for the Group's defined benefit pension plan.

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 and 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 & 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 being progressed:

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 of this process. Further information on the Group's Enterprise Risk Management Framework is detailed on p32.

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 Level One risks is set out on p35 to 38.

The Board 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 has focused on addressing some identified control weaknesses, continuously improving the Group's internal control framework. 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 Financial Reporting Council ("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, and the appropriate period for assessment.

REVIEWING THE FY21 HALF YEAR RESULTS, FULL 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

Following the resignation of the previous Head of Internal Audit in FY20, a new Head of Internal Audit was appointed, and resources were strengthened.

The Head of Internal Audit has a direct reporting line to the Committee and attended all Committee meetings. During the year Group Internal Audit ("GIA") undertook a risk-based programme of work which was discussed with, and approved by, both Executive Management and the Committee.

During the year GIA has carried out reviews covering the following areas:

Affordability
Persistent Debt
Conduct Risk Framework
Debt Securitisation
Information Security and Data Protection
IT Risk Management
IT Change Management
SM&CR Readiness
HR Systems Post-Implementation

The outcomes of GIA's work were reported regularly during the year to the Committee, the Executive Board and the Financial Services Board.

The reviews culminated in a series of recommendations against which management agreed a number of remedial actions. Progress against these actions is formally monitored and their status reported to the Committee.

On joining the Group, the new Head of Internal Audit undertook a self-assessment against prevailing professional standards. This assessment resulted in an action plan which was approved, and is monitored, by the Committee.

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

Notwithstanding the self-assessment action plan, the Committee has evaluated the performance of GIA 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 external evaluation carried out in early 2021, as detailed on p66. 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 responsible for the audit is Anthony Sykes, a partner in the London office. Anthony is in his first year as the engagement partner. The total fees paid to KPMG for the year ended 27 February 2021 were £1.6m, of which £0.5m 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, unless the nature of the work means the auditors are best placed to provide services. The allocation of work is 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 advisory work relating to the Company's Equity Raise in 2020. 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. The Committee will continue to ensure that fees for non-audit services do not exceed 70% of aggregate audit fees, as measured over a three-year period.

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.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The N Brown 2020 audit was not chosen for review by the FRC. However, the Committee reviewed KPMG’s transparency report 2020 and noted the firm’s commitment to quality and risk management. The Committee also discussed with KPMG the results of the FRC Audit Quality Inspection of the UK firm, which were published in July 2020.

The Committee noted that KPMG had taken steps to address the key findings of the 2019 FRC report by continuing with and extending the initiatives within its three-year Audit Quality Transformation Plan. Whilst there has been considerable focus on audit quality, the FRC concluded that there remain some areas where improvements need to be made.

On an annual basis, the Audit Quality Review (“AQR”) team of the FRC carry out reviews of the audits of listed companies. In the year to July 2020, across the seven largest accounting firms, 33% of audits reviewed were considered to need more than limited improvement. The individual results of firms were similar. The main areas of concern to the AQR continue to be impairments of goodwill and intangibles, revenue and contracts and provisions, including loan loss provisions.

KPMG are taking steps to improve the results of the 2020 AQRs undertaken and the Committee will monitor progress it is making.

The Committee considered in detail KPMG’s audit planning documentation and satisfied itself that the audit work to be carried out by KPMG covered all significant aspects of the Annual Report and Accounts. There were no areas which the Committee asked KPMG to look at specifically. KPMG’s report to the Committee at the conclusion of the audit confirmed that the audit had been carried out as set out in the planning documentation and the Committee considered the findings of KPMG as reflected in their audit opinion and their year end report to the Board. KPMG’s audit opinion sets out the key matters that, in their professional judgement, were of most significance in their audit. These are consistent with the key matters considered and agreed with the Committee when the audit was planned. KPMG’s opinion describes how these matters were addressed in the audit and the scope and nature of their work reflects the thoroughness of their approach and the degree of scepticism applied.

AUDITOR INDEPENDENCE

The Committee sought and was provided with assurance from the Audit Engagement partners that they and all members of KPMG’s staff engaged on the audit had confirmed that they and their dependants were independent and that KPMG as a firm was independent.

AUDIT QUALITY ASSESSMENT

The Committee assessed the quality of KPMG’s audit in a number of ways:

- 1) The Committee met with the senior members of the KPMG audit team on three occasions during the year and discussed the planning, execution and reporting of audit work and findings. All senior members of the KPMG team contributed to these meetings.
- 2) In conjunction with the CFO and senior members of the finance team, the Committee discussed and assessed KPMG’s approach to the execution of and reporting of their audit and related findings.

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 6 July 2021. Given that this is only the sixth year of KPMG LLP’s tenure as auditors, the Board has no present plans to consider an audit tender process.

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. The Group is committed to ensuring that it offers good quality, transparently and fairly sourced products and services to its customers and operates 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 FY21 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 2021 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.

CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty are set out in note 2 on p121.

These relate to the impact of Covid-19, impairment of customer receivables, software and development costs and the useful economic life assessment, the impairment of non-financial assets, the defined benefit pension plan and the Allianz claim and counterclaim.

The Committee discussed with the auditors how these matters impacted the financial statements and reviewed the sensitivities which were considered by management to be appropriate.

IMPAIRMENT OF CUSTOMER RECEIVABLES

This involves a number of areas of judgement, the estimating of forward-looking modelling parameters, developing a range of future economic scenarios, estimating expected lives and assessing increases in credit risk. The Committee has reviewed the disclosures made by management in relation to these estimation components and related sensitivities and considers them to be appropriate.

SOFTWARE AND DEVELOPMENT COSTS

Included within intangible assets are significant software and development costs in respect of the Group's technological development programme. The Committee has discussed with management whether the related projects will be completed successfully and whether the carrying value is supported by sufficient revenue and profitability going forward. The Committee has also considered management's exercise performed in the year in reviewing the useful economic lives of its legacy intangible assets in light of general advancements in technology and the Group's strategy.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the balance sheet date and following a significant drop in the Group's share price, the market capitalisation of the Group was lower than the Group's net assets. As this is an indicator of impairment, management are required to test for impairment based on value-in-use calculations reflecting expected cash flows, long-term growth rates and a pre-tax discount rate. The Committee has discussed these with management and reviewed the relevant disclosures in the Annual Report. The Committee has discussed the sensitivities of key assumptions including Product Revenue, EBITDA growth, capital expenditure and the discount rate with management and reviewed the relevant disclosures in the Annual Report.

DEFINED BENEFIT PENSION PLAN

The cost of the Group's defined benefit pension plan and present value of the pension obligations are determined using actuarial valuations. The Committee has reviewed the disclosures in the Annual Report in relation to the pension plans and ensured that these are consistent with the advice received from the Group's actuaries.

ALLIANZ CLAIM AND COUNTERCLAIM





The Committee noted the claim lodged against the Group by Allianz Insurance plc and the counterclaim that the Group has made. The legal position in relation to this claim and counterclaim has not made any meaningful progress within the period. Therefore, the Committee again concurred with management's judgement that, because of the complexity of the claims and the early stage of proceedings, it is not currently possible to reliably estimate the amount of any potential outcome and, therefore, no provision for the claim has been made.

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 tax matters. Additional matters covered at each of the meetings during FY21 were as follows:

MAY 2020 	NOVEMBER 2020 
<p>Review of the full year Internal Audit Report, approval of FY21 Internal Audit Plan and the Internal Audit Charter</p> <p>Review and approval of the Group's Risk Management Framework and internal control update – including the securitisation audit</p> <p>Review and assessment of the Group's Compliance activities</p> <p>Approval of the Group's taxation strategy and Tax Policy</p> <p>Performance reviews of:</p> <p>Internal Auditor</p> <p>External Auditor</p> <p>Audit and Risk Committee</p>	<p>Review of the Group's half-year report from the external auditors and the financial reporting paper</p> <p>Review of the Group's half-year statement</p> <p>Review of the HY Internal Audit and Risk Management reports</p> <p>Liquidity and Going Concern assessment at HY FY21</p> <p>Review of Internal Audit work at half year end</p> <p>Approval of select level one risk policies</p> <p>Review and approval of the Group's financial position and prospects procedures, working capital and going concern position ahead of the Equity Raise, move to AIM and refinancing of the Group's banking facilities</p>
JUNE 2020 	JANUARY 2021 
<p>Approval of the full year results for FY20, including reviews of the Group's Viability Statement</p> <p>Liquidity and Going Concern assessment at FY20 Review of the full year external audit report</p> <p>Assessment of the Group's impairment of customer receivables</p> <p>Assessment of the Group's FY20 preliminary results announcement and investor presentation</p> <p>Review of the draft FY20 Annual Report</p> <p>Ratification of non-audit external service provider fees</p>	<p>Review and approval of the external auditors' plan for assessment of the FY21 full year results</p> <p>Review and assessment of the Group's Compliance and Risk activities</p> <p>Approval of select level one risk policies</p> <p>Review of progress against the FY21 Internal Audit Plan</p> <p>Review of the Company's Q3 Trading Statement</p>

FINANCIAL SERVICES BOARD COMMITTEE REPORT

MEMBER		Meetings attended
Vicky Mitchell (Chair)	January 2020 – Present	4/4
Ron McMillan	November 2019 – Present	4/4
Steve Johnson	November 2019 – Present	4/4
Rachel Izzard	June 2020 – Present	2/2
Matt Davies	November 2019 – March 2021	4/4
Lesley Jones	November 2019 – March 2021	4/4
Craig Lovelace	November 2019 – June 2020	2/2

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.

Establishing the risk appetite of the Financial Services business.

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

FY22 PRIORITIES

Continuing to support credit customers in respect of the Financial Conduct Authority's ("FCA") payment deferral regulations following the Covid-19 outbreak.

Overseeing the strategic contributions of the Financial Services business to the Group's commercial development.

Ensuring compliance with and delivery against the requirements of the evolving regulatory agenda.

Continuing to ensure the Senior Managers & Certification Regime ("SM&CR") is embedded across the Group.

Delivering against the Persistent Debt regulation.

Supporting the development of a revitalised Financial Services customer proposition, including delivery of a new Financial Services IT platform.

DEAR SHAREHOLDER

This is my first full year reporting as Chair of the Financial Services Board Committee (the "Committee") having taken over the position from Lesley Jones in January 2020.

In addition to providing general support to and oversight of the Financial Services ("FS") business of the Group, the Committee remains 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 establishes risk appetite and approves risk management plans in relation to FS. The Committee also maintains oversight of internal control and governance frameworks across FS.

Throughout FY21, the Committee has prioritised the support of credit customers affected by the Covid-19 outbreak. In response to the pandemic and the FCA's evolving guidance, the Company undertook a series of strategic, operational and regulatory changes to ensure that customers continued to receive good outcomes and additional support as required by the regulator. Covid-19 forbearance was offered and applied to customers who were temporarily impacted by Covid-19, in line with the firm's processes and the regulator's expectations. Agents had good, empathetic conversations with customers, and reached appropriate solutions. The Committee will oversee further monitoring activity planned for 2021 to assess the provision of tailored support for customers post-deferral. The Company has maintained regular, open dialogue with the FCA on its operational response to the Covid-19 pandemic and payment deferral activity.

In 2020, the Committee approved a new governance approach for FS, including a revised reporting framework and policy approval process. Particular attention was paid to the Group's risk management and tactical approach to the Covid-19 pandemic. In addition, the Committee considered the Group's Payment Card Industry risk mitigation and approach to credit risk. The Committee also maintained oversight of the Company's application of the new Persistent Debt rules.

Work remains ongoing in respect of the development of a revitalised FS customer proposition, including delivery of a new FS IT platform. The Committee continues to oversee progress and advises the business on its key strategic developments.

Looking ahead to FY22, the Committee will focus on supporting customers as they emerge from the Covid-19 pandemic; N Brown remains committed to helping its credit customers through these challenging times. The Committee will continue to oversee compliance with the regulatory agenda, ensuring the FS business is focused on the needs of our customers and on delivering good customer outcomes.

I am available to speak with shareholders at any time and shall be available at the Annual General Meeting on 6 July 2021 to answer any questions you may have on this report.



Vicky Mitchell
Chair of the Financial Services Board Committee



REMUNERATION

REMUNERATION COMMITTEE REPORT

MEMBER		Meeting attended
Gill Barr (Chair)	January 2018 – Present	6/6
Ron McMillan	April 2013 – Present	6/6
Richard Moross	January 2017 – Present	6/6
Matt Davies	May 2018 – March 2021	6/6

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 and in accordance with the UK Corporate Governance Code (the “Code”).

Establishing remuneration schemes that promote long-term shareholding by Executive Directors and align with long-term shareholder interests.

Designing remuneration policies and practices which support the Group’s long-term strategy and promote sustainable success and are aligned to the Group’s purpose and values. Remuneration policies and practices will take into account all relevant factors, legal and regulatory requirements and provisions and recommendations of the Code and associated guidance.

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.

Reviewing workforce remuneration and related policies and overseeing any major changes in employee benefits structures throughout the Group.

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

FY22 PRIORITIES

Reviewing the Directors’ Remuneration Policy to ensure that it continues to be aligned to and support the business strategy as we enter the third and final year of our current policy.

Continuing to ensure our approach to pay provides fair and appropriate reward, balancing the interests of all stakeholders with the need to provide remuneration that is aligned to shareholders’ interests and drives the achievement of our business strategy.

Monitoring the ongoing impact of the Covid-19 pandemic on the business and ensuring that remuneration continues to be appropriate in this context.

Considering the introduction of a broader mix of performance measures into the annual bonus recognising our greater focus on ESG matters as a business.

As we return to more normal working arrangements and the opportunity for increased colleague engagement, ensuring that the overall Group pay policies and practices support the likely more flexible world of work and slightly different business culture.

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 FY21 on behalf of the Board.

Our focus in 2020 has been on ensuring the safety and wellbeing of our workforce and managing the business through the Covid-19 pandemic. In addition, we have led a comprehensive restructuring and refinancing of the business which has included a relisting of our shares on AIM.

The governance regime for companies listed on AIM is different to the Premium Segment of the Main Market and in many respects is less stringent. However, the Board is committed to maintaining the highest level of governance, including continuing to report against the UK Corporate Governance Code.

Furthermore, in terms of the Directors’ remuneration reporting, we will continue to report to the same standards as a Premium Listed company.

Against a backdrop of the significant changes to the business in the past year, we have thought particularly carefully about the impact of the pandemic and performance of the business and the remuneration of the senior management team. The result is an approach that it considers to be fair and reasonable for all stakeholders, taking into account the very significant achievements of the management team in repositioning the business for future growth.

BOARD CHANGES

We were delighted to welcome Rachel Izzard as our new CFO on 29 June 2020. Rachel joined us on a salary of £350,000, pension at 8% of salary, aligned to the workforce rate and normal incentive opportunities aligned to the policy. Further details are set out below and in the Annual Report on Remuneration. The buyout arrangements for incentives which lapsed on her leaving her former employer were set out fully in last year’s Remuneration Report.

Craig Lovelace resigned and stood down as CFO on 28 June 2020. His remuneration for FY21 is disclosed in this Annual Report on Remuneration and comprised salary, benefits and pension to 28 June 2020 with no annual bonus payment and all outstanding incentive awards lapsing. He received no compensation for loss of office.

Matt Davies stepped down from the Board on 31 March 2021 and has been succeeded by Ron McMillan. The Chair fee is unchanged on appointment at £255,000.

REMUNERATION OUTCOMES FOR FY21

There were no increases to base salaries, our CEO remained on his FY20 salary and our new CFO's base salary was set on appointment.

ANNUAL BONUS

The market turmoil at the start of the financial year was unprecedented as the UK entered its first national lockdown. Recognising the immediate imperative to conserve cash, as part of wider cost saving measures the Directors immediately voluntarily waived 20% of their base pay and this reduction lasted for the three months of the full lockdown*.

The market uncertainty made it very difficult for the Committee to set the annual bonus performance targets and so the Committee determined that the target setting should be delayed until the half year. In light of the delay, the shorter performance period and the recognition that total potential remuneration should reduce in FY21, the maximum annual bonus opportunity was scaled back by half, to 75% and 62.5% of salary for the CEO and CFO, respectively. The Committee selected performance metrics that would drive and reward short-term performance and achievement of our strategy while building towards longer-term sustainable growth. Taking into account the impact of the Covid-19 pandemic on the business, our immediate short-term priorities to preserve our cash position while maintaining underlying profitability and to take advantage of the opportunity to grow our customer base, the bonus was based 75% on EBITDA targets and 25% on Net Promoter Score ("NPS").

As the year progressed the Executive Directors, supported by the senior management team and wider Group employees made great strides in every area of the business to deliver against our business strategy, including the repositioning of the business for the post-Covid-19 operating environment, successful refinancing and listing on AIM. As the Chair has set out on p4 the result of their efforts is a much more robust business, with a strong cash position, a good level of underlying profitability and customer satisfaction and we are well positioned now to drive the business forwards. As a result of the performance delivered the targets for the annual bonus have been met at close to maximum. The Committee is clear that the performance achieved has been key in laying the foundations for longer-term sustainable growth as we look to now accelerate our business growth.

Notwithstanding the considerable achievements of the management team, the bonus available for the year has been reduced to 50% of the usual maximum. The outcome by reference to the stretching performance targets resulted in a bonus level equivalent to 44% of the normal bonus maximum and 88% of the scaled back maximum. This provides a bonus of 66% of salary (£280,500) for the CEO and 55% of salary £128,761 for the CFO, noting the CFO's bonus is pro-rated from the date of her appointment. 40% of this amount is deliverable in deferred shares.

* The outgoing CFO did not take part in the voluntary waiver of base pay

Each year the Committee considers carefully whether the formulaic outcome of the bonus is appropriate in light of broader factors and this year there are additional factors relating to the Covid-19 pandemic and the re-financing of the business, to be factored into our assessment. These are discussed in turn below.

We have considered the appropriateness of bonus payments in a year where the Company has received Government assistance under the Coronavirus Job Retention Scheme ("CJRS") amounting to £3.8m to support the furlough of some of our workforce. This support protected over 500 jobs that would otherwise have been at risk of redundancy and has not had a beneficial impact on the profit element of the performance condition as, importantly, the EBITDA target range took this into account. These colleagues have now returned to work and are a critical part of our growth story. The limited draw-down we made under the CLBILS loan scheme has since been repaid and the colleagues we have regretfully lost though redundancies were as part of our restructuring, not as a direct consequence of the pandemic.

We believe in appropriate and fair reward. All eligible colleagues will receive an annual bonus for FY21 based on the same metrics as the Executive Directors, acknowledging their exceptional contribution during the year. Whilst senior staff had their bonus opportunity reduced by 50%, the reduction was limited to 25% for more junior employees, to ensure that senior executives shouldered more of the burden. We strongly believe that paying a bonus to all of our colleagues, with the scale back weighted to the benefit of less senior employees is appropriate for the performance delivered over the year.

We have also considered the appropriateness of bonus payments by reference to the experience of our shareholders in a year where the dividend has been cancelled and we have raised capital as part of our refinancing. This has been recognised through the scale back of bonus opportunity and the reduction of the 2020 Long Term Incentive Plan ("LTIP") awards (and moreover the 2018 LTIP award measured over the three years to FY21 will not vest). The bonus will be paid 60% in cash and 40% in shares with a three-year holding period and, along with the shares already held, ensures the Executive Directors continue to be aligned to long-term performance and shareholders' interests. In relation to the dividend we believe that this value has been retained in the share price and retaining cash has enabled us to accelerate our investment and growth plans. The capital raise was not an emergency fundraise caused by the impact of Covid-19 on the business, but part of the strategic recapitalising and restructuring of the business that has, with other management actions, ensured we are now well positioned financially, also making us better able to accelerate our growth plans.

REMUNERATION CONTINUED

REMUNERATION COMMITTEE REPORT CONTINUED

We set stretching EBITDA and NPS targets at the half year with the EBITDA targets at the top of the market range, and performance over the second half of the year was excellent. We believe that the annual bonus was an important motivational factor in the delivery of such strong performance and helped deliver the best possible outcome for shareholders. It is vital that employees are confident in the integrity of the annual bonus plan and that if challenging performance conditions are set, and then achieved, the resultant bonus should be payable other than in genuinely exceptional circumstances.

As a result of our restructuring and reflecting our much stronger financial position, the Committee has noted that N Brown's share price at c.70p is higher than it was a year ago before the pandemic impacted trading, showing a robust resilience to the crisis and confidence in management's actions and the future prospects of the business.

No bonuses were paid for FY20 and incentive payment levels have been low for a number of years. As noted above, the 2018 LTIP will not vest and it is very unlikely that there will be vesting of the 2019 LTIP. This is understandable given historic business performance and the Committee will continue to ensure strong alignment between pay and performance and restraint in pay at all times. However, incentivising and rewarding proven performance of the new Executive Directors and their management team (most of whom are also new to the business) is vital. The Board believes that it has the right business strategy and right people to deliver that strategy and that incentives must be aligned to drive and reward outcomes that benefit our shareholders.

In conclusion, the Executive Directors and employees must be commended for delivering a financial performance well ahead of expectations whilst repositioning the business in a very difficult year to lay the foundations to accelerate future growth. On this basis, and having consulted with shareholders, the Committee has determined that payment of the reduced bonus, partly in deferred shares, is appropriate to recognise and reward this performance.

LONG-TERM INCENTIVE

The earnings per share ("EPS"), free cash flow and revenue threshold targets for the 2018 LTIP awards, which were measured over the performance period ending in FY21, have not been met and these awards have lapsed.

The grant of LTIP awards and target setting in FY21 was also delayed in light of the pandemic. As explained in my Annual Statement last year the Committee agreed, given the business and economic volatility and difficulty in forecasting and setting long-term earnings per share targets, exceptionally that the 2020 LTIP awards should not include an earnings per share performance measure but instead be determined as to 50% on relative total shareholder return ("TSR") and the other 50% Net Cash Generation. The Committee determined a scale back of the LTIP of 15% taking into account the overall approach to incentives for FY21 including the scale back of the annual bonus. The Committee has, under the policy, the discretion to scale back the vesting outcome if it has concerns that the level of vesting and overall quantum is not appropriate.

HOW THE POLICY WILL BE APPLIED IN FY22

The salaries of our CEO and CFO will be £431,375 and £355,250 respectively.

Annual bonus maximum opportunity will revert to normal levels at 150% of salary for the CEO and 125% of salary for the CFO.

Our focus for the year ahead is profitability and customer growth with 65% of the annual bonus based on EBITDA, 15% on Active Customer Accounts and 10% Customer NPS. The remaining 10% of the bonus will be based on our ESG agenda which is an important part of our strategy.

Subject to a review of the prevailing share price at the time awards are granted, LTIP award levels will also revert to normal levels, for our CEO 150% of salary and our CFO 125% of salary.

We will retain the relative TSR performance measure for 50% of the award with the other 50% based on earnings per share growth reflecting our focus on the future profitability of the business. The targets are set out in the Annual Report on Remuneration.

POLICY REVIEW

Our 2022 AGM will be the third anniversary of shareholder approval of our current Directors' remuneration policy. During the course of 2021 the Committee will carry out a thorough review of the policy and will bring a new policy to shareholders for approval at our 2022 AGM.

SHAREHOLDER ENGAGEMENT

I have engaged in recent months with several of our larger shareholders in respect of the application of policy in light of Covid-19 and look forward to further engagement with shareholders as we review our policy during the year.

CLOSING REMARKS

The Committee is satisfied that with the appropriate exercise of discretion to reduce the maximum annual bonus opportunity for the year and scale back LTIP award levels, there is a fair and appropriate level of reward for the Executive Directors for FY21, taking into account wider stakeholder considerations but also the resilience and performance of the Executive Directors in such a challenging year. The Committee is further comfortable that the policy operated as intended, with the appropriate exercise of discretion and that no change is required to the policy.

I very much hope that you will support the shareholder resolution on the Annual Report on Remuneration at our forthcoming Annual General Meeting on 6 July 2021. 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. Despite the move from the Premium Segment of the London Stock Exchange to an AIM Listing, we will continue to operate the policy on the terms approved by shareholders.

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			
<p>Reflects the performance of the Company and the individual, their skills and experience, and the responsibilities of the role.</p> <p>Provides an appropriate level of basic fixed income.</p>	<p>Reviewed annually, taking account of Group performance and individual performance as well as changes to the market value of the Company.</p> <p>Set with reference to the levels of base salary for similar positions with comparable responsibility and skills in competitor organisations of comparable size and complexity, in particular those in the home shopping and retail market sectors.</p> <p>When reviewing salary increases the Committee takes into account the impact of any increase to base salaries on the total remuneration package.</p> <p>Any changes normally take effect from 1 June.</p>	<p>Salary increases will normally be in line with increases awarded to other employees of the Group.</p> <p>More significant increases may be awarded at the discretion of the Committee, for example: where there is a change in responsibilities or scope of the role; to reflect individual development and performance in the role (e.g. for recent hires); or in exceptional circumstances.</p>	<p>None, although overall individual and Company performance is a factor considered when setting and reviewing salaries.</p>
ANNUAL BONUS			
<p>Drives and rewards annual delivery of financial, corporate and individual strategic goals.</p> <p>Annual performance targets are aligned to the annual and longer-term financial and strategic KPIs of the Company and aimed at increasing shareholder value, whilst being prudent and safeguarding the future of the Company.</p> <p>The holding period provides alignment with shareholders and the longer-term performance of the Company.</p>	<p>The annual bonus is based on the Group's performance as set and assessed by the Committee on an annual basis.</p> <p>Bonuses will be paid 60% in cash and 40% in shares, which must be held for a further three years (including in normal circumstances post-cessation).</p> <p>The payment of any earned bonus remains ultimately at the discretion of the Committee.</p>	<p>Chief Executive: up to 150% of base salary p.a.</p> <p>Other Executive Directors: up to 125% of base salary p.a.</p>	<p>A significant majority of the annual bonus will normally be determined by reference to performance against financial measures.</p> <p>Additionally, corporate and individual strategic performance objectives may be set. Individual and corporate strategic objectives will be measurable and based on the Group's longer-term strategic plan.</p> <p>Payment rises from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum, with 50% of the maximum normally payable for on-target performance.</p> <p>The Committee has the discretion to adjust bonus payments (including reducing to zero) if it considers that the formulaic outcome is not reflective, for instance, of the underlying performance of the Company or investor experience or wider Group employee reward.</p> <p>Recovery of payments may occur in the event of a material misstatement of the Group's financial results, error in calculation of performance or payment, individual misconduct, reputational damage, failure of risk management and Company failure.</p>

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.	<p>Annual grants of performance shares which vest, subject to the Group's performance, measured over three years.</p> <p>Participation and all awards are subject to the discretions given to the Committee in the plan rules.</p> <p>Executives may also receive dividend equivalents on vested shares which will, except in exceptional circumstances, be paid in shares.</p> <p>Shares acquired from LTIP awards must be held for a total period of five years from the date of grant. This comprises the three-year performance period and a further 2 years (including in normal circumstances post-cessation) before they can be disposed of (subject to sales to meet taxes payable).</p>	<p>Normal maximum of 150% of salary.</p> <p>Exceptional circumstances maximum of 200% of salary.</p>	<p>The Committee may select performance measures and weightings for awards from year to year that support the Group's business strategy.</p> <p>A sliding scale of targets is set by the Committee prior to each grant with 25% of an award vesting for threshold performance.</p> <p>The Committee has the discretion to adjust awards (including reducing to zero) if it considers that the formulaic vesting outcome is not reflective of, for instance, the underlying performance of the Company or investor experience.</p> <p>Recovery of payments may occur in the event of a material misstatement of the Group's financial results, error in calculation of performance or payment, individual misconduct, reputational damage, failure of risk management and Company failure.</p>
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.	N/A
OTHER BENEFITS			
Provides a competitive package of benefits that assists with recruitment and retention and supports the well-being of the Executives to enable them to carry out their role effectively.	<p>Main benefits currently include but are not limited to private medical insurance and a car allowance.</p> <p>Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.</p> <p>Any reasonable business-related expenses (including tax (grossed up) thereon) can be reimbursed if determined to be a taxable benefit.</p>	<p>Car and fuel allowance up to £20,000 per annum.</p> <p>Other benefits will be in line with the market. The value of each benefit is based on the cost to the Company and is not predetermined.</p>	N/A

REMUNERATION CONTINUED

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.

The majority of our employees including our CEO and CFO receive the same 8% of salary retirement allowance. The exception to this was the outgoing CFO whose retirement allowance was 10% of salary.

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 CONTINUED

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

RECRUITMENT OF EXECUTIVE DIRECTORS

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

Benefits and pension will be provided in accordance with the approved policy. Assistance with relocation may be provided where appropriate. Tax equalisation and an expatriate allowance may also be considered, as may payment of the Executive's legal fees in connection with the appointment.

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

If it is necessary to buy out incentive pay, which would be forfeited by reason of leaving the previous employer, in order to secure the appointment, this would be provided taking into account and replicating as far as possible the form (cash or shares), delivery mechanism, performance measures, timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as the Committee considers relevant. Existing arrangements may be bought out on terms that, in the Committee's judgement, are no more favourable than the remuneration being forfeited. Existing plans will be used to the extent possible (subject to the exceptional limits contained in the plan rules), however, the Committee retains discretion to agree bespoke arrangements and, if required, to make use of the flexibility provided by the Listing Rules to make awards without prior shareholder approval when buying out existing entitlements. Other benefits or remuneration may also need to be "bought out" and the Committee will use its judgement as to the most appropriate way to structure this.

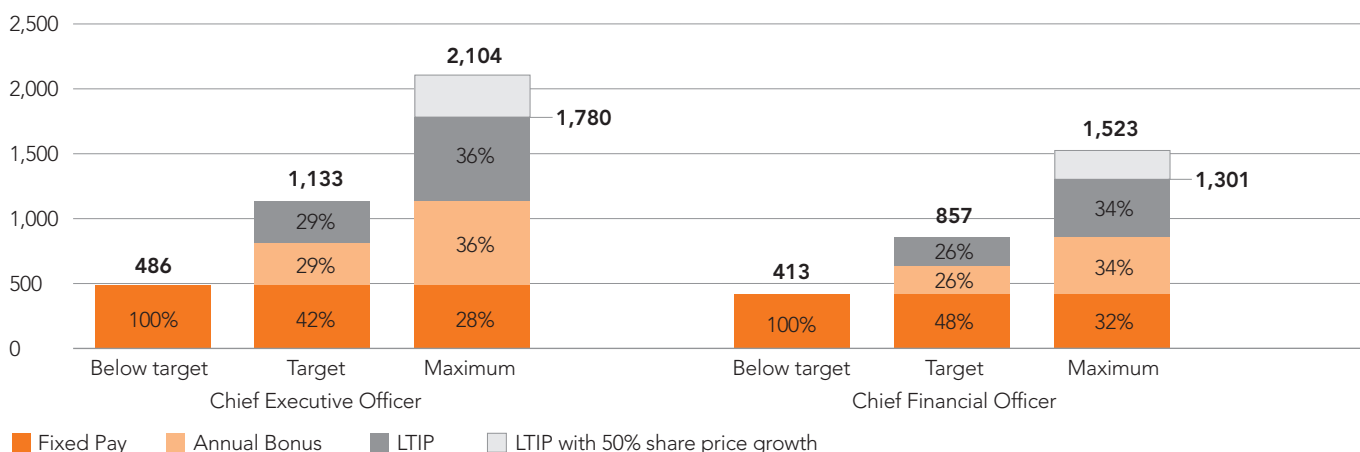
The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

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

The chart overleaf sets out three scenarios for Executive Directors' remuneration for FY22.

POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS FY22

(£'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.

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.	<p>The Non-Executive Directors' remuneration is determined by the Board within the limits set by the Articles of Association.</p> <p>The Chair is paid a single fee for all his responsibilities.</p> <p>The Non-Executives are paid a basic Board membership fee. The Chairs of Committees, Senior Independent Director and Non-Executives with other specific additional roles receive additional fees to reflect their extra responsibilities.</p> <p>Non-Executive Directors may not participate in any of the Company's share incentive schemes or performance-based plans and are not eligible to join the Company's pension scheme or receive payments in lieu.</p> <p>Any reasonable business-related expenses (including tax thereon (grossed up) where an expense is treated as a taxable benefit) can be reimbursed and limited benefits relating to travel, accommodation, secretarial support and hospitality provided in relation to the performance of the Non-Executive Directors' duties.</p> <p>When setting and reviewing fee levels, account is taken of the experience and skills required for and responsibilities of the role, fee levels in comparable companies, Board Committee responsibilities, ongoing time commitments, the general economic environment and the level of increases awarded to the wider workforce.</p> <p>In exceptional circumstances, additional fees may be paid where there is a substantial increase in the time commitment required of Non-Executive Directors.</p> <p>If there is a temporary yet material increase in the time commitment required of Non-Executive Directors, the Board may pay additional fees on a pro-rata basis to recognise the additional workload.</p>	N/A	N/A

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

Non-Executive Directors are retained on letters of appointment. All 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. All Non-Executive Directors signed new letters of appointment, effective upon the Company's re-listing on the Alternative Investment Market in December 2020; this did not impact the progression of their current three-year rolling terms. Brief details of Non-Executive Directors' letters of appointment are summarised below:

Name	Date of original letter of appointment	Date of current letter of appointment	Date current term commenced	Notice period
Ron McMillan	1 March 2013	9 March 2021	31 March 2021	6 months
Lord Alliance of Manchester CBE	16 May 2007	20 October 2020	10 April 2019	6 months
Gill Barr	6 December 2017	26 October 2020	16 January 2021	6 months
Richard Moross	13 September 2016	29 October 2020	6 October 2019	3 months
Michael Ross	8 December 2019	27 October 2020	16 January 2021	3 months
Vicky Mitchell	24 January 2020	28 October 2020	28 January 2020	3 months
Joshua Alliance	5 November 2020	5 November 2020	23 December 2020	6 months

The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2021 Annual General Meeting. The information on p86 to 89 has been audited.

DIRECTORS' REMUNERATION PAYABLE FOR FY21 (AUDITED)

	Year ⁷	Salaries and fees £000's	Taxable benefits ¹ £000's	Pension ² £000's	Bonus (cash and deferred shares) £000's	LTIP £000's	Total fixed pay £000's	Total variable pay £000's	Total £000's
Executive Directors									
Steve Johnson	2020/21	404	20	32	281	0	456	281	737
	2019/20	425	20	34	0	0	479	–	479
Rachel Izzard ³	2020/21	234	29	19	129	–	282	129	411
	2019/20	–	–	–	–	–	–	–	–
Craig Lovelace ⁴	2020/21	119	5	12	0	0	136	–	136
	2019/20	361	17	36	0	0	414	–	414
Non-Executive (fees)									
Matt Davies	2020/21	242	0	–	–	–	242	–	242
	2019/20	255	0	–	–	–	255	–	255
Lord Alliance of Manchester CBE ⁵	2020/21	0	0	–	–	–	0	–	0
	2019/20	0	0	–	–	–	0	–	0
Ron McMillan	2020/21	73	0	–	–	–	73	–	73
	2019/20	73	6	–	–	–	79	–	79
Lesley Jones	2020/21	68	0	–	–	–	68	–	68
	2019/20	67	3	–	–	–	70	–	70
Richard Moross	2020/21	58	0	–	–	–	58	–	58
	2019/20	58	9	–	–	–	67	–	67
Gill Barr	2020/21	63	1	–	–	–	64	–	64
	2019/20	64	5	–	–	–	69	–	69
Michael Ross	2020/21	58	0	–	–	–	58	–	58
	2019/20	60	3	–	–	–	63	–	63
Vicky Mitchell	2020/21	74	0	–	–	–	74	–	74
	2019/20	5	0	–	–	–	5	–	5
Joshua Alliance ⁶	2020/21	7	0	–	–	–	7	–	7
	2019/20	–	–	–	–	–	–	–	–

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 Rachel Izzard's remuneration is for her role as Executive Director only and not for the period prior to being appointed a Director. She was appointed to the Board on 29 June 2020 after joining the Company as CFO Designate on 6 April 2020. Her taxable benefits include a relocation fee.

⁴ Craig Lovelace stepped down from the Board on 28 June 2020.

⁵ Lord Alliance has waived his Non-Executive Director's fee of £51,000 in FY20 and FY21.

⁶ Joshua Alliance was appointed to the Board on 23 December 2020.

⁷ The Board of Directors took a voluntary 20% pay reduction in April, May and June 2020. The outgoing CFO did not take part in the voluntary waiver of base pay.

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 FY21. 60% of the bonus is paid in cash and 40% is paid in shares with a three-year holding period. The annual bonus is also subject to clawback until the end of the holding period.

The normal maximum annual bonus opportunity for the Executive Directors was scaled back by 50% at the time the targets were set.

As set out in the Annual Statement of the Committee Chair, the Committee has carefully considered the formulaic bonus outcome which has already been subject to a 50% scaleback and determined, for the reasons set out and having consulted with shareholders, that no further adjustment to the outcome should be made.

Measure	Weighting (% of max bonus activity)	Threshold (0% payout)	Target (25% of max payout)	Target (50% of max payout)	Target (75% of max payout)	Max (100% payout)	Actual performance	Payout % of max overall bonus
EBITDA	75%	£79.7m	£81.3m	£82.8m	£84.4m	£85.9m	£86.5	75%
Customer NPS	25%	62	62.75	63.5	64.25	65	63.6	13%

	Maximum bonus opportunity % salary	Salary for bonus calculation	Bonus payable (as % max)	Bonus payable
Steve Johnson	75%	£425,000	88%	£280,500
Rachel Izzard ¹	62.5%	£234,111	88%	£128,761

¹ Rachel Izzard's bonus is pro-rated for her role as Executive Director only and not for the period prior to being appointed a Director. She was appointed to the Board on 29 June 2020 after joining the Company as CFO Designate on 6 April 2020.

LTIP AWARDS WITH PERFORMANCE PERIOD ENDING IN FY21 (AUDITED)

The LTIP awards granted on 22 August 2018 are subject to EPS, Free Cash Flow and Revenue performance targets measured over the performance period ending 27 February 2021. Performance against targets is set out below:

	Performance period	Threshold target (25% of that part of the award vests) ¹	Stretch target (100% of that part of the award vests)	Actual performance	Vesting
EPS growth 50%	3 yrs ending FY21	At least 3% CAGR	At least 8% CAGR	-27%	0% out of 50%
FCF 30%	3 yrs ending FY21	At least £350m	At least £420m	£283m	0% out of 30%
Revenue 20%	3 yrs ending FY21	At least 3% CAGR	At least 5% CAGR	-8%	0% out of 20%
Total vesting					0%

¹ Straight-line vesting between threshold to maximum performance.

Set out below are the details of the LTIP awards held by Executive Directors and the vesting resulting from the performance detailed 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 ¹	100%	£176,715	140	126,225	0%	Nil	£0

¹ Steve Johnson's 2018 LTIP award was granted prior to him being appointed as CEO.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

VESTING OF CFO BUYOUT AWARD

The CFO was granted two 2020 LTIP Buyout awards to compensate for LTIP awards forfeited on leaving her previous employer, Aer Lingus. These awards are granted over N Brown shares and subject to the original Aer Lingus performance targets. The performance period for one of the awards ended on 31 December 2020. As a result of the pandemic, all three measures (relative TSR, EPS, and Return on Invested Capital ("RoIC")) fell short of the threshold level at which payments begin, resulting in zero vesting overall. Set out below is the award outcome.

Aer Lingus performance conditions	Threshold	Actual performance	Number of N Brown shares awarded	Percentage of award vesting	Number of shares vesting	Value of shares vesting
TSR performance compared to the TSR performance of the MSCI European Transportation (large and mid-cap) index (one-third)	IAG's TSR performance equal to the index (25% of award vests)	IAG underperformed the index by 20.7 per cent p.a.	170,998	0%	0	£0
Adjusted earnings per share (EPS) (one-third)	2020 EPS of 130 €cents (10% of award vests)	(122.6) €cents		0%	0	£0
Return on Invested Capital (RoIC) (one-third)	2020 RoIC of 13 per cent (10% of award vests)	(22.4) per cent		0%	0	£0

LTIP AWARDS GRANTED IN FY21 (AUDITED)

The table below provides details of the long-term incentive awards granted to Executive Directors during the year. Awards were scaled back by 15% from normal award levels for the CEO from 150% of salary to 127.5% and, for the CFO from 125% of salary to 106.25% of salary. The scale back takes into account the overall approach to incentives for FY21 including the scale back of the annual bonus and our newly appointed CFO. The Committee has, under the policy, discretion to scale back the vesting outcome if it has concerns that the level of vesting and overall quantum are not appropriate.

Executive	Date of grant	Performance condition	% of salary award level	Face value of award	Number of shares	Share price at grant pence	Performance period
Steve Johnson	06/11/2020	50% TSR 50% Net Cash Generation	127.5%	£541,875	979,882	55.3	Three years to end of financial year FY23
Rachel Izzard	06/11/2020	As above	106.25%	£371,875	672,468	55.3	As above

Metric	Weighting	Threshold target (25% vesting)	Maximum target (100% vesting) ¹	Rationale for measure
TSR Relative TSR compared to the FTSE SmallCap excluding Investment Trusts	50%	Median ranking	Upper quartile ranking	To incentivise the achievement of above average stock market returns for shareholders.
Net Cash Generation ² Delivered over FY21, FY22 and FY23	50%	£121.4m	£191.4m or more	To incentivise management's focus on strong business performance and careful cash management, thus reducing the business' net unsecured debt.

¹ Straight-line vesting between threshold and maximum performance.

² For a definition of Net Cash Generation see glossary on p161.

OUTSTANDING AWARDS (AUDITED)

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

Executive	29 Feb 2020	Awarded during the year	Lapsed during the year	Vested and exercised during the year	27 Feb 2021	Date granted ²	Type of award
Steve Johnson ¹	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
	–	979,882	–	–	979,882	November 2020	LTIP
Rachel Izzard ³	–	672,468	–	–	672,468	November 2020	LTIP
	–	170,998	170,998	–	–	November 2020	LTIP buyout award
	–	482,674	–	–	482,674	November 2020	LTIP buyout award
Craig Lovelace ⁴	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 2018 have not been met and these awards have lapsed.

³ Awards were made to Rachel Izzard to compensate for awards forfeited upon leaving her former employer, Aer Lingus, part of the IAG Group. The Awards were made under the terms of the LTIP Long-Term Incentive Plan and will have the same vesting dates and the same performance conditioned as the awards forfeited. More detail on the lapse of the first award is set out in the section on p88 entitled 'Vesting of CFO Buyout Award'.

⁴ All of Craig Lovelace's outstanding awards lapsed upon cessation of employment in accordance with the terms of his employment.

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 annual bonus share awards until this threshold is achieved. The beneficial interests of Directors who served during the year, together with those of their families are as follows:

	Owned shares				Other interests in shares			
	29 February 2020 ¹	27 February 2021 ¹	Value of shares (as a % of salary) ²	Guideline met?	Outstanding awards subject to performance conditions	Unvested awards not subject to performance conditions	Vested unexercised awards	Total as at 27 February 2021
Steve Johnson	60,240	97,160	15.7%	No	1,708,090	35,410	–	1,840,660
Rachel Izzard ³	–	57,377	11.2%	No	1,155,142	–	–	1,212,519
Craig Lovelace ⁴	46,672	–	N/A	No	0	–	–	0
Matt Davies	31,130	50,154	N/A	N/A	–	–	–	50,154
Lord Alliance of Manchester CBE	96,643,694	184,196,762	N/A	N/A	–	–	–	184,196,762
Ron McMillan	50,000	80,555	N/A	N/A	–	–	–	80,555
Lesley Jones	–	–	N/A	N/A	–	–	–	0
Richard Moross	–	–	N/A	N/A	–	–	–	0
Gill Barr	8,506	13,704	N/A	N/A	–	–	–	13,704
Michael Ross	–	–	N/A	N/A	–	–	–	0
Vicky Mitchell	–	–	N/A	N/A	–	–	–	0
Joshua Alliance	–	21,213,800	N/A	N/A	–	–	–	21,213,800

¹ The figures for the Executive Directors include the number of beneficially owned shares obtained via direct purchase, acquisitions under the Company's open offer as executed on 23 December 2020 and deferred bonus shares.

² The value of shareholding as a % of salary is calculated using the market closing price of 68.5p on 26 February 2021.

³ Rachel Izzard joined the Board on 29 June 2020.

⁴ Craig Lovelace stepped down from the Board on 28 June 2020 and the table states his position at that time and not 27 February 2021.

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 27 February 2021 and 19 May 2021.

REMUNERATION CONTINUED

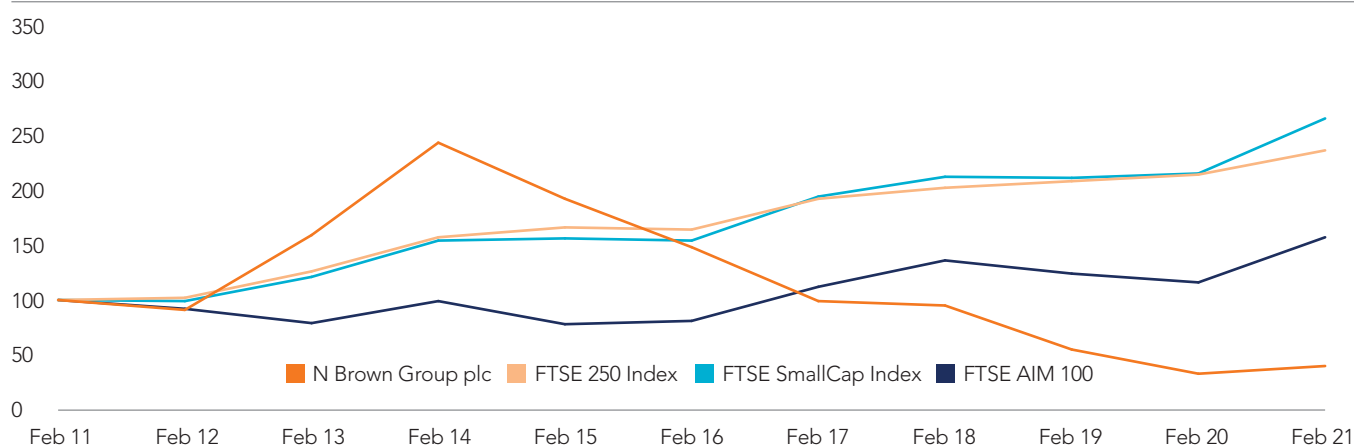
ANNUAL REPORT ON REMUNERATION CONTINUED

DIRECTORS' SHAREHOLDINGS

The graph shows the Company's ten-year performance, measured by TSR, compared to the performance of the FTSE Small Cap, FTSE 250 and AIM 100 indices, also measured by TSR. The Company has been a member of these indices during the ten-year period and they are therefore considered appropriate as comparator groups for this purpose.

TOTAL SHAREHOLDER RETURN PERFORMANCE: N BROWN VS FTSE 250, FTSE SMALLCAP & AIM 100

(rebased to 100)



ANALYSIS OF CHIEF EXECUTIVE'S PAY OVER TEN YEARS

	Alan White			Angela Spindler ¹						Steve Johnson		
	FY12	FY13	FY14	FY14	FY15	FY16	FY17	FY18	FY19	FY19	FY20 ²	FY21
Total remuneration (£'000)	2,734	1,780	2,734	1,364	728	783	1,373	1,208	555	266	479	737
Annual bonus (% of max)	38.7%	71.4%	15.8%	83.2%	0.0%	27.9%	42.1%	66.7%	34.4%	38.5%	0%	88%
Long-term share vesting (% of max)	100%	100%	85%	N/A	N/A	0%	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 was 6.5% of maximum although no annual bonus was actually paid.

CEO PAY RATIO

The employee data for the CEO pay ratio has been compiled using Option A as it represents the most statistically accurate method for identifying UK employee remuneration. The FY21 pay data has been taken for all individuals on a full-time equivalent basis using fixed pay data as at 27 February 2021. 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 ratio
2021	A	36:1	29:1	18:1
2020	A	27:1	22:1	14:1

	CEO		25th Percentile		50th Percentile		75th Percentile	
	Salary	Total Remuneration	Salary	Total Remuneration	Salary	Total Remuneration	Salary	Total Remuneration
2021	£404,404	£737,326	£19,000	£20,327	£20,360	£25,333	£36,269	£40,212
2020	£424,934	£478,968	£17,418	£17,944	£20,883	£22,537	£30,739	£35,417

The increase in the pay ratio year on year is due to the payment of the Annual Bonus for FY21, no bonus was paid for FY20. This has increased the total remuneration for all colleagues, but to a significantly higher degree for the CEO. We have seen an increase in salaries and total remuneration across the percentiles, this is due to two factors:

- 1 The proposed payment of the bonus; and
- 2 The shape of the organisation has changed considerably over the past 12 months with a reduction of 16% in the headcount, this included the redundancy of c.160 of our lowest paid colleagues at Logistics, these factors have caused a shift in the positioning of the percentiles.

PERCENTAGE CHANGE IN THE DIRECTORS' REMUNERATION

The table below shows the percentage change in the Executive Directors and Non-Executive Directors' salaries, benefits (excluding pension) and annual bonus between FY19 and FY20 and between FY20 and FY21, compared to that of the average for all employees of the Group.

	% Change from FY20 to FY21			% Change from FY19 to FY20		
	Salary ³	Benefits ²	Annual bonus	Salary ¹	Benefits	Annual bonus
Steve Johnson ⁴	-4.9%	0%	100%	2%	0%	-100%
Rachel Izzard ⁵	-	-	-	-	-	-
Matt Davies ⁶	-5.1%	0%	-	-	-	-
Ron McMillan	0%	0%	-	15.9%	100%	-
Gill Barr	-1.6%	-80%	-	10.3%	25%	-
Vicky Mitchell ⁷	-	-	-	-	-	-
Michael Ross	-3.3%	-100%	-	9%	50%	-
Richard Moross	0%	-97.8%	-	16%	200%	-
Lesley Jones	1.5%	-100%	-	-5.6%	0%	-
Lord David Alliance of Manchester	0%	0%	-	0%	0%	-
Joshua Alliance ⁸	-	-	-	-	-	-
Average of other employees ⁹	8.1%	33.8%	100%	4.7%	0%	-100%

¹ Non-Executive Director fees were increased effective 1 June 2019 in line with the 2% salary increase implemented across the Company. Fees for Committee Chairs and the Senior Independent Director were increased to take account of the increased responsibilities and time commitment of the roles.

² Non-Executive Director benefits include travel and accommodation expenses. Executive and other employee expenses include private medical cover and car allowance.

³ In FY21, all members of the Board took a voluntary salary reduction of 20% across April, May and June 2020.

⁴ Steve Johnson did not receive a bonus in FY20.

⁵ Rachel Izzard joined the Company in June 2020; therefore no full year of remuneration has been paid to her across any of the financial years under review.

⁶ Matt Davies did not receive a full year of remuneration as Chair in FY19 having being appointed in May 2018, his full year as Chair was FY20.

⁷ Vicky Mitchell was appointed to the Board in January 2020; therefore FY21 is the only full year of remuneration paid to her across any of the financial years under review.

⁸ Joshua Alliance was appointed to the Board in December 2020; therefore no full year of remuneration has been paid to him across any of the financial years under review.

⁹ No bonus was paid to colleagues in FY20.

REMUNERATION CONTINUED

ANNUAL REPORT ON REMUNERATION CONTINUED

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.

	2021	2020	% Change
Colleague costs (£m)	£72.5m	£67.3m	5.6%
Dividends (£m)	£0m	£20.1m	-100%

OTHER DIRECTORSHIPS

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

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE

Craig Lovelace resigned and stood down as CFO on 28 June 2020. Craig's remuneration for FY21 is disclosed in this Remuneration Report. For the period he was employed by the Company in FY21, Craig Lovelace received his salary, benefits and pension in accordance with the terms of his employment. He was not eligible for an annual bonus for FY21 and did not receive an LTIP award. All of Craig Lovelace's outstanding LTIP and DSPB awards lapsed upon cessation of employment.

Matt Davies stepped down as Chair on 31 March 2021 and received no fees beyond this date or any payments in lieu of notice.

SHAREHOLDER VOTING ON THE DIRECTORS' REMUNERATION REPORT AT THE 2020 ANNUAL GENERAL MEETING 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 2020 Remuneration Report vote:

	For	Against
% of votes cast	99.94	0.06
Number of votes cast	171,973,863	109,805

Notes: 11,429 votes were withheld in 2020. 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 – 31 March 2021

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 takes 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 six times during the year, see p76 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 £87,401 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 p40). 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.

The Committee Chair engaged with several of our larger shareholders in respect of the application of policy in light of Covid-19.

The Committee has also considered investor and proxy agency voting policy guidelines and market practice developments carefully in light of the pandemic to ensure the operation of the policy reflects current investor thinking. Support for the remuneration policy at the 2019 AGM was 99.60% and for the Remuneration Report in 2020 99.94% 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 FY21 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 and that the policy has operated as intended.

REMUNERATION CONTINUED

APPLICATION OF THE REMUNERATION POLICY FOR FY22

The application of the remuneration policy for FY22 is set out below.

BASE SALARY

Effective 1 June 2021, the CEO and CFO's salaries increased by 1.5% in line with the salary increase awarded to the rest of the workforce.

Name	Salary at 1 June 2020	Salary at 1 June 2021
Steve Johnson	£425,000	£431,375
Rachel Izzard	£350,000	£355,250

PENSION

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

ANNUAL BONUS PLAN

For FY22 the annual bonus maximum opportunity will revert to normal levels at 150% of salary for the CEO and 125% of salary for the CFO. 60% of the bonus will be paid in cash and 40% of the bonus will be paid in shares with a three-year holding period.

Our focus for the year ahead is a return to profitability and customer growth with an element based on Environmental, Social and Governance factors which is an important element of our business strategy.

The performance measures and weightings are set out below.

Objective	Weighting
Adjusted EBITDA ¹	65%
Active Customer Accounts	15%
Customer NPS	10%
ESG Metric	10%

¹ For a definition of Adjusted EBITDA see the glossary on p161

The Committee considers that the targets for the annual bonus are commercially sensitive and are not therefore disclosed in this report. The targets and performance against them will be disclosed retrospectively in the FY22 Remuneration Report.

LONG-TERM INCENTIVE AWARDS

Following the 15% scale back of the 2020 awards the LTIP award levels for 2021 will revert to the normal policy level of 150% of salary for our CEO and 125% for our CFO. The Committee is satisfied that this award level is appropriate, taking into account the recent appointment of the CFO and share price performance over the last 12 months.

For the 2021 awards we have retained the TSR performance measure for 50% of the award and reintroduced earnings per share for the other 50% with targets as set out below. The LTIP awards are not made until August each year and targets may need to be reviewed if there is a significant change in business outlook and performance in the interim.

Metric	Weighting	Threshold target 25% vests ¹	Maximum target 100% vests	Rationale for measure
TSR	50%	Median ranking	Upper quartile ranking or above	To incentivise the achievement of above average stock market returns for shareholders.
Relative TSR to the FTSE SmallCap excl Investment Trusts				
Adjusted EPS	50%	4% CAGR	12% CAGR or above	To incentivise management to generate sustainable profitable growth, in line with the strategy.
Growth from FY21 to FY24				

¹ Straight-line vesting in between threshold and maximum.

FEES FOR THE CHAIR AND NON-EXECUTIVE DIRECTORS

Details of the Non-Executive Directors' fees are set out below. From 1 June 2021 the fees increased by 1.5% in line with the salary increase awarded to the rest of the workforce with the exception of the Chair.

	Fees at 1 June 2020	Fees at 1 June 2021
Chair of the Board fee	255,000	255,000
Other Independent Non-Executive Directors' base Board fee	51,000	51,765
Non-Executive Director base Board fee (Lord Alliance)	51,000	51,765
Non-Executive Director base Board fee (Joshua Alliance)	–	40,600
Additional Non-Executive Director fees:		
Senior Independent Director's fee	10,000	10,150
Chair of Audit and Risk Committee	15,000	15,225
Chair of Remuneration Committee	15,000	15,225
Chair of Financial Services Board Committee	24,000	24,360
Designated Director for Colleague Engagement	10,000	10,150

APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration report was approved by the Board on 19 May 2021.

Signed on behalf of the Board on 19 May 2021.



Gill Barr
Chair of the Remuneration Committee

ADDITIONAL DISCLOSURES

The Directors have pleasure in presenting their Annual Report and audited Accounts for the year ended 27 February 2021. The Directors' Report comprises p54 to 97, 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 elsewhere in the Annual Report and Accounts, namely:

Disclosure	Page
Financial and Risk Management	32
Future Business Developments	20
Disclosure of the Group's greenhouse gas emissions in FY21	50

Additional 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 97 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.

SHARE CAPITAL

Details of the Group's issued share capital are shown in note 39 on p160. 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.

On 5 November 2020, the Company announced its proposal to delist from the Main Market of the London Stock Exchange and re-list on the Alternative Investment Market. The move was approved by shareholders at a General Meeting on 23 November 2020 and effective from 23 December 2020, the Company's ordinary shares (as listed on the Official List) are now traded on the Alternative Investment Market.

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.

On 5 November 2020, the Company announced a placing and open offer to raise £100m by way of issuing 174,666,053 new ordinary shares at 57p per share. The placing and open offer were approved by shareholders at a General Meeting on 23 November 2020 and on 23 December 2020, 174,666,053 new ordinary shares were issued bringing the Company's total issued share capital to 460,483,231 ordinary shares.

At the 2020 Annual General Meeting, the Directors were given the power to issue new shares up to a nominal amount of £10,530,106. This power will expire on the earlier of the conclusion of the 2021 Annual General Meeting or 6 July 2021. Accordingly, a resolution will be proposed by Directors at the 2021 Annual General Meeting to renew the Company's authority to issue new shares up to a further nominal amount of £16,965,171 in connection with an offer by way of a rights issue.

An approval will be sought at the 2021 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 2021 Annual General Meeting. The Directors have no current plans to issue shares other than in connection with employee share options.

MAJOR SHAREHOLDERS

In addition to the Directors' shareholdings shown in the Remuneration Report on p76 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 10 May 2021:

Shareholder	Holding share capital	% of issue
Schroder Investment Mgt	58,835,160	12.35
Nigel Alliance and Joshua Senior	47,274,432	10.27
Hargreaves Lansdown Asset Mgt	17,396,562	3.78

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.

ADDITIONAL DISCLOSURES CONTINUED

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.

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.

2021 ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 12:30 on 6 July 2021. 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

As explained fully in note 2 on p120, the Directors have adopted the going concern basis in preparing the financial statements.

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 2 March 2024, being the first three years of the five-year strategic planning period.

The change in strategy implemented during the course of FY20 to strengthen our position as a leading digital retailer put us in a strong position to respond to the challenges posed by the Covid-19 outbreak.

During FY20, the Group undertook a strategic review to return N Brown to sustainable growth and built a plan based on driving profitability through the Retail business. Whilst the pandemic has altered the structural dynamics of the retail sector, the Directors believe that the refreshed strategy remains the right one to ensure long-term sustainable growth because:

Online retailing is expected to continue to take market share, accelerated by the impact of Covid-19 on customer behaviour;

N Brown's target markets continue to be underserved, offering significant opportunity for growth through a streamlined and more focused brand portfolio; and

The Group's new, refreshed customer-centric strategy will attract a broader range of customers to the Group's brands and flexible credit offering.

At the onset of the pandemic the primary business objective was on cash generation and reducing non-securitised debt. The Group took swift and decisive action in March 2020 and this, combined with delivery of strategic initiatives, enabled the Group to make material cost savings and stabilise the business in the first half of the financial year. In the second half of the financial year, the Group saw a compelling opportunity to de-risk the business and accelerate its refreshed strategy through successfully completing a capital raise of £100m and securing new financing arrangements with its long-standing, supportive lenders through to December 2023. The Group finished FY21 with no unsecured debt, positive trajectory in product revenue, a stable financial services business and a strong Balance Sheet that facilitates accelerating its refreshed strategy. The strategic progress made in FY21 is set out in more detail on p8 to 21.

Taking into account the continued 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 FY22 base and downside planning scenarios as described in note 2 to the Group accounts on p120, 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.

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 2 March 2024 assumes that all financing facilities 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.

RESPONSIBILITY STATEMENT

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. The Group financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Directors have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 international accounting standards in conformity with the requirements of the Companies Act 2006;

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.

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.

The Strategic Report on p1 to 53 and the Directors' Report on p54 to 97 are hereby approved by the Board and signed on behalf of the Board.



Theresa Casey LL.B (Hons) (Solicitor)
Company Secretary
19 May 2021

FINANCIAL STATEMENTS

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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 27 February 2021 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 27 February 2021 and of the Group's profit for the period then ended;

the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

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.

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 have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality:	£2.4m (2020: £2.8m)
Group financial statements as a whole	4.4% (2020: 4.4%) of group profit before tax normalised to exclude exceptional items and by averaging over the last three years due to fluctuations in the business cycle
Coverage	91% (2020: 90%) of group profit before tax

Key audit matters

vs 2020

Recurring risks:

Impairment of customer receivables	▲
Allianz legal claim - contingent liability	◀▶
Capitalised software and development costs as intangible assets.	▲
Impairment of the carrying value of non-current assets in the core group cash generating unit ("CGU") and the carrying amount of the parent company's investment in subsidiaries	◀▶

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

2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
<p>Impairment of customer receivables</p> <p>£85.2m (2020: 71.7m)</p> <p>Refer to p73 (Audit and Risk Committee Report), p115 to 117 (accounting policy) and p121 and 134 (financial disclosures)</p>	<p>Subjective estimate:</p> <p>The calculation of the impairment losses provision is based on an expected credit loss ("ECL") model which includes a number of judgements and subjective estimates, including the determination of Significant Increases in Credit Risk ("SICR"), Lifetime and 12-month Probability of Default ("PD") and Post-model adjustments ("PMA").</p> <p>There is a risk that the impairment losses provision on trade receivables is materially misstated as a result of inappropriate judgements or estimates made by management, as explained above. The risk is heightened in the current year as a result of the ongoing uncertainty due to the impact of COVID-19 on the determination of the ECL.</p> <p>We determined that the impairment losses provision 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.</p>	<p>Our procedures included:</p> <p>Benchmarking assumptions: We critically assessed the appropriateness of the judgements and estimates made by management in determining the key assumptions used for the expected credit losses calculations. This involved evaluating the key assumptions in the impairment calculation using our cumulative entity and industry knowledge to assess against factors such as historical experience and industry benchmarking where appropriate.</p> <p>Our sector experience: We assessed completeness of the PMAs and critically assessed the assumptions underpinning the most significant PMAs applied due to model weakness identified. We specifically tested those PMA's in relation to impact of COVID-19 through assessing a range of plausible scenarios. We also tested management's calculations of the PMAs in addition to testing a sample of the underlying data used in determining the PMAs through agreeing the sample to relevant internal and third party reports. Together with our credit risk modelling specialists, we critically assessed the methodology for determining PD and SICR. We challenged the PD criteria against actual default rates and staging allocation of receivables using SICR thresholds. With the support of economic specialists, in response to identified model weakness, we performed an assessment of the appropriateness of the macroeconomic variables ("MEV") and scenarios included within the ECL.</p> <p>Sensitivity analysis: We performed sensitivity analysis over SICR and PDs to assess how the model would perform under alternative assumptions and the resulting impact on the ECL. We also applied stress scenarios of the MEV to assess the resulting impact on the ECL.</p> <p>Assess transparency: We assessed the adequacy and appropriateness of the Group's disclosures about the degree of estimation and sensitivity analysis involved in arriving at the impairment of customer receivables.</p>

	The risk	Our response
<p>Allianz Insurance plc (“Allianz”) legal claim – Contingent liability</p> <p>Refer to p73 (Audit and Risk Committee Report), p118 (accounting policy) and p144 (financial disclosures)</p>	<p>Dispute outcome:</p> <p>In the normal course of business for the Group, potential exposures may arise from disputes relating to regulatory matters. Whether there is a liability and the quantum of any such liability, is inherently uncertain and judgemental.</p> <p>In January 2020, in the prior year, a legal claim was received from Allianz in respect of all payments of redress Allianz has made to the Group’s customers. The claim is extremely complex and is at an early stage of proceedings.</p> <p>There has been significant disruption in the year due to COVID-19 which has delayed the progress of the claim.</p> <p>No provision is recognised as it has been determined that it is not possible to calculate a best estimate of the potential liability as legal proceedings remain at an early stage. As a result, a contingent liability is disclosed.</p> <p>The amounts involved are potentially significant, and the application of accounting standards to determine whether a provision could or should be recognised, and whether a reliable estimate can be made, requires the exercise of significant judgement.</p>	<p>Our procedures included:</p> <p>Inspecting correspondence: Together with our own legal specialists, we inspected correspondence with the Group’s external counsel and held discussions with the Group’s in-house legal counsel.</p> <p>Legal expertise: With the assistance of our own legal specialists, we assessed the facts, complexities and uncertainties of the claim, to evaluate whether a reliable estimate of the amount of any potential liability can be determined.</p> <p>Assessment of experts: We assessed the competence, capabilities and objectivity of the external legal expert engaged by the Group.</p> <p>Enquiry of external legal experts: With the help of our own legal specialists, we held direct discussions with management’s legal experts in respect of the legal claim, including challenging the current status and complexities of the claim.</p> <p>Assessing transparency: We assessed the adequacy of the Group’s related disclosures in respect of the contingent liability and the judgements taken by management.</p>

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

	The risk	Our response
<p>Software and development costs as intangible assets</p> <p>£133.0m (2020: 151.4m)</p> <p>Refer to p73 (Audit and Risk Committee Report), p114 (accounting policy) and p131-132 (financial disclosures)</p>	<p>Accounting treatment:</p> <p>The Group continues to incur significant software and development project costs in respect of its ongoing transformation from a catalogue company to a fully online retailer. This is a significant system infrastructure programme which has been ongoing for several years.</p> <p>The Group capitalises both internal and external costs. These costs are capitalised to the extent that future economic benefits are expected to be generated by the project and they meet the appropriate capitalisation recognition criteria for software and development costs. This requires significant judgement as to whether the internal costs incurred meet the recognition criteria.</p> <p>Subjective estimate:</p> <p>Further to the above judgement, the Group continues to undergo fast-paced change as part of its ongoing transformation process, and continues to capitalise significant amounts of new software and development expenditure. The Group's ability to implement its strategic investment in technological advancements following the completion of the equity raise and refinancing in December 2020, has resulted in an increased risk this year around the appropriateness of the Useful Economic Lives ("UELs") of the existing intangible assets and whether any assets previously capitalised may be superseded by newly capitalised intangible assets such that these older assets could be subject to obsolescence, or a shortened expected UEL due to revised timelines for new technology projects. The financial statements (note 12) disclose the sensitivity estimated by the Group.</p> <p>The level of risk for capitalised software and development costs has increased in the year as the length of time taken to complete the digital transformation extends.</p>	<p>Our procedures included:</p> <p>Our procedures included:</p> <p>Tests of detail: We agreed a sample of internally capitalised labour costs to timesheets and other relevant project information. We interviewed selected employees who were assigned to projects to corroborate the nature of the work performed and time capitalised and to evaluate the appropriateness of classification as capitalised costs, by reference to the recognition criteria of the applicable accounting standards.</p> <p>Our experience: We assessed the Group's criteria for the capitalisation of intangible assets in the year with reference to the recognition criteria for software and development costs.</p> <p>Critical assessment of useful economic lives: We critically assessed management's exercise to revise the UEL of the existing intangible assets portfolio. For selected intangible assets, we challenged the future plans and the viability and economic use of these assets. We assessed management's estimation of the useful economic lives of selected intangible assets with reference to the Group's latest IT strategy.</p> <p>Enquiry of experts employed by the entity: We held direct discussions with the Group's IT technical personnel to challenge the nature and use of the selected intangible assets, and the basis for the UEL assigned, with reference to the Group's IT strategy.</p> <p>Assessment of experts: We assessed the competence and capabilities of the Group's IT technical lead who was involved in management's exercise to reassess the UELs.</p> <p>Assessing transparency: We assessed the adequacy of the Group's disclosures about the judgements taken in the capitalisation of software and development costs as intangible assets and the estimation of the Group's useful economic lives for existing intangible assets with reference to their continued use in the Group.</p>
<p>Impairment of the carrying value of non-current assets in the Group cash generating unit ("CGU") and the carrying amount of the parent company's investment in subsidiaries</p> <p>Refer to p73 (Audit and Risk Committee Report), p114 (accounting policy) and p132 (financial disclosures)</p>	<p>Forecast-based assessment:</p> <p>The carrying value of non-current assets in the Group CGU and the carrying amount of the parent company's investments in subsidiaries are significant and there are indicators of impairment due to the Group's market capitalisation being lower than the carrying value of net assets of the Group and the parent Company, continuing pressure on the Group's share price, and the impact of COVID-19 on the Group's trading performance.</p> <p>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.</p> <p>We determined that the value in use of the Group CGU has 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.</p> <p>The financial statements (note 12) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <p>Benchmarking assumptions: We challenged, with the support of our own valuation specialists, the key assumptions used in the value in use calculations of the Group CGU by comparing them to externally derived data in relation to key inputs such as projected growth rates in years one to three and discount rates.</p> <p>Historical comparisons: We compared previous financial periods' cash flow forecasts against actual results to assess the reliability of the current period's forecasts.</p> <p>Sensitivity analysis: We performed breakeven analysis on the key assumptions, including the discount rate and reduced projected growth rates in years one to, to assess how sensitive the value in use calculation is to a reasonably possible change in key assumptions.</p> <p>Comparing valuations: We compared the total of the value in use calculation to the Group's market capitalisation to assess the reasonableness of those cash flows and critically assessed the rationale for the difference from that comparison.</p> <p>Assessing transparency: We assessed whether the Group's and parent Company's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of the Group.</p>

For each of the key audit matters reported above, we performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

We continue to perform procedures over the carrying value of inventories. However, following management's strategic focus on reducing the inventory balance and the improvement in the profile of ageing of inventory, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Furthermore, we continue to perform procedures over the going concern assumption. However, following the Group's completion of the equity raise in December 2020, we have not assessed this as one of the most significant risks in our current year audit and therefore, it is not separately identified in our report this year.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £2.4m (2020: £2.8m), determined with reference to a benchmark of Group profit before tax, normalised to exclude exceptional items as disclosed in note 6, and by averaging over the last three years due to fluctuations in the business cycle, of which it represents 4.4% (2020: 4.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group and parent Company was set at 50% (2020: 65%) of materiality for the financial statements as a whole, which equates to £1.2m (2020: £1.8m) for the Group and £0.9m (2020: £1.6m) for the parent Company. We applied this percentage in our determination of performance materiality based upon the level of identified misstatements and control deficiencies during the prior period.

Materiality for the parent Company financial statements as a whole was set at £1.8m (2020: £2.1m), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2020: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £120,000 (2020: £140,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 32 (2020: 33) reporting components, we subjected 4 (2020: 4) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

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

The work on the 4 components, including the audit of the parent Company, was performed by the Group team.

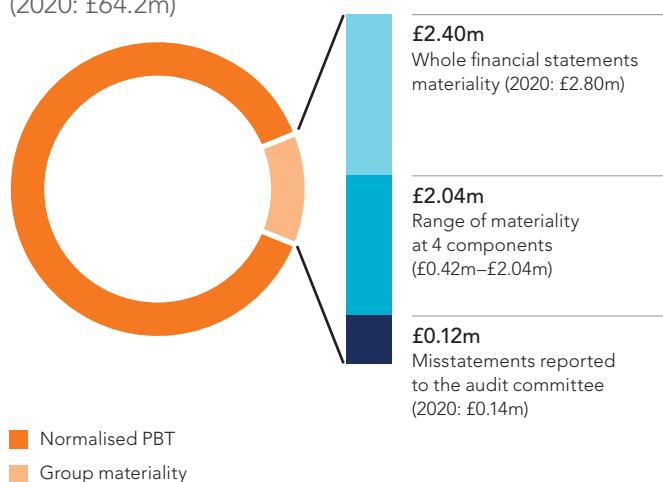
The component materialities ranged from £0.42m to £2.04m (FY20: £0.49m to £2.49m) having regard to the mix of size and risk profile of the Group across the components.

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

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

GROUP PROFIT BEFORE TAX NORMALISED TO EXCLUDE EXCEPTIONAL ITEMS AND AVERAGED OVER THE LAST 3 YEARS £54.4M
(2020: £64.2m)

GROUP MATERIALITY £2.40M
(2020: £2.80M)



4 GOING CONCERN

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period is consumer confidence.

We also considered less predictable but realistic second order impacts, such as the impact of COVID-19 and the erosion of supplier confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern. We assessed the completeness of the going concern disclosure.

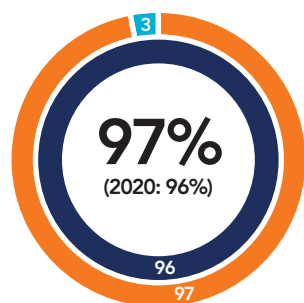
Our conclusions based on this work:

we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

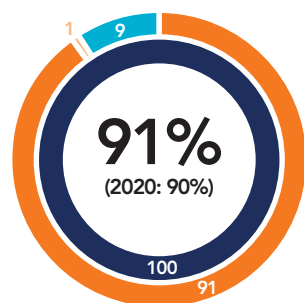
we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and

we have nothing material to add or draw attention to in relation to the Directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable.

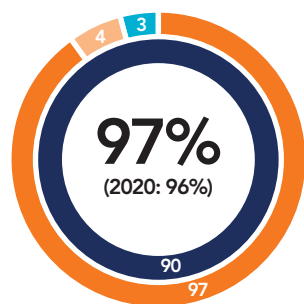
GROUP REVENUE



GROUP PROFIT AND LOSSES BEFORE TAX



GROUP TOTAL ASSETS



- Full scope for Group audit purposes 2021
- Audit of specific account balances for Group purposes 2020
- Full scope for Group audit purposes 2020
- Residual components

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.

Reading Board, Audit & Risk Committee, Operational, Risk and compliance committee, Financial services operations committee, and Remuneration committee minutes.

Considering remuneration incentive schemes and performance targets for management and Directors, including the EPS target for management remuneration.

Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries, through journals throughout the period in respect of, product revenue (excluding postage & packing revenue) and credit account interest financial statement captions.

We also identified a fraud risk related to inappropriate impairment on customer receivables and inappropriate capitalisation of capitalised internal software and development costs in response to pressures to meet profit targets, covenants, management compensation arrangements, historic internal control deficiencies identified and decline in the environment in which the entity operates.

Further detail in respect of the above is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Assessing significant management judgements in relation to capitalised internal software and development costs for bias; and

Assessing significant accounting estimates for bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

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 together with our legal specialists, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

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, pension legislation, and the regulations relevant to the Job Retention Scheme, 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 or the loss of the Group’s licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. 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. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach. Further detail in respect of the Allianz legal claim is set out in the key audit matter disclosures in section 2 of this report.

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

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 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 addition to our audit of the financial statements, the Directors have engaged us to audit the information in the Directors' Remuneration Report that is described as having been audited, which the Directors have decided to prepare as if the Company were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, as if those requirements applied to the Company.

DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER-TERM VIABILITY

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

the directors' confirmation within the Viability Statement on pages 96-97 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 how emerging risks are identified, 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.

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

CORPORATE GOVERNANCE DISCLOSURES

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

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;

the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and

the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

In addition to our audit of the financial statements, the Directors have engaged us to review their Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters. Under the terms of our engagement we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in this respect.

7 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

certain disclosures of Directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 97, 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 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 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.

9 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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.



**Anthony Sykes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
London
E14 5GL

19 May 2021

GROUP ACCOUNTS

CONSOLIDATED INCOME STATEMENT

	Note	52 weeks ended 27 February 2021			52 weeks ended 29 February 2020 (Restated)*		
		Before exceptional items £m	Exceptional items (note 6) £m	Total £m	Before exceptional items £m	Exceptional items (note 6) £m	Total £m
Revenue		489.3	–	489.3	574.2	–	574.2
Credit account interest		239.5	–	239.5	263.3	–	263.3
Group revenue (including credit interest)	3	728.8	–	728.8	837.5	–	837.5
Cost of sales		(266.2)	(1.1)	(267.3)	(270.0)	(0.3)	(270.3)
Impairment losses on customer receivables	4	(144.1)	–	(144.1)	(133.9)	–	(133.9)
Profit on sale of customer receivables	4	5.0	–	5.0	6.3	–	6.3
Net impairment charge	4	(139.1)	–	(139.1)	(127.6)	–	(127.6)
Gross profit		323.5	(1.1)	322.4	439.9	(0.3)	439.6
Operating profit/(loss)	5	46.7	(11.6)	35.1	76.6	(28.5)	48.1
Finance costs	8	(16.6)	–	(16.6)	(17.1)	–	(17.1)
Profit/(Loss) before taxation and fair value adjustments to financial instruments		30.1	(11.6)	18.5	59.5	(28.5)	31.0
Fair value adjustments to financial instruments	18	(10.0)	1.4	(8.6)	4.7	–	4.7
Profit/(Loss) before taxation		20.1	(10.2)	9.9	64.2	(28.5)	35.7
Taxation	9	(3.3)	1.7	(1.6)	(13.8)	5.5	(8.3)
Profit/(Loss) for the period		16.8	(8.5)	8.3	50.4	(23.0)	27.4

* Refer to prior year adjustment note 32

Earnings per share from continuing operations

Basic	11		2.63		9.63
Diluted	11		2.63		9.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks ended 27 February 2021 £m	52 weeks ended 29 February 2020 £m
Profit for the period		8.3	27.4
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gains on defined benefit pension schemes	29	(1.9)	0.8
Tax relating to items not reclassified	9	0.7	(0.3)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss		(1.2)	0.5
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(2.6)	0.2
Net other comprehensive (loss)/income that may be reclassified to profit or loss		(2.6)	0.2
Other comprehensive (loss)/income for the period		(3.8)	0.7
Total comprehensive income for the period attributable to equity holders of the parent		4.5	28.1

CONSOLIDATED BALANCE SHEET

	Note	As at 27 February 2021 £m	As at 29 February 2020 £m (Restated)*
Non-current assets			
Intangible assets	12	133.0	151.4
Property, plant and equipment	13	60.9	62.6
Right-of-use assets	27	3.6	5.6
Retirement benefit surplus	29	25.5	26.3
Derivative financial instruments	18	–	1.3
Deferred tax assets	20	12.7	13.2
		235.7	260.4
Current assets			
Inventories	15	77.7	94.9
Trade and other receivables	16	549.0	614.4
Derivative financial instruments	18	0.4	4.0
Cash and cash equivalents	25	94.9	161.7
		722.0	875.0
Total assets		957.7	1,135.4
Current liabilities			
Bank overdrafts	25	(14.1)	(114.2)
Provisions	22	(4.7)	(11.1)
Trade and other payables	21	(110.6)	(110.5)
Lease liability	27	(1.8)	(2.2)
Derivative financial instruments	18	(6.2)	(1.3)
Current tax liability		(4.5)	(13.8)
		(141.9)	(253.1)
Net current assets		580.1	621.9
Non-current liabilities			
Bank loans	17	(381.9)	(544.6)
Lease liability	27	(3.1)	(4.7)
Derivative financial instruments	18	(1.3)	(0.9)
Deferred tax liabilities	20	(13.2)	(14.6)
		(399.5)	(564.8)
Total liabilities		(541.4)	(817.9)
Net assets		416.3	317.5
Equity attributable to equity holders of the parent			
Share capital	23	50.9	31.4
Share premium account		85.0	11.0
Own shares	24	(0.3)	(0.3)
Foreign currency translation reserve		0.4	3.0
Retained earnings		280.3	272.4
Total equity		416.3	317.5

* Both Cash and cash equivalents and Bank overdrafts have been restated in 2020 to gross up the effect of bank accounts in overdraft and cash separately (see note 25).

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 19 May 2021.

They were signed on its behalf by:



Rachel Izzard
CFO and Executive Director

GROUP ACCOUNTS CONTINUED

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the 52 weeks ended 27 February 2021 £m	For the 52 weeks ended 29 February 2020 £m
Net cash inflow from operating activities		143.8	51.4
Investing activities			
Purchases of property, plant and equipment		(1.4)	(6.5)
Purchases of intangible assets		(18.6)	(33.2)
Net cash used in investing activities		(20.0)	(39.7)
Financing activities			
Interest paid		(19.0)	(17.8)
Dividends paid		–	(20.1)
(Decrease)/Increase in bank loans		(162.8)	44.4
Principal elements of lease payments		(1.7)	(3.5)
Proceeds on issue of share capital		99.6	–
Transaction costs relating to the issue of share capital		(6.1)	
Purchase of shares by ESOT		–	(0.1)
Net cash (outflow) / inflow from financing activities		(90.0)	2.9
Net foreign exchange difference		(0.5)	0.6
Net increase in cash and cash equivalents and bank overdraft		33.3	15.2
Cash and cash equivalents and bank overdraft at beginning of period		47.5	32.3
Cash and cash equivalents and bank overdraft at end of period	25	80.8	47.5

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	For the 52 weeks ended 27 February 2021 £m	For the 52 weeks ended 29 February 2020 £m
Profit for the period	8.3	27.4
Adjustments for:		
Taxation charge	1.6	8.3
Fair value adjustments to financial instruments	10.0	(4.7)
Net foreign exchange gain / (loss)	0.8	(0.6)
Finance costs	16.6	17.1
Depreciation of right-of-use assets	1.6	1.3
Depreciation of property, plant and equipment	3.3	4.2
Impairment of intangible assets	1.9	1.8
Amortisation of intangible assets	34.9	24.7
Share option charge/ (credit)	0.8	(1.3)
Operating cash flows before movements in working capital	79.8	78.2
Decrease in inventories	17.0	16.6
Decrease in trade and other receivables	64.4	5.5
Decrease in trade and other payables	0.7	(41.1)
Decrease in provisions	(6.2)	(10.9)
Pension obligation adjustment	(0.8)	(0.7)
Cash generated by operations	154.9	47.6
Taxation (paid)/received	(11.1)	3.8
Net cash inflow from operating activities	143.8	51.4

CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Loans and borrowings		
Balance at 29 February 2020	551.5	500.2
Changes from financing cash flows		
Net (repayment)/proceeds from loans and borrowings	(161.7)	43.2
Leases recognised on transition of IFRS 16	–	9.5
New leases entered into in the period	–	0.9
Lease payments in the period	(2.0)	(3.6)
(Decrease)/Increase in loans and borrowings due to changes in interest rates	(1.0)	1.3
(Decrease)/Increase in loans and borrowings	(164.7)	51.3
Balance at 27 February 2021	386.8	551.5

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 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 gain for the period	–	–	–	0.2	27.9	28.1
Transactions with owners recorded directly in equity						
Equity dividends	–	–	–	–	(20.1)	(20.1)
Share option credit	–	–	–	–	(1.3)	(1.3)
Tax on items recognised directly in equity	–	–	–	–	(0.1)	(0.1)
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
Comprehensive income for the period						
Profit for the period	–	–	–	–	8.3	8.3
Other items of comprehensive loss for the period	–	–	–	(2.6)	(1.2)	(3.8)
Total comprehensive income for the period	–	–	–	(2.6)	7.1	4.5
Transactions with owners recorded directly in equity						
Issue of shares	19.5	74.0	–	–	–	93.5
Share option charge	–	–	–	–	0.8	0.8
Tax on items recognised directly in equity	–	–	–	–	–	–
Total contributions by and distributions to owners	19.5	74.0	–	–	0.8	94.3
Balance at 27 February 2021	50.9	85.0	(0.3)	0.4	280.3	416.3

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 p162 at the end of the report. The nature of the Group's operations and its principal activities are set out on p2.

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 27 February 2021 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its parent Company financial statements in accordance with FRS 101 and these are presented on p152 to 161.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in the preparation of these financial statements. This is explained further in note 2 (Going Concern section).

The accounting policies have been applied consistently in the current and prior period except for the accounting for government grants for funds received under the UK Government's Coronavirus Job Retention Scheme which has been paid to employees on furlough.

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)"

"References to the Conceptual Framework (Amendments to IFRS 3)"

"Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)"

Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)"

"Annual improvements to IFRS Standards 2018-2020"

"Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)"

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:

"Definition of Material (Amendments to IAS 1 and IAS 8)"

"Definition of a Business (Amendments to IFRS 3)"

"Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)"

"Covid-19 Related Rent Concessions amendment to IFRS 16"

"Revised conceptual framework for Financial Reporting"

None of these new standards and interpretations have had any material impact on the financial statements.

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 2021 means at 27 February 2021 or the 52 weeks then ended; reference to 2020 means at 29 February 2020 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.

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 are presented as a bank loan.

REVENUE RECOGNITION

Product revenue consists of sales of goods as well as postage and packaging receipts, and 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 for all goods, including the ones delivered to the customers directly from suppliers and goods delivered to partners, is recognised in accordance with IFRS 15, when goods are delivered to the customer or partner and therefore control is transferred. 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.

Postage and packaging subscription revenue is recognised over the length of the subscription and deferred where this relates to future periods.

Financial services revenue includes interest and administrative charges. 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. Assets under construction are not depreciated but instead tested for impairment annually.

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	
Plant and machinery	between 2% and 20%
Fixtures and fittings	10%

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset, or as the assets residual net book value in the case of asset retirements, 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

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 period of up to six years, or by exception over a longer period where it is expected that economic benefits are attributable over a longer period.

The remaining useful life of assets is reviewed on an annual basis, or where a change in the business or other circumstances would trigger a revision. Assets under development are not amortised but instead tested for impairment annually.

The amortisation expense on intangible assets is recognised in the income statement within Depreciation and Amortisation.

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 directly attributable materials and direct labour. Research costs and other development expenditure which does not meet the criteria of an asset under IAS 38, is recognised in the income statement as an expense as incurred.

Software as a service ("SAAS") contract costs are expensed to the Income Statement over the life of the contract. For SAAS and cloud based technology, integration costs are capitalised only when they represent enhancements to to Group's existing assets.

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 and are assumed to have an indefinite useful life. Intangible assets with indefinite lives are not amortised, but are subject to annual impairment tests. The indefinite life assessment is also reviewed annually to determine whether this continues to be supportable.

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.

INVENTORIES

Inventories have been valued at the lower of cost and net realisable value. Cost of inventories 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. Where materials are purchased in a foreign currency, the cost of inventories also includes the currency gains and losses incurred.

Provision is made based on management's estimates of future disposal strategies.

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 the transfer of the risks and rewards associated with the goods.

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.

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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

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 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 material 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 PD, exposure at default ("EAD") and 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 PD 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 EAD 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 LGD 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, generally being that a debt is over 180 days past due.

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 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. Where a customer has entered into a Covid-19 payment deferral arrangement either with the Group or another credit provider we have determined that this is an indicator of a SICR. These customers are considered in the stage 2 population during the Covid-19 payment deferral and during an observation window of 3 months post returning to normal payment terms.

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.

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 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

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 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 (legal or constructive) 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.

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.

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.

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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

The Group presents the first two components of defined benefit costs within operating expenses. Curtailment 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 granted as a rebate. Rebates are agreed with suppliers or are probable to be agreed with suppliers before they are recognised in the income statement, with amounts receivable recorded in accrued income on the balance sheet.

EXCEPTIONAL ITEMS

Exceptional items are items of income and expenditure which are one off in nature and material to the current financial year or represent true ups to items presented as exceptional in prior periods. These are presented separately in the Consolidated Income Statement, as the Directors believe that this presentation helps 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, with the principal purpose being to provide the supplier with earlier access to liquidity. Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard Group payment terms, 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. From the Group's perspective, the invoice payment due date remains unchanged and the payment terms of suppliers participating in the supplier financing arrangement are similar to those suppliers that are not participating. 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.

GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are

recognised in profit and loss when they become receivable to match them with the already incurred staff costs with which they are intended to compensate.

GOING CONCERN

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the 12 months following the date of signing this Annual Report and Accounts. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

In arriving at their conclusion, the Directors considered the following:

a) the Group's cash flow forecasts and revenue projections for the 12 months from the date of signing (the "Base Case"), reflecting, amongst other things the following assumptions:

The business continues to be fully operational throughout the remainder of the pandemic (as has been the case since the outset);

Product gross margin pressure continues due to product mix, a highly promotional retail market and industry-wide increase in freight rates;

Financial Services revenue reduces as the size of the loan book reduces as a function of the lower product sales;

FS gross margin declines due to an increase in bad debt and write offs due to the impact of Covid-19; and

Operating cost efficiencies are maintained in that they continue at a similar cost to revenue ratio as achieved in FY21.

b) the impact on trading performance of severe but plausible downside scenarios (the "Downside Case"), including continued Covid-19 restrictions, the removal of government support schemes such as Stamp Duty Relief and the Coronavirus Job Retention Scheme and adverse macro-economic conditions. In particular, the downside scenario assumes that the lockdown restrictions experienced in the second half of the year ended February 2021 will apply throughout the year ending February 2022 resulting in an adverse impact on retail sales, a reduction in customer receivable collection rates with a consequent increase in bad debts and a reduction in the debt securitisation advance rate. It has also been assumed that the current unusually high freight rates will continue to apply with an adverse effect on gross margins.

c) the committed facilities available to the Group and the covenants thereon. Details of the Group's committed facilities are set out in note 17, the main components of which are:

A £500m securitisation facility committed until December 2023, drawings on which are linked to prevailing levels of eligible receivables (£381.9m drawn to the maximum of eligible customer receivables at the year end);

An RCF of £100m committed until December 2023, which is fully undrawn; and

An overdraft facility of £12.5m which is subject to an annual review every July (undrawn as at date of signing of these accounts).

d) that there are no forecast breaches of any covenants in either the Base Case or Downside Case. In the event that trading deteriorated further than envisaged in the Downside Case additional management actions could be implemented which would include sale of customer receivables, working capital deferrals, temporary reductions in inventory and capital expenditure and further discretionary cost reductions.

e) the Group's robust policy towards liquidity and cash flow management. As at 30 April 2021, the Group had cash of £84.3m, net restricted cash of £3.3m and undrawn facilities of £112.5m, giving rise to total accessible liquidity ("TAL") of £193.5m (FY20: £75m) reflecting, amongst other things, the benefit of the equity raise in December 2020 (£93.5m, net) and positive cash generation in the current financial year offset by a decision by the Board to reduce the RCF by £25m and to hand back the £50m CLBILS Term Loan Facility.

f) the Group management's ability to successfully manage the principal risks and uncertainties outlined on p35 to 38 during periods of uncertain economic outlook and challenging macro-economic conditions.

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:

IMPAIRMENT OF CUSTOMER 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, including customers impacted by Covid-19 who have taken out an internal or external Covid-19 payment deferral on their repayments; and

Determining the appropriate PD to apply to the receivables.

The SICR threshold is 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.

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, this is considered to provide a representative view of default in ordinary times. 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.

Management have taken the judgement in the current year to use PD's in line with the previous year end, due to the impact of Covid-19 which management considered to be artificially improving the PD and SICR experienced in the previous 12 months as a result of continuing government support schemes, combined with the FCA instruction that Covid-19 payment deferrals should not affect customer credit files.

Further judgement has been required to determine how to treat customers who have been impacted by a Covid-19 payment deferral. Management have considered that for both customers who have taken a Covid-19 payment deferral with N Brown or with an external provider, this equates to a SICR event, and therefore such customers would be considered to be in a stage 2 population. An observation window, defined as the period after which a customer comes off a Covid-19 payment deferral of three months has been applied before which customers will return to the normal modelled stage 1 ECL if subsequent evidence does not support that a SICR has occurred. During this period, and for any customers on a live Covid-19 payment deferral, these receivables have been provided for in line with the stage 2 population ECL.

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. The expected recovery through debt sales built into the year end ECL reflects an average of prices achieved over the previous 2 years.

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 or decrease in PDs would lead to a £3m (2020: £5.9m) increase or decrease in the ECL;

Extending the observation window for Covid-19 payment deferrals by one month would lead to a £2.2m increase or £2.3m decrease to the ECL respectively; and

An increase or decrease to peak unemployment of 2% would lead to a £3.8m increase or decrease to the ECL respectively.

NOTES TO THE GROUP ACCOUNTS CONTINUED

2 ACCOUNTING POLICIES CONTINUED

SOFTWARE AND DEVELOPMENT COSTS

Critical judgement

Included within intangible assets are significant software and development project costs in respect of the Group's technological development programme. Included in the year are agile asset development costs; costs spent on the Group's assets to integrate with and move to SAAS and Cloud based technologies; development of the new website and initial design and development of the Financial Services Platform. Initial capitalisation of costs is based on management's judgement that technological and feasibility is confirmed, the project will be successfully completed and that future economic benefits are expected to be generated by the project. If these criteria are not subsequently met, the asset would be subject to a future impairment charge which would impact the Group's results.

Estimation uncertainty

The estimated useful lives and residual values are based on management's best estimate of the period the asset will be able to generate economic benefits for the Group and are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis from the date at which a change in life is determined to be triggered.

Following the equity raise at the end of 2020, management performed a detailed review of the useful economic lives of its' legacy assets in light of general advancements in technology and the Group's revised strategy. More detail on the outcome and impact of this review, and sensitivity of the estimation uncertainty is disclosed in note 12.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Critical judgement 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 discounted cash flow model. The cash flows are derived from the Group's three- year forecasts, taken into perpetuity, and are adjusted for 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 non-financial assets, including a sensitivity analysis, are disclosed and further explained in note 12.

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 it is not possible to reliably estimate the amount of any possible financial outflow as at the balance sheet date. No asset has been recognised for the counterclaim as there is no certainty as to whether the claim will be successful.

DEFINED BENEFIT PLAN

Key source of estimation uncertainty

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Sensitivities performed on key assumptions are discussed in note 29. All assumptions are reviewed at each reporting date.

3 REVENUE

	2021 £m	2020 (Restated)* £m
An analysis of the Group's revenue is as follows:		
Sale of goods	449.8	518.6
Postage and packaging	18.6	28.4
Product Revenue	468.4	547.0
Credit account interest	239.5	263.3
Other Financial Services income	20.9	27.2
Financial Services Revenue	260.4	290.5
Total Group Revenue	728.8	837.5

* Refer to prior year adjustment note 32

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 (“FS”). 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 product cost of sales is inclusive of VAT bad debt relief claimed of £18.0m (2020 £20.7m) as a consequence of customer debt write off, with the write off presented in FS cost of sales. 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 strategic and other brand categorisation.

	2021 £m	2020 (Restated)* £m
Analysis of revenue:		
Sale of goods	449.8	518.6
Postage and packaging	18.6	28.4
Product – total revenue	468.4	547.0
Other Financial Services revenue	20.9	27.2
Credit account interest	239.5	263.3
Financial Services – total revenue	260.4	290.5
Group Revenue	728.8	837.5
Analysis of cost of sales		
Product – total cost of sales	(264.3)	(267.9)
Impairment losses on customer receivables	(144.1)	(133.9)
Profit on sale of customer receivables	5.0	6.3
Other Financial Services cost of sales	(1.9)	(2.1)
Financial Services – total cost of sales	(141.0)	(129.7)
Cost of sales	(405.3)	(397.6)
Gross profit	323.5	439.9
Gross profit margin	44.4%	52.5%
Gross margin – Product	43.6%	51.0%
Gross margin – Financial Services	45.8%	55.4%
Warehouse and fulfilment	(64.8)	(78.1)
Marketing and production	(60.3)	(136.0)
Other administration and payroll	(111.9)	(119.1)
Adjusted operating costs before exceptional items	(237.0)	(333.2)
Adjusted EBITDA	86.5	106.7
Adjusted EBITDA margin	11.9%	12.7%
Depreciation and amortisation	(39.8)	(30.1)
Exceptional items charged to operating profit (see note 6)	(11.6)	(28.5)
Operating profit	35.1	48.1
Finance costs	(16.6)	(17.1)
Fair value adjustments to financial instruments including exceptional fair value gain (see note 6)	(8.6)	4.7
Profit before taxation	9.9	35.7

* Refer to prior year adjustment note 32.

	2021 £m	2020 (Restated)* £m
Analysis of Product revenue:		
Strategic brands ¹	341.2	372.7
Other brands ²	127.2	174.3
Total Product revenue	468.4	547.0
Financial Services revenue	260.4	290.5
Group Revenue	728.8	837.5

* Refer to prior year adjustment note 32

1 Strategic brands include JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.

2 Other brands include Fashion World, Marisota and Premier Man, High & Mighty, House of Bath, and Figleaves which were folded into Strategic brands in FY21.

Management have aligned the product revenue analysis to strategic and other brands, following the Group's strategic change and focus of the business on the five key strategic brands. The prior year comparatives have been aligned accordingly.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from Ireland and the USA amounted to £27.6m (2020: £30.1m). Operating results from international markets amounted to £6.2m profit (2020: £3.3m profit). All segment assets are located in the UK and Ireland. All non-current assets are located in the UK with the exception of £0.1m located in Ireland.

For the purposes of monitoring segment performance, assets and liabilities are not measured separately for the two reportable segments of the Group and therefore are disclosed together below. Impairments of tangible and intangible assets in the current period were £2.0m (2020: £1.8m).

	2021 £m	2020 (Restated)* £m
Capital additions	20.1	39.2
Capital disposals	–	–
Balance sheet		
Total segment assets	957.7	1,135.4
Total segment liabilities	(541.4)	(817.9)
Segment net assets	416.3	317.5

5 PROFIT FOR THE PERIOD

	2021 £m	2020 (Restated)* £m
Profit for the period has been arrived at after charging/(crediting):		
Net foreign exchange gains	(5.8)	(3.2)
Depreciation of property, plant and equipment	3.7	4.2
Impairment of property, plant and equipment	0.1	–
Impairment of intangible assets	1.9	–
Amortisation of intangible assets	34.5	24.7
Cost of inventories recognised as expense	264.3	267.9
Staff costs (note 7)	78.0	78.3
Auditor's remuneration for audit services	1.1	1.1
Net impairment charge (note 16)	139.1	127.6
Exceptional items (note 6)	10.2	28.5
Lease costs (note 27)	1.2	0.9
Depreciation of right-of-use assets (note 27)	1.6	1.3

* Refer to prior year adjustment note 32

NOTES TO THE GROUP ACCOUNTS CONTINUED

5 PROFIT FOR THE PERIOD CONTINUED

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

	2021 £m	2020 £m
Audit of these Group financial statements	0.2	0.2
Audit of financial statements of subsidiaries of the Company	0.9	0.9
Non-audit services	0.5	–
Total	1.6	1.1

Fees in relation to non-audit-related services include fees of £60,000 (2020: £30,000) relating to assurance services and £450,000, of which £45,000 was required by regulation (2020: £nil) in relation to the equity raise completed by the Group during the year.

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £20,000 (2020: £20,000).

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

	2021 £m	2020 £m
Strategic change	7.9	3.5
Impairment of tangible, intangible assets and brands	1.7	1.8
Legal costs	1.1	1.0
Customer redress (note 22)	(0.1)	22.9
Tax matters	1.0	(0.7)
Gain from early settlement of derivative contracts	(1.4)	–
Items charged to profit before tax	10.2	28.5

STRATEGIC CHANGE

In line with the Board's strategic reviews and multi-year transformation of the business, a material level of cost reduction programs have been completed as well as an increased focus and refinement of the Group's five strategic brands.

During the current year, total redundancy costs of £5.2m have been incurred across the Group including Fagleaves, in order to align the Group's people costs to deliver an organisational design that supports the revised strategy. A further £2.7m has been incurred on the restructure and the transfer of the Fagleaves business under the Simply Be brand, including stock write down of £1.1m and onerous contract provisions of £0.8m.

The restructuring plans for both Fagleaves and rest of the Group were announced to the affected employees prior to the end of the year, which represents a constructive obligation for the Group at the year end. The costs incurred are substantial in scope and impact, and incremental to the Group's normal operational and management activities, and therefore recognised within exceptional costs. All payments are expected to be made within FY22. The one-off costs related to the transformation are substantially complete.

IMPAIRMENT OF TANGIBLE, INTANGIBLE ASSETS AND BRANDS

In accordance with the requirements of IAS 36 management have assessed the carrying value of the intangible assets held in respect of the international (£1.2m) and Figleaves (£0.8m) businesses, following the Group's strategic decision during the year to focus on the UK as a market and the five strategic brands, and have written the value of these assets down in full.

The impairment in the period is offset by a credit release of £0.3m relating to the reversal of previously recognised impairment on capitalised IT development.

In the prior year, management assessed the carrying value of the intangible and tangible assets held in respect of the High & Mighty, Slimma, Diva and Dannimac brands. Following this review, as well as the refocus to the Group's five strategic brands, the remaining value of the intangible asset held for the afore mentioned brands (£1.8m) was written down in full.

LEGAL COSTS

During the prior year, a £1.0m provision was recognised for future expected legal costs to defend the Allianz Insurance plc claim and continuing to proceed with the counterclaim referred to in note 26. The trial date has now been set to March 2022 and as a result of the timetable extension, the expected total future legal costs have increased. An increase in the provision of £1.1m has been recognised in the current year.

CUSTOMER REDRESS

Redress activity, other than the Official Receiver complaints, has been concluded in the current year resulting in a net release to the provision of £0.1m. The provision held as at 27 February 2021 is £1.6m as disclosed in note 22. During the prior period, a charge of £22.9m was made to reflect the additional volume of PPI information requests and claims received in the final days leading up to and including the 29 August 2019 deadline, including the amount relating to the estimated Official Receiver complaints.

TAX MATTERS

During the year, the Group reached agreement with HMRC to settle its long-running dispute with respect to the VAT treatment of certain marketing and non-marketing costs and the allocation of those costs between our Retail and Financial Services businesses. Total and final payment in the year amounted to £3.7m, compared to the opening provision held of £3.8m thus resulting in a release in the period of £0.1m.

The Group has recognised an additional charge in the current year of £1.1m in respect of further costs and interest expected to be incurred in relation to further matters under discussion with HMRC over a number of historical VAT and other tax matters.

GAIN ON EARLY SETTLEMENT OF DERIVATIVE CONTRACTS

A £1.4m credit was recognised in the period representing the gain achieved on the early settlement of foreign currency derivative contracts that were no longer required following the decline in product purchases driven by the sudden and significant impact of Covid-19 at the start of the period.

NOTES TO THE GROUP ACCOUNTS CONTINUED

7 STAFF COSTS

	2021 Number	2020 Number
The average monthly number of employees (including Executive Directors) was:		
Distribution	860	1,154
Sales and administration	1,300	1,372
	2,160	2,526
	2021 £m	2020 £m
Their aggregate remuneration comprised:		
Wages and salaries	65.2	67.5
Social security costs	5.9	6.1
Other pension costs (see note 29)	6.1	6.0
Share option costs/(credit) (see note 28)	0.8	(1.3)
	78.0	78.3

Wages and salaries of £67.3m are net of £3.8m of government grant received in respect of the furlough scheme. The Group took advantage of the Government coronavirus job retention scheme and 596 colleagues were placed on furlough from March 2020 to November 2020.

The aggregate amount of remuneration paid or receivable by Directors in respect of services in the year was £1.9m (2020: £1.9m).

The aggregate amount of contributions paid to a pension scheme in respect of Directors' qualifying services was £0.1m (2020: £0.1m). Retirement benefits are accruing in respect of qualifying services in defined contribution pension schemes for three Directors (2020: two).

No amounts were paid to or receivable by Directors under long-term incentive schemes in respect of qualifying services in the year (2020: £nil).

Details of individual Directors' remuneration is disclosed in the Directors' Remuneration Report on p76 to 94.

8 FINANCE COSTS

	2021 £m	2020 £m
Interest on bank overdrafts, loans and lease liabilities	17.1	17.8
Net pension interest credit (see note 29)	(0.5)	(0.7)
	16.6	17.1

9 TAX

	2021 £m	2020 £m
Tax recognised in the income statement		
Current tax		
Charge for the period	2.0	2.7
Adjustments in respect of previous periods	(0.2)	0.1
	1.8	2.8
Deferred tax		
Origination and reversal of temporary timing differences	(0.4)	4.4
Adjustments in respect of previous periods	0.2	1.1
	(0.2)	5.5
Total tax expense	1.6	8.3

UK Corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The UK deferred tax asset/(liability) as at 27 February 2021 has been calculated based on the enacted rate as at the balance sheet date of 19% with the exception of the retirement benefit scheme where deferred tax has been provided at the rate of 35%. In the 3 March 2021 Budget it was announced that the UK tax rate will remain at the current 19% and increase to 25% from 1 April 2023. 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 £1.3m.

The charge for the period can be reconciled to the profit per the income statement as follows:

	2021 £m	2020 £m
Profit before tax	9.9	35.7
Tax at the UK Corporation tax rate of 19% (2020: 19%)	1.9	6.7
Effect of change in deferred tax rate	(0.6)	0.4
Tax effect of expenses that are not deductible in determining taxable profit	0.6	0.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.3)	(0.2)
Tax effect of adjustments in respect of previous periods	–	1.2
Tax expense for the period	1.6	8.3

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

	2021 £m	2020 £m
Tax recognised in other comprehensive income		
Deferred tax – remeasurement of retirement benefit obligations	(0.7)	0.3
Tax charge in the statement of comprehensive income	(0.7)	0.3

In respect of Corporation tax, as at 27 February 2021 the Group has provided a total of £2.8m (2020: £13.2m) for potential tax future charges based upon the Group's best estimate and their discussions with HMRC. The Group has now resolved these historical open corporation tax positions with the majority of the 2020 provision being settled during the current year, and the closing 2021 provision settled in March 2021.

NOTES TO THE GROUP ACCOUNTS CONTINUED

10 DIVIDENDS

	2021 £m	2020 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 29 February 2020 of nil (2020: 4.27p) per share	–	12.1
Interim dividend for the 52 weeks ended 27 February 2021 of nil (2020: 2.83p) per share	–	8.0
	–	20.1
Proposed final dividend for the 52 weeks ended 27 February 2021 of nil (2020: nil) per share	–	–

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 and fair value adjustments, 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 (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	2021 £m	2020 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	8.3	27.4
Number of shares ('000s)	2021 Number	2020 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	315,633	284,665
Effect of dilutive potential ordinary shares:		
Share options	194	297
Weighted average number of ordinary shares for the purposes of diluted earnings per share	315,827	284,962
Earnings from continuing operations	2021 £m	2020 £m
Total net profit attributable to equity holders of the parent for the purpose of basic earnings per share	8.3	27.4
Fair value adjustment to financial instruments (net of tax)	8.1	(3.8)
Exceptional items (net of tax)	8.5	23.0
Adjusted earnings for the purposes of adjusted earnings per share	24.9	46.6

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

Adjusted earnings per share	2021 Pence	2020 Pence
Basic	7.89	16.37
Diluted	7.88	16.35

Earnings per share	2021 Pence	2020 Pence
Basic	2.63	9.63
Diluted	2.63	9.62

In December 2020, the Group completed an equity raise for £93.5m net proceeds, which were used to eliminate unsecured debt and accelerate the Group's strategic investment. As part of the equity raise, a total number of 174,666,053 ordinary shares were issued, which has subsequently led to an increase in the weighted average number of shares used in the calculation of both the basic and diluted earnings per share, and therefore a reduction in both against the prior year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

12 INTANGIBLE ASSETS

	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
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
Additions	–	18.4	–	18.4
Disposals	–	–	–	–
At 27 February 2021	16.9	376.6	1.9	395.4
Accumulated amortisation and impairment				
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
Charge for the period	–	34.5	–	34.5
Impairment	–	1.9	–	1.9
Transfer from tangible assets	–	0.4	–	0.4
Disposals	–	–	–	–
At 27 February 2021	16.9	243.6	1.9	262.4
Carrying amount				
At 27 February 2021	–	133.0	–	133.0
At 29 February 2020	–	151.4	–	151.4
At 2 March 2019	1.8	143.4	–	145.2

Assets in the course of development included in intangible assets at the year end total £9.8m (2020: £15.2m). No amortisation is charged on these assets. Borrowing costs of £0.3m (2020: £nil) have been capitalised in the period.

As at 27 February 2021, the Group had entered into contractual commitments for the further development of intangible assets of £6.2m (2020: £10.8m) of which £5.2m (2020: £5.4m) is due to be paid within one year.

Research costs of £0.4m were incurred in the year.

REVIEW OF ESTIMATED USEFUL ECONOMIC LIVES

The successful equity raise and refinancing in December 2020 has enabled the Group to push ahead with strategic investment in technology advancements. Following this the Group has therefore performed a detailed review of the useful economic lives ("UEL") of its legacy assets in light of general advancements in technology and the Group's revised strategy.

An assessment has been performed, on an asset line basis, to consider whether the remaining UEL continues to be the best estimate in respect of the likely period of continued use of each asset, with reference to the Group's strategy and technology roadmap to estimate when a replacement or other change in circumstance would result in the obsolescence or retirement of those assets. Assets with a total Net Book Value ('NBV') of £114.9m have been identified where a revision of their UEL was required. A summary of impact of this assessment is as follows:

Additional amortisation charge of £6.6m has been incurred in the current financial year in respect of those assets where their UEL has been shortened; and

Additional amortisation charge of £10m, £4.4m and £2.5m is expected over the next 3 financial periods respectively as a result of the revision of UELs on these assets. This will be offset by a reduction in amortisation charge further into the future.

NOTES TO THE GROUP ACCOUNTS CONTINUED

12 INTANGIBLE ASSETS CONTINUED

SENSITIVITY OF ESTIMATION UNCERTAINTY

To indicate the level of sensitivity in relation to the judgement applied in determining the revised useful economic lives, we have assessed the impact of reducing or increasing the UELs of the affected assets by 12 months. Where the increase results in a longer life than the original UEL, no change has been applied:

A reduction in the revised UEL of the affected assets by a further 12 months would increase the expected amortisation charge for the following financial year by £4m;

An increase in the UEL of the affected assets of a further 12 months would decrease the expected amortisation charge for the following financial year by £2.4m.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Group performed its impairment review in February 2021. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At the balance sheet date, the market capitalisation of the Group was lower than the Group's net assets. As this, together with the impact of Covid-19, represent indicators 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. In addition, included within intangibles assets are ongoing projects that are not yet available for use and therefore not being amortised. Where intangible assets are not being amortised management is required to test for impairment.

The value in use assessment has been performed over the Group's total assets under one CGU, being the smallest group of assets which generate independent cash inflows. This represents a change from the prior year where two CGUs were in existence, being Figleaves and Group excluding Figleaves. During the current year, the decision was taken to restructure and transfer the Figleaves business to be under the Simply Be brand, which forms part of the Group CGU. The transfer of business has progressed through the financial year, and Figleaves now wholly operates under the Simply Be brand and trades from our Head Office in Manchester with fulfilment out of the Distribution Centres in Oldham and Hadfield. From the current year end the Group's results, performance and viability will be assessed for the Group as a whole. In line with IAS 36, management therefore considered the assessment on a single CGU basis as appropriate.

The value in use calculations use Board-approved forecasts covering a three-year period as the basis for its cashflow projections, with accounting adjustments taken to comply with specific requirements of IAS 36. The board approved forecasts target medium term product growth of 7% and an adjusted EBITDA margin of 14%.

These forecasts 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 first three-year cash flows from adjusted forecasts, management have extrapolated the cash flows into a fourth and fifth year using a growth rate assumption of 3.4% taken from analysis of external views of the overall market growth expected in future. 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 Board-approved three-year plan as at 27 February 2021.

The key assumptions in the value in use calculations are considered to be the determination of years 1-3 cashflows incorporating expected product revenue growth not attributed to future capital expenditure and expected EBITDA margin growth, the risk-adjusted pre-tax discount rate, and the level of capital expenditure cashflows considered to be of a replacement nature. The key assumptions on revenue and EBITDA growth reflect historic experience, the expected recovery in demand post Covid-19 and the anticipated benefits of product, marketing and other initiatives.

The years 4-5 growth rate and long-term growth rate were determined with reference to retail market publications and IMF forecast GDP growth respectively which management believe are reasonable indicators of expected market growth rates available at 27 February 2021, however the value in use is relatively insensitive to these assumptions and are therefore not considered to be key assumptions.

The long-term growth rate used is purely for the impairment testing of intangible assets 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 27 February 2021, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made.

The key assumptions are as follows:

Years 1 to 3 expected product revenue and EBITDA margin growth;

Replacement Capital expenditure of £22m per year; and

Pre-tax discount rate: 13.1% (2020: 11.2%).

The impairment review performed over the Group's CGU has indicated that no impairment is required over the remaining assets of the Group. The recoverable amount exceeds its carrying amount by £242m.

The following sensitivities have been performed:

- Within years 1-3 expected cashflows, if product revenue growth were to drop to less than 1.2% on average per annum, or EBITDA margin improvement was less than 0.12% on average per annum the value in use would indicate an impairment;
- An increase to replacement capital expenditure cashflows by greater than £23.6m per year (108% increase) would result in an impairment; and
- Increasing the discount rate by 1% reduces the headroom calculated through the value in use by £94m, an increase to the discount rate of more than 3.7% would result in an impairment.

It is reasonably possible that the Revenue and EBITDA margin growth assumptions may not be realised in full or in the timescale envisaged. An impairment would be required if, all other things being equal, Group EBITDA per annum was £19.9m lower than forecast.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
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
Additions	–	1.7	1.7
Disposals	–	–	–
At 27 February 2021	59.1	81.7	140.8
Accumulated depreciation and impairment			
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
Charge for the period	0.9	2.8	3.7
Impairment	–	0.1	0.1
Transfer to intangible assets	–	(0.4)	(0.4)
Disposal	–	–	–
At 27 February 2021	18.7	61.2	79.9
Carrying amount			
At 27 February 2021	40.4	20.5	60.9
At 29 February 2020	41.3	21.3	62.6
At 2 March 2019	42.5	16.9	59.4

Assets in the course of development included in fixtures and equipment at 27 February 2021 total £0.7m (2020: £8.7m), and in land and buildings total £nil (2020: £nil). No depreciation has been charged on these assets.

At 27 February 2021, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2020: £nil).

14 SUBSIDIARIES

A list of all investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 35 to the Company's separate financial statements.

15 INVENTORIES

	2021 £m	2020 £m
Finished goods	77.4	94.6
Sundry stocks	0.3	0.3
	77.7	94.9

The inventory balance is net of stock provisions amounting to £6.0m (2020: £7.5m).

A charge of £6.0m (2020: £11.2m) has been made to the income statement in respect of written-down inventories. £1.1m (2020: £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 £2.2m (2020: £3.9m).

There was no inventory pledged as security for liabilities in the current or prior period.

Sundry stocks relate to packaging stocks.

NOTES TO THE GROUP ACCOUNTS CONTINUED

16 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Amount receivable for the sale of goods and services	605.8	656.9
Allowance for expected credit losses	(85.2)	(71.7)
Net trade receivables	520.6	585.2
Other debtors and prepayments	28.4	29.2
Trade and other receivables	549.0	614.4

Other debtors include a balance of £3.0m (2020: £2.6m) relating to amounts due from wholesale partners.

Trade receivables are measured at amortised cost.

The weighted average Annual Percentage Rate ("APR") across the trade receivables portfolio is 58.2% (2020: 57.9%). 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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 27 February 2021.

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £13.4m at 27 February 2021 (2020: £8.7m). Interest income recognised on trade receivables which were impaired as at 27 February 2021 was £13.5m (2020: £16.0m).

The amounts written off in the period of £134.6m (2020: £159.3m) include the sale of impaired assets with a net book value of £14.3m (2020: £19.9m).

There is no significant concentration of credit risk due to the large number of credit customers 0.95 million (2020: 1.0 million) with individually small balances. Credit quality analysis is further analysed in note 19.

	2021 £m			2020 £m		
	Trade receivables	Trade receivables on payment arrangements	Total trade receivables	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Ageing of trade receivables						
Current – not past due	522.8	13.4	536.2	550.7	8.7	559.4
28 days – past due	20.5	1.1	21.6	35.9	1.5	37.4
56 days – past due	12.3	0.2	12.5	19.5	0.7	20.2
84 days – past due	9.9	0.2	10.1	13.0	0.6	13.6
112 days – past due	7.4	0.1	7.5	8.9	0.4	9.3
Over 112 days – past due	17.8	0.1	17.9	16.4	0.6	17.0
Gross trade receivables	590.7	15.1	605.8	644.4	12.5	656.9
Allowance for expected credit losses	(76.4)	(8.8)	(85.2)	(66.3)	(5.4)	(71.7)
Net trade receivables	514.3	6.3	520.6	578.1	7.1	585.2

	2021			2020
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses				Total
Opening balance	13.1	20.8	37.8	71.7
Impairment	35.0	49.4	63.7	148.1
Utilised during the period	(31.8)	(39.1)	(63.7)	(134.6)
Closing balance	16.3	31.1	37.8	85.2

	2021 £m	2020 £m
Impairment	148.1	142.7
Recoveries	(12.4)	(17.0)
Other items	3.4	1.9
Net impairment charge	139.1	127.6

17 BANK BORROWINGS

	2021 £m	2020 £m
Bank loans	(381.9)	(544.6)
Net overdraft facility	–	–
The borrowings are repayable as follows:		
Within one year	–	–
In the second year	–	(544.6)
In the third to fifth year	(381.9)	–
Amounts due for settlement after 12 months	(381.9)	(544.6)

All borrowings are held in sterling.

	2021 %	2020 %
The weighted average interest rates paid were as follows:		
Net overdraft facility	1.6	2.3
Bank loans	2.5	3.0

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

The Group operates a notional pooling and net overdraft facility whereby cash and overdraft balances held with the same bank have a legal right of offset. The Group had a net overdraft balance of £nil at 27 February 2021 (2020: £nil). The facility had a maximum overdraft limit of £7.5m at 27 February 2021 (2020: £27.5m) and was amended after the year end to a maximum overdraft limit of £12.5m. The overdraft is repayable on demand, unsecured and bear interest at a margin over bank base rates. In line with the requirements of IAS 32, gross balance sheet presentation is required where there is no intention to settle any amounts net. The net balance has therefore been separated between overdrafts and cash balances and the Group has restated both the Cash and cash equivalents and the Bank loans and overdraft balances as at 29 February 2020 to show these amounts gross. Further detail is included in note 25.

The Group has a bank loan of £381.9m (2020: £419.6m) 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 which is committed to December 2023, following refinancing in December 2020 where the term of the facility was extended. An assessment was undertaken as required under IFRS 9 as to whether a substantial modification had occurred resulting in the derecognition of the existing liability, however the modification was not considered to substantially modify the liability on either a quantitative or qualitative basis. Unamortised fees relating to this facility of £2.3m are offset against the carrying amount of the loan.

The Group also has unsecured bank loans of £nil (2020: £125m) drawn down under a medium-term bank RCF. The facility was amended during the year to a maximum limit of £100m from £125m, and is committed to December 2023, after being extended during the year from an end date of September 2021. On modification, a substantial modification of the existing liability was deemed to have taken place under IFRS 9, and the existing liability was derecognised, with a new liability recognised under the revised terms. The remaining loan drawdown was repaid in full on completion of the refinancing and continues to be £nil as at the year end.

During the year, the Group secured a new up to £50m three-year Term Loan facility, provided by its lenders under the government's CLBILS. The facility, which was committed until May 2023 was fully repaid and handed back without penalty on 24 December 2020, following the completion of the equity raise, on which a loss on derecognition of previously capitalised fees of £0.4m was incurred.

The covenants inherent to these borrowing arrangements are closely monitored on a regular basis. Borrowing covenants continue to be in place on the securitisation and RCF facilities respectively. The key covenants for the RCF are as follows:

Leverage, representing the ratio of adjusted net debt on adjusted EBITDA, <1.5; and

Interest cover, representing the ratio of adjusted EBITDA on net finance charges, >4.0.

Throughout the period, all covenants have been complied with. As part of the revised banking facilities secured in May 2020, it was agreed with our lenders to relax the quarterly leverage covenant ratio to not exceed 2.0:1 as at 29 August 2020, rather than 1.5:1. Despite this relaxation the actual measure at 29 August 2020 was 0.38, well within the actual and previous limit.

NOTES TO THE GROUP ACCOUNTS CONTINUED

17 BANK BORROWINGS CONTINUED

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 fair value of interest rate caps outstanding at the year end was £0.7m (2020: £0.8m), the caps cover the whole facility of £500m on a notional basis. Based on current weighted average interest rates and the value of bank loans at 27 February 2021 the estimated future interest cost per annum until maturity is £9.5m (2020: £16.2m).

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 Group continues to have a supplier financing arrangement which is facilitated by HSBC. The principal purpose of this arrangement is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third-party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms of suppliers participating in the programme are similar to those suppliers that are not participating. The maximum facility limit as at 27 February 2021 was £10.0m (2020: £10.0m). The facility limit was increased to £15m after the year end. At 27 February 2021, total of £8.0m (2020: £6.3m) had been funded under the programme. The scheme is based around the principle of reverse factoring whereby the bank purchases from the supplier's approved trade debts owed by the Group. Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard group payment terms; 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 bank. The bank 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 within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group. There is no fixed expiry date on this facility.

There is no material difference between the fair value and carrying amount of the Group's borrowings.

18 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2021 £m	2020 £m
Notional amount – sterling contract value	211.2	305.9
Fair value of (liability)/asset recognised	(7.1)	3.1

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 charge of £10.0m (2020: credit of £4.7m) to income in the period.

Financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2020: 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:

	2021 £m	2020 £m (Restated)*
Debt	381.9	544.6
Cash and cash equivalents	(94.9)	(161.7)
Bank overdrafts	14.1	114.2
Adjusted net debt	301.1	497.1
Lease liability	4.9	6.9
Net debt	306.0	504.0
Equity	425.7	317.5
Gearing ratio	71.9%	159%

* Both Cash and cash equivalents and Bank overdrafts have been restated in 2020 to gross up the effect of bank accounts in overdraft and cash separately (see note 25)

Debt is defined as long-term 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:

	2021 £m	2020 £m
Less than 6 months	97.1	142.6
6 to 12 months	87.7	99.2
12 to 18 months	20.8	41.2
Greater than 18 months	5.6	22.9
	211.2	305.9

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.29 and 1.37.

NOTES TO THE GROUP ACCOUNTS CONTINUED

19 FINANCIAL INSTRUMENTS CONTINUED

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The following table details the Group's hypothetical sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. The sensitivity rate of 10% represents the Directors' assessment of a reasonably possible change. The table below illustrates the sensitivity to the Group's reported operating profit before the impact of fair value adjustments on derivative instruments. The Group takes out forward contracts to manage its foreign currency exposure.

	Euro currency impact		US Dollar currency impact	
	2021 £m	2020 £m	2021 £m	2020 £m
Income statement				
Sterling strengthens by 10%	(0.6)	(0.9)	1.2	(3.0)
Sterling weakens by 10%	0.8	1.1	(1.4)	1.2

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets	2021 £m	2020 £m
Derivatives – at fair value through profit and loss	0.4	5.3
Cash and bank balances – amortised cost	80.0	47.5
Trade receivables – amortised cost	520.8	585.2
Other receivables – amortised cost	5.7	6.3
	606.9	644.3
Financial liabilities	2021 £m	2020 £m
Derivatives – at fair value through profit and loss	7.5	2.2
Bank loans and overdraft – amortised cost	381.9	544.6
Trade and other payables – amortised cost	57.4	73.0
	446.8	619.8

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 initially 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 the London Interbank Offered Rate ("LIBOR") increase above a certain level.

Following recent reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs'), LIBOR fixings will no longer be representative after 31 December 2021 which creates a requirement for the Group's contracts which currently reference LIBOR to use an alternative benchmark rate. The Group's stakeholders have been engaged and a review is currently being undertaken of impacted documentation to ensure the Group is ready for the cessation of LIBOR at the end of this year. The Group's most significant risk exposure affected by these changes relates to its secured borrowings.

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 27 February 2021 would have decreased by £1.9m (2020: £2.7m).

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.

The Group has a number of support options for customers in financial difficulty, which include a temporary suspension of repayments, and revision of minimum payment terms. Over the last year, the Group has also provided additional extended support for customers impacted by Covid-19, by allowing customers to defer payments for up to 6 months as a Covid-19 payment deferral.

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.

Ageing of trade receivables				2021
	Stage 1	Stage 2	Stage 3	Total
Current – not past due	441.0	77.1	18.1	536.2
28 days – past due	–	20.0	1.6	21.6
56 days – past due	–	10.8	1.7	12.5
84 days – past due	–	–	10.1	10.1
112 days – past due	–	–	7.4	7.4
Over 112 days – past due	–	–	18.0	18.0
Gross trade receivables	441.0	107.9	56.9	605.8
Allowance for expected credit losses	(16.3)	(31.1)	(37.8)	(85.2)

Ageing of trade receivables				2020
	Stage 1	Stage 2	Stage 3	Total
Current – not past due	516.2	29.5	13.7	559.4
28 days – past due	–	35.3	2.0	37.3
56 days – past due	–	17.5	2.6	20.1
84 days – past due	–	–	13.7	13.7
112 days – past due	–	–	9.3	9.3
Over 112 days – past due	–	–	17.1	17.1
Gross trade receivables	516.2	82.3	58.4	656.9
Allowance for expected credit losses	(13.1)	(20.8)	(37.8)	(71.7)

As at 27 February 2021 current debtors were included in Stage 2 if the receivable had suffered from a significant increase in credit risk. Debtors which were on a Covid-19 payment hold, or within a post Covid-19 payment hold observation window of three months were included in Stage 2. 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 27 February 2021 included the following key indicators, provided by Experian as external advisers, for the UK for the calendar years 2021 to 2025:

		2021	2022	2023	2024	2025
Unemployment rate (%)	Base	7.7	6.3	5.0	4.5	4.3
	Upside	7.2	5.6	4.4	3.8	3.6
	Downside	8.3	7.1	5.6	5.1	5.0
Annual real wage growth (%)	Base	(1.2)	1.1	1.2	1.5	1.4
	Upside	0.7	2.4	2.3	2.5	2.3
	Downside	(2.1)	0.2	0.4	0.7	0.8

The scenarios above have been applied to all customers within the Group's ECL model.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on historical data.

The amounts derecognised in the period include the sale of impaired assets with a net book value of £14.3m (2020: £19.9m).

NOTES TO THE GROUP ACCOUNTS CONTINUED

19 FINANCIAL INSTRUMENTS CONTINUED

INCORPORATION OF FORWARD-LOOKING INFORMATION CONTINUED

	Stage 1	Stage 2	Stage 3	Total
Expected Credit Losses				
Balances as at 29 February 2020	13.1	20.8	37.8	71.7
Transfer Stage 1	0.0	(3.1)	(2.4)	(5.5)
Transfer Stage 2	3.1	0.0	(1.5)	1.5
Transfer Stage 3	2.4	1.5	0.0	3.9
Remeasurement of balances	(2.9)	22.0	78.6	97.7
New financial assets originated	3.9	2.4	3.8	10.1
Financial assets that have been derecognised	(1.0)	(3.2)	(24.5)	(28.8)
Write-offs	(2.2)	(9.4)	(54.0)	(65.6)
Balances as at 27 February 2021	16.3	31.1	37.8	85.2

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:

	2021 Carrying amount £m	2021 Contractual cash flows £m	2021 1 year or less £m	2021 1 to <2 years £m	2021 2 to <5 years £m	2021 5 years and over £m
2021						
Non-derivative financial liabilities						
Secured bank loans	(381.9)	(383.4)	(9.5)	(9.5)	(364.4)	–
Trade payables	(46.7)	(46.7)	(46.7)	–	–	–
Lease liabilities	(4.9)	(5.2)	(1.8)	(1.1)	(1.1)	(1.2)
Other creditors	(4.7)	(4.7)	(4.7)	–	–	–
Accruals and deferred income	(59.2)	(59.2)	(59.2)	–	–	–
	(497.4)	(499.2)	(121.9)	(10.6)	(365.5)	(1.2)
Derivatives: gross settled						
Cash inflows	0.4	0.4	0.4	–	–	–
Cash outflows	(7.5)	(7.5)	(6.2)	(1.3)	–	–
	(504.5)	(506.3)	(127.7)	(11.9)	(365.5)	(1.2)
2020						
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)	(535.0)	(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)	(534.6)	(2.1)	(1.4)

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.

	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 2 March 2019	0.2	(6.1)	(8.4)	10.4	7.6	0.6	4.3
Adjustment on initial application of IFRS 9	–	–	–	–	–	–	–
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)
(Charge)/credit to income	0.1	0.6	(0.4)	(0.2)	(1.7)	1.8	(0.4)
Charge to equity	–	–	0.7	–	–	–	0.7
As at 27 February 2021	0.1	(4.3)	(8.9)	9.0	1.9	1.7	(0.5)

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:

	2021 £m	2020 £m
Deferred tax assets	12.7	13.2
Deferred tax liabilities	(13.2)	(14.6)
As at 27 February 2021	(0.5)	(1.4)

At the balance sheet date, the Group has unused tax losses of £17.5m (2020: £17.5m) and capital losses of £3.2m (2020: £3.2m) available for offset against future profits on which deferred tax is not recognised. The Group has recognised a deferred tax asset of £1.9m in relation to trading losses carried forward. As at 27 February 2021, 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

	2021 £m	2020 £m
Trade payables	46.7	65.9
Other payables	4.7	7.1
Accruals and deferred income	59.2	37.5
Trade and other payables	110.6	110.5

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2020: 54 days).

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

The Group continues to have a supplier financing arrangement which is facilitated by HSBC. The principal purpose of this arrangement is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms of suppliers participating in the programme are similar to those suppliers that are not participating. The maximum facility limit as at 27 February 2021 was £10.0m (2020: £10m). The facility limit was increased to £15m after the year end. At 27 February 2021, total of £8.0m (2020: £6.3m) had been funded under the programme. The scheme is based around the principle of reverse factoring whereby the bank purchases 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, where the supplier wishes to be paid faster than standard Group payment terms; 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 bank. The bank 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 within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group. There is no fixed expiry date on this facility.

NOTES TO THE GROUP ACCOUNTS CONTINUED

22 PROVISIONS

	Customer redress £m	Strategic Change £m	Other £m	Total £m
Balance as at 29 February 2020	8.3	2.8	–	11.1
Provisions made during the period	–	5.7	0.7	6.4
Provisions used during the period	(6.7)	(5.7)	(0.4)	(12.8)
Balance as at 27 February 2021	1.6	2.8	0.3	4.7
Non-current	–	–	–	–
Current	1.6	2.8	0.3	4.7
Balance as at 27 February 2021	1.6	2.8	0.3	4.7

CUSTOMER REDRESS

The provision relates to the Group's liabilities in respect of costs expected to be incurred for payments for historic Financial Services customer redress, which represents the best estimate of redress obligations, taking into account factors including risk and uncertainty.

Redress activity, other than the Official Receiver complaints, has been concluded in the current year and as at 27 February 2021 the Group holds a provision of £1.6m (2020: £8.3m), which will be paid in the next 12 months.

STRATEGIC CHANGE

During the prior year the Board undertook a strategic review and 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 five strategic brands.

During the current year, and in line with the Group's refined strategy and focus on the five key strategic brands, the decision was taken to transfer the Figleaves business under the Simply Be brand. Figleaves now operates under the Simply Be brand and trades from our Head Office in Manchester with fulfilment out of the Distribution Centres in Oldham and Hadfield. Total restructuring costs in the year amounted to £4.0m, relating primarily to redundancy costs of £1.7m, stock write down of £1.1m, onerous contract provisions of £0.8m and other transfer and logistic costs of £0.4m.

Additional redundancy costs of £3.5m were also incurred relating to the rest of the Group, in order to align the Group's people costs with the lower volumes incurred during the year.

The restructuring plans for both Figleaves and rest of the Group were announced to the affected employees prior to the end of the year, which represents a constructive obligation for the Group at the year end.

OTHER

The total charge in the current period of £0.3m relates to further costs and interest in relation to matters under discussion with HMRC relating to FY19 or prior years.

23 SHARE CAPITAL

	2021 Number	2020 Number	2021 £m	2020 £m
Allotted, called-up and fully paid ordinary shares of 11 1/19p each				
Opening as at 29 February 2020 (2 March 2019)	285,817,178	285,817,178	31.4	31.4
Issued in the year	174,666,053	–	19.5	–
At 27 February 2021 (29 February 2020)	460,483,231	285,817,178	50.9	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.

In December 2020, the Group completed an equity raise where a total number of 174,666,053 ordinary shares was issued at an offer price of 57p per share. Net proceeds, after accounting for direct transaction costs, amounted to £93.5m. The nominal value of the shares issued of £19.5m has been accounted for within share capital with the remaining £74.0m accounted for within share premium.

24 OWN SHARES

	2021 £m	2020 £m
Balance at 29 February 2020	0.3	0.3
Issue of own shares	–	–
Balance at 27 February 2021	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 27 February 2021 the employee trusts held 2,240,321 shares in the Company (2020: 1,573,598).

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 £0.5m (2020: £0.6m) of restricted cash which is held in respect of the Group's customer redress programmes and £3.0m (2020: £3.6m) in respect of our securitisation reserve account. This cash is available to access by the Group. In addition £1.9m (2020: £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:

	2021 £m	2020 £m
Sterling	69.1	10.2
Euro	6.2	10.3
US dollar	5.5	27.0
Net cash and cash equivalents and bank overdrafts	80.8	47.5
Made up of:		
Cash and cash equivalents	94.9	161.7
Bank overdrafts	(14.1)	(114.2)

The Group operates a notional pooling and net overdraft facility whereby cash and overdraft balances held with the same bank have a legal right of offset. In line with requirements of IAS 32, gross balance sheet presentation is required where there is no intention to settle any amounts net. The balance has therefore been separated between overdrafts and cash balances and the Group has restated both the Cash and cash equivalents and the Bank loans and overdraft balances as at 29 February 2020 to show these amounts gross.

This adjustment has no impact on the Group's net profit or loss in the prior and preceding years, nor its net assets. In addition, there was no impact on net cashflows in the prior or preceding years.

The prior period has accordingly been restated for this adjustment as demonstrated below:

Balance Sheet (extract)	29 February 2020 £m	Adjustment £m	29 February 2020 £m
Current Assets			
Cash and cash equivalents	47.5	114.2	161.7
Current liabilities			
Bank loans and overdrafts	–	(114.2)	(114.2)
Net current assets	621.9	–	621.9
Net assets	317.5	–	317.5
Total Equity	317.5	–	317.5

NOTES TO THE GROUP ACCOUNTS CONTINUED

26 CONTINGENT LIABILITIES

BANK OVERDRAFTS

The Group operates a net overdraft facility that was undrawn at 27 February 2021 (2020: £27.5m undrawn). The parent Company bank account which at 27 February 2021 was in £11.8m overdraft (2020: £102.7m overdraft) is part of this net overdraft facility, and offset by other subsidiary accounts in a debit position. Parent Company loans amounted to £nil (2020: £125.0m) at 27 February 2021. Both balances are 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) PPI to its customers when they bought JDW products. This insurance was underwritten by Allianz plc ("the Insurer"). 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 the Insurer.

In recent years, JDW and the Insurer have paid out significant amounts of redress to customers in respect of certain insurance products, including PPI. In July 2014 JDW and the Insurer entered into an indemnity agreement in respect of certain PPI mis-selling liabilities ("Indemnity Agreement"). In September 2018 JDW and the Insurer 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 the Insurer in respect of all payments of redress the Insurer has made to JDW's PPI customers together with all associated costs. The Insurer has 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 the Insurer. JDW has claimed that:

The Insurer 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); and

The Insurer 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 the Insurer in respect of sums paid by JDW pursuant to the CHA as the Insurer 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 asserted that the amount of the Insurer's claim was £28m plus interest. A Claims Management Conference was held in September 2020 following which a timetable to trial was set by the Court. The deadline for disclosure was extended due to challenges resulting from searching legacy systems and the very substantial volumes of data and documentation involved and was substantially completed in April 2021. Assessment and analysis of disclosures will be undertaken over the coming months. Witness and Expert evidence will play a significant role in helping to establish likely quantum and merits in relation to both the claim and the counter claim and is expected to be completed later in 2021.

The claim and counterclaim remain at an early stage of the legal process.

All claims made by the Insurer, 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, and both parties only recently completed the lengthy disclosure exercise, and will continue to gather detailed and factual expert and witness evidence in relation to multiple elements of the claim and counterclaim over the coming months.

There is also considerable uncertainty as to the timing of any resolution of the claim/counterclaim given that the legal court process will continue well into 2021 and the trial is not scheduled until 2022. Legal fees are expected to continue to be incurred during FY22 but it is likely that the cashflows resulting from the claim and/or counterclaim may not arise until FY23.

Having taken legal advice on its own position, the Group has concluded that as the case remains at an early stage and there has been no meaningful progress in relation to either quantum or merits during the year, it is still not possible to reliably estimate the amount of any potential financial outcomes and has therefore continued to not provide any amount for this claim.

IAS 37 (Provisions, contingent liabilities and contingent assets) requires a provision to be recognised when there is a present obligation as a result of a past event, it is probable that there will be an outflow of economic benefits to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Insurer's claim represents a present obligation and it is likely than there will be an outflow of economic benefits to settle it. However, given the complexities of the claim, the volume of the data elements involved, the historic nature of the claims and the difficulties associated with establishing all the relevant facts, it is not possible to estimate reliably the amount of the obligation. In these circumstances, IAS 37 requires a contingent liability to be disclosed. The protracted nature of the disclosure process and the volume of material to assess has contributed to the lack of progress in the year.

IAS 37 defines a contingent asset as a possible asset that arises 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. A contingent asset is only recognised in the financial statements when an inflow of economic benefits is virtually certain. It is disclosed as a contingent asset when an inflow of economic benefits is probable. The counter claim does not meet either of these criteria and the description of the counterclaim is provided in accordance with requirements of IAS 1 (Presentation of financial statements) on the basis that claim and counterclaim are relevant to an overall understanding of the overall position.

27 LEASES

The Group leases various buildings, equipment and vehicles under non-cancellable 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.

AMOUNTS RECOGNISED IN THE BALANCE SHEET

The consolidated balance sheet as at 27 February 2021 shows the following amounts relating to leases.

	Land and buildings £m	Fixtures and equipment £m	Total £m
Right-of-use assets			
29 February 2020	3.6	2.0	5.6
Depreciation	(1.0)	(0.6)	(1.6)
Impairment	(0.1)	–	(0.1)
Disposals	–	(0.3)	(0.3)
27 February 2021	2.5	1.1	3.6

	2021 £m	2020 £m
Lease liabilities		
Current	1.8	2.2
Non-current	3.1	4.7
	4.9	6.9

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The consolidated income statement shows the following amount relating to leases:

	2021 £m	2020 £m
Depreciation charge of right-of-use buildings	1.0	1.1
Depreciation charge of right-of-use equipment and vehicles	0.7	0.2
Interest expense (included in finance costs)	0.4	0.1
Expense relating to leases of low-value assets (included in operating expenses)	1.1	0.8
Expense relating to short-term leases (included in operating expenses)	0.1	0.1

The total cash outflow for leases during the year was £3.4m (2020 : £4.4m). The portfolio of short-term and low-value leases to which the Group is committed is not dissimilar to the portfolio for which the expense has been incurred during the year, and future expenses are expected to be on a similar level annually.

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 share save 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	605,262	1,740,653
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)				
	–	August 2020 – August 2027	73,333	770,817
August 2017	–	August 2021 – August 2028	1,223,591	1,586,211
August 2018	–	September 2022 – August 2029	120,440	285,409
June 2019	–	September 2022 – September 2029	2,379,429	3,230,819
September 2019	–	November 2023 – November 2030	2,425,386	–
November 2020	–	August 2021 – November 2030	2,763,554	–
November 2020	–			
Deferred annual bonus scheme awards (DABs)				
August 2018	–	August 2020 – August 2028	–	175,401
June 2019	–	June 2021 – June 2029	129,689	163,766
Deferred share bonus plan (DSBP)				
June 2019	–	June 2022 – June 2029	35,410	84,246

Movements in share options are summarised as follows:

	2021		2020	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	1,890,152	1.55	1,197,733	2.10
Granted during the period	–	–	1,225,391	1.13
Forfeited during the period	(1,135,391)	1.54	(532,972)	1.85
Exercised during the period	–	–	–	–
Outstanding at the end of the period	754,761	1.55	1,890,152	1.55
Exercisable at the end of the period	149,499	2.49	228,361	2.62

No options were exercised in the period and the weighted average share price during the period was 46p (2020: 116p). The options outstanding at 27 February 2021 had a weighted average remaining contractual life of 1.32 years (2020: 2.21 years). The aggregate estimated fair values of options granted in the period is £nil (2020: £502,043).

Movements in management share awards (LTIPs and DABs) are summarised as follows:

	2021		2020	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	6,296,669	–	6,717,660	–
Granted during the period	5,243,189	–	4,457,764	–
Forfeited during the period	(2,060,062)	–	(4,567,899)	–
Exercised during the period	(328,964)	–	(310,856)	–
Outstanding at the end of the period	9,150,832	–	6,296,669	–
Exercisable at the end of the period	73,333	–	–	–

The awards outstanding at 27 February 2021 had a weighted average remaining contractual life of 3.53 years (2020: 8.52 years).

The aggregate estimated fair values of options granted in the period is £2,598,794 (2020: £3,579,266).

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:

	2021	2020
Weighted average share price at date of grant (pence)	55	112
Weighted average exercise price (pence)	–	24
Expected volatility (%)	47.0	46.5
Expected life (years)	3.0	2.5 - 4.3
Risk-free rate (%)	(0.1)	1.0
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 charge of £0.8m and a credit of £1.3m related to equity-settled share-based payment transactions in 2021 and 2020 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 £6.1m (2020: £6.0m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 27 February 2021, contributions of £0.2m (2020: £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. The scheme 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 next triennial review will commence during June 2021. The principal actuarial assumptions used in determining the Group's net retirement benefit obligations at the balance sheet date were as follows:

	2021	2020
Discount rate	2.10%	1.75%
Future pension increases	2.10%	2.00%
Inflation – Retail Price Index	3.35%	2.85%
Inflation – Consumer Price Index	2.75%	2.05%
Life expectancy at age 65 (years)		
Pensioner aged 65 – male	22.0	22.0
Pensioner aged 65 – female	23.9	23.4
Non-pensioner aged 45 – male	23.4	23.8
Non-pensioner aged 45 – female	25.7	25.7

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2021 £m	2020 £m
Past service cost	0.1	–
Net interest credit	(0.5)	(0.7)
Administrative expenses paid from plan assets	0.4	0.1
Profit recognised in the income statement	–	(0.6)

The actual loss on scheme assets was £0.2m (2020: actual return £23.8m).

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:

	2021 £m	2020 £m
Present value of defined benefit obligations	(127.0)	(130.9)
Fair value of scheme assets	152.5	157.2
Surplus in the scheme and asset recognised in the balance sheet	25.5	26.3

The amount included in the statement of comprehensive income is as follows:

	2021 £m	2020 £m
Remeasurement gain/(loss)	1.0	(19.3)
(Loss)/Return on scheme assets	(2.9)	20.1
(Loss)/Gain recognised in the statement of comprehensive income	(1.9)	0.8

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:

	2021 £m	2020 £m
At 29 February 2020	130.9	112.0
Past service cost	0.1	–
Interest cost	2.2	3.0
Remeasurement (gain)/loss		
Effect of changes in financial assumptions	(0.8)	19.1
Effect of changes in demographic assumptions	(0.2)	0.2
Benefits paid	(5.2)	(3.4)
At 27 February 2021	127.0	130.9

Movements in the fair value of the scheme assets were as follows:

	2021 £m	2020 £m
At 29 February 2020	157.2	135.9
Interest income	2.7	3.7
Return on scheme assets excluding interest income	(2.8)	20.1
Contributions from sponsoring companies	1.0	0.9
Benefits paid	(5.2)	(3.4)
Admin expenses	(0.4)	–
At 27 February 2021	152.5	157.2

The analysis of the scheme assets at the balance sheet date was as follows. All investments held by the scheme are unquoted:

	2021		2020	
	£m	%	£m	%
Equities	22.3	14.6	15.2	9.7
Fixed-interest government bonds	26.2	17.2	0.4	0.3
Index-linked government bonds	36.6	24.0	13.8	8.8
Corporate bonds	49.0	32.1	89.2	56.6
Property	2.6	1.7	1.8	1.1
Growth fixed income	14.6	9.6	14.4	9.2
Alternatives	0.3	0.2	1.5	1.0
Cash and cash equivalents	0.9	0.6	20.9	13.3
	152.5	100.0	157.2	100.0

All assets had an observable market price (2020: 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 £6.2m (2020: £6.9m).

An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £3.7m (2020: £3.8m).

An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £4.5m (2020: £4.6m).

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 Retail Price Index ("RPI") and Consumer Price Index ("CPI") inflation assumptions in light of the RPI reform proposals published on 4 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 0.25% at 29 February 2020 to 0.05% at 27 February 2021, 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 0.6% per annum. The estimated impact of the change in the methodology is approximately a £3.7m increase 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 (2020 actual contributions: £1.0m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 27 February 2021 is approximately 20 years (2020: 20 years). The defined benefit obligation at 27 February 2021 can be approximately attributed to the scheme members as follows:

Active members: 0% (2020: 0%)

Deferred members: 64% (2020: 64%)

Pensioner members: 36% (2020: 36%)

All benefits are vested at 27 February 2021 (unchanged from 1 March 2020).

30 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Remuneration paid to key management personnel (who comprise the Group Directors and members of the Executive Board) was £4.2m (2020: £2.3m). This was split as follows: employment benefits of £3.9m (2020: £2.1m), other benefits of £0.3m (2020: £0.2m) and share-based payments of £nil (2020: £nil).

31 GOVERNMENT GRANTS AND OTHER SUPPORT

The UK government has offered a range of financial support packages to help companies affected by coronavirus. During the year, the Group has received a total government grant of £3.8m (2020: £nil) in respect of the furlough scheme. The Group has elected to deduct the grant in reporting the related expense.

In May 2020, the Group also secured a new up to £50 million three-year Term Loan facility, provided by its lenders under the government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). The facility, which was committed until May 2023 was fully repaid and handed back without penalty on 24 December 2020, following the completion of the equity raise.

32 PRIOR YEAR ADJUSTMENT

During the year, the Group identified that the relief claimed in respect of the value added tax element on customer debt written off was, in prior years, accounted for within product revenue, whilst the cost of the write off was recorded in Financial Services cost of sales. On further review of the Group's revenue recognition, management have come to a conclusion that this is not an income stream within revenue and rather it has no income statement effect.

For the year ended 29 February 2020, £20.7m of value added tax relief was recognised within revenue, rather than being offset against cost of sales, leading to the overstatement of Group revenue and overstatement of Group cost of sales by £20.7m respectively.

A prior year adjustment of £20.7m has therefore been made in both revenue and cost of sales respectively. This adjustment has no impact on the Group gross profit or profit after tax, nor its net assets or equity in the prior year, and therefore no impact on basic or diluted earnings per share. In addition, there was no impact on net cashflows from operating activities in the prior year.

The prior period has accordingly been restated for this adjustment, as demonstrated below.

Consolidated income statement (extract)	29 February 2020 £m	Adjustment £m	29 February 2020 £m
Revenue	594.9	(20.7)	574.2
Credit account interest	263.3	–	263.3
Total Revenue	858.2	(20.7)	837.5
Cost of sales	(291.0)	20.7	(270.3)
Impairment losses on customers	(133.9)	–	(133.9)
Profit on sale of customer receivables	6.3	–	6.3
Gross Profit	439.6	–	439.6
Operating Profit	48.1	–	48.1
Profit before tax	35.7	–	35.7
Profit for the period	27.4	–	27.4

COMPANY BALANCE SHEET

	Note	As at 27 February 2021 £m	As at 29 February 2020 £m (Restated)*
Fixed assets			
Investments	35	366.8	366.0
Debtors	36	111.6	169.9
Cash and cash equivalents		1.3	–
Current assets		112.9	169.9
Bank overdrafts	38	(13.1)	(102.7)
Creditors: Amounts falling due within one year	37	(210.6)	(209.3)
Current liabilities		(223.7)	(312.0)
Net current liabilities		(110.8)	(142.1)
Total assets less current liabilities		256.0	223.9
Non-current liabilities			
Bank loans	38	–	(125.0)
Net assets		256.0	98.9
Capital and reserves			
Called-up share capital	39	50.9	31.4
Share premium account		85.0	11.0
Own shares		(0.3)	(0.3)
Profit and loss account		120.4	56.8
Shareholders' funds		256.0	98.9

* Refer to prior year adjustment note 41

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 19 May 2021.

They were signed on its behalf by:



Rachel Izzard
CFO and Executive Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital (note 38) £m	Share premium £m	Own shares £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2021					
Balance at 29 February 2020	31.4	11.0	(0.3)	56.8	98.9
Comprehensive income for the period					
Profit for the period	–	–	–	62.8	62.8
Total comprehensive loss for the period	–	–	–	62.8	62.8
Transactions with owners recorded directly in equity					
Issue of shares	19.5	74.0	–	–	93.5
Issue of own shares by ESOT	–	–	–	–	–
Share-based payment charge	–	–	–	0.8	0.8
Total contributions by and distributions to owners	19.5	74.0	–	0.8	94.3
Balance at 27 February 2021	50.9	85.0	(0.3)	120.4	256.0
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					
Profit for the period	–	–	–	(10.6)	(10.6)
Total comprehensive income 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 charge	–	–	–	(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

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 accounting standards in conformity with the requirements of 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 accounting standards in conformity with the requirements of the Companies Act 2006 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; and

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; and

Disclosures required by IFRS 2 Share-based payment.

GOING CONCERN

For the reasons set out below, the Directors of the Company believe that it remains appropriate to prepare the financial statements on a going concern basis. The Company is relying on the Going Concern assessment performed for the purposes of the Group. After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the 12 months from the date of signing this Annual Report and Accounts. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion, the Directors considered:

a) the Group's cash flow forecasts and revenue projections for the 12 months from the date of signing (the "Base Case"), reflecting, amongst other things the following assumptions:

The business continues to be fully operational throughout the remainder of the pandemic (as has been the case since the outset);

Product gross margin pressure continues due to mix, a highly promotional retail market and industry-wide increase in freight rates;

Financial Services revenue reduces as the size of the loan book reduces as a function of the lower product sales;

FS gross margin declines due to an increase in bad debt and write offs due to the impact of Covid-19; and

Operating cost efficiencies are maintained in that they continue at a similar cost to revenue ratio as achieved in FY21.

b) the impact on trading performance of severe but plausible downside scenarios (the "Downside Case"), including continued Covid-19 restrictions, the removal of government support schemes such as Stamp Duty Relief, Mortgage holiday, and the Coronavirus Jobs Retention Scheme and adverse macro-economic conditions. In particular, the downside scenario assumes that the lockdown restrictions experienced in the second half of the year ended February 2021 will apply throughout the year ending February 2022 resulting in an adverse impact on retail sales, a reduction in collection rates with a consequent increase in bad debts and a reduction in the debt securitisation advance rate. It has also been assumed that the current unusually high freight rates will continue to apply with an adverse effect on gross margins.

c) the committed facilities available to the Group and the covenants thereon. Details of the group's committed facilities are set out in note 17, the main components of which are:

A £500m securitisation facility committed until December 2023, drawings on which are linked to prevailing levels of eligible receivables (£381.9m drawn to the maximum of eligible customer receivables);

An RCF of £100m committed until December 2023, which is fully undrawn; and

An overdraft facility of £12.5m which is subject to an annual review every July (undrawn as at date of signing of these accounts).

d) that there are no forecast breaches of any covenants in either the Base Case or Downside Case, without any additional management actions being required. In the event that trading deteriorated further than envisaged in the Downside Case additional management actions could be implemented which would include sale of customer receivables, working capital deferrals, temporary reductions in inventory and capital expenditure and further discretionary cost reductions.

e) the Group's robust policy towards liquidity and cash flow management. As at 30 April 2021, the Group had cash of £84.3m, net restricted cash of £3.3m and undrawn facilities of £112.5m, giving rise to total accessible liquidity ("TAL") of £193.5m (FY20: £75m) reflecting, amongst other things, the benefit of the equity raise in December 2020 (£93.5m, net) and positive cash generation in the current financial year offset by a decision by the Board to reduce the RCF by £25m and to hand back the £50m CLBILS Term Loan Facility.

f) the Group management's ability to successfully manage the principal risks and uncertainties outlined on p35 to 38 during periods of uncertain economic outlook and challenging macro-economic conditions.

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.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

33 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. 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.

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 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:

CARRYING VALUE OF INVESTMENTS

Critical judgement

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.

34 PROFIT FOR THE PERIOD

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period.

N Brown Group plc reported a Profit after tax for the financial period ended 27 February 2021 of £62.8m (2020: loss £10.6m) which includes dividends received of £70.0m (2020: £nil).

The Non-Executive Directors' remuneration was £0.6m (2020: £0.6m) and nine Non-Executive Directors were remunerated (2020: seven). The Executive Directors were remunerated by a subsidiary company in both years; the total was £1.3m (2020: £0.9m). Further details are provided on p86 of the Directors' Remuneration Report.

Fees in relation to non-audit related services include fees of £60,000 (2020: £30,000) relating to assurance services and £450,000, of which £45,000 was required by regulation (2020: £nil), in relation to the equity raise completed by the Group during the year.

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £20,000 (2020: £20,000).

NOTES TO THE COMPANY ACCOUNTS CONTINUED

35 FIXED ASSET INVESTMENT

	2021 £m	2020 £m
Opening cost and net book value	366.0	367.3
Movement in period	0.8	(1.3)
Closing cost and net book value	366.8	366.0

The Company has investments in the following subsidiaries and joint ventures.

Company	Registered Office Address	Status	Proportion held by the Group (%)
Aldrex Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Alexander Ross (Financial Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Ambrose Wilson Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Better Living Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Classic Combination Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Comfortably Yours Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Crescent Direct Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Cuss Contractors Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Dale House (Mail Order) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Daly Harvey Morfitt Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
DHM (Management Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
E Langfield & Co. Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Eunite Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Figleaves Global Trading Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Financial Services (Edinburgh) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
First Financial Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Gray & Osbourn Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Halwins Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Hammond House Investments	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
International Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Hammond House Investments Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Hartingdon House Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
HB Wainwright (Financial Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Heather Valley (Woollens) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Hilton Mailing Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Holland & Heeley Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
House of Stirling (Direct Mail) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
J.D. Williams & Co Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Trading Company	100
J.D. Williams Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Intermediate Holding company	100
J.D. Williams Merchandise Co Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
JDW Finance Ltd*	Griffin House, 40 Lever Street, Manchester M60 6ES	Active	100
JDW Malta Limited*	Griffin House, 40 Lever Street, Manchester M60 6ES	Active	100
JDW Pension Trustees Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Active	100
Langley House Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Mature Wisdom Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
Melgold Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
NB Finance (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland	Intermediate Holding Company	100
N Brown Pension Trustees Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Active	100
N Brown Funding Ltd*	Griffin House, 40 Lever Street, Manchester M60 6ES	Intermediate Holding Company	100
N Brown Holdings Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Intermediate Holding Company	100

Company	Registered Office Address	Status	Proportion held by the Group (%)
N Brown No. 2 Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	Intermediate Holding Company	100
N Brown Property One Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
N Brown Property Three Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
N Brown Property Two Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	Dormant	100
NB Funding Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	Intermediate Holding Company	100
NB Holdings Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	Intermediate Holding Company	100
NB Insurance Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU		100
NB Malta No1 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta		100
NB Malta No2 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta		100
Nochester Holdings (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland		100
Odhams Leisure Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES		100
Oxendale & Company Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES		100
Oxendale & Co. Ltd (Eire Reg)	Woodford Business Park, Santry, Dublin 17, Ireland		100
Reliable Collections Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES		100
Sander & Kay Limited	Griffin House, 40 Lever Street, Manchester M60 6ES		100
Speciality Home Shopping (US) Ltd*	Griffin House, 40 Lever Street, Manchester M60 6ES		100
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

* Entities exempt from preparing audited statutory financial statements by virtue of s479A of Companies Act 2006.

36 DEBTORS

	2021 £m	2020 £m (Restated)*
Amounts falling due within one year:		
Amounts owed by Group undertakings	115.1	169.8
Prepayments and accrued income	0.1	0.1
	111.6	169.9

* Refer to prior year adjustment note 41

The amounts owed by Group undertakings, whilst there is no fixed term of expiry, are expected to be repaid within the next 12 months.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

37 CREDITORS

	2021 £m	2020 £m
Amounts falling due within one year:		
Amounts owed to Group undertakings	210.6	209.3
	210.6	209.3

38 BANK LOANS AND OVERDRAFTS

	2021 £m	2020 £m (Restated)*
Bank overdrafts	13.1	102.7
Bank loans	–	125.0
	13.1	227.7

* Refer to prior year adjustment note 41

The Company's bank account which at 27 February 2021 was in £13.1m overdraft (2020: £102.7m overdraft) is part of the Group's notional pooling and net overdraft facility of £7.5m, as described in note 17, and offset by other subsidiary accounts in a debit position. This facility of £7.5m was undrawn at 27 February 2021 (2020: £27.5m undrawn). The Company has unsecured bank loans of £nil (2020: £125.0m) drawn down under a medium-term bank RCF committed until December 2023.

At 27 February 2021, the Company had available £100m (2020: £nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rates paid were as follows:

	2021 %	2020 %
Net overdraft facility	1.6	2.3
Bank loans	1.5	2.5

39 SHARE CAPITAL

	Number	£m
Allotted, called-up and fully paid ordinary shares of 11 1/19p each		
At 29 February 2020	285,817,178	31.4
Issued during the year	174,666,053	19.5
At 27 February 2021	460,483,231	50.9

The Company has one class of ordinary share which carries no right to fixed income.

40 GUARANTEES

Parent Company bank account which at 27 February 2021 was in £13.1m overdraft (2020: £102.7m overdraft) is part of the Group's net overdraft facility, as described in note 17, and offset by other subsidiary accounts in a debit position. The net overdraft facility of £7.5m was undrawn at 27 February 2021 (2020: £27.5m undrawn). Parent Company loans amounted to £nil (2020: £125.0m) at 27 February 2021. Both balances are guaranteed by certain subsidiary undertakings.

41 PRIOR YEAR ADJUSTMENT

During the year end close, the Group identified that one of the Group's bank accounts which was thought to be owned by one of the Group's subsidiary undertakings, JD Williams & Co Limited, and therefore accounted for in that subsidiary's balance sheet, was actually held by the Parent entity, N Brown Group plc. The bank account is being used to make payments to JD Williams customers and as at 29 February 2020 was in an overdraft position of £54.7m.

As a result, the parent entity's bank overdraft balance within creditors falling due within one year as at 29 February 2020 was understated by £54.7m, whilst amounts owed by group undertakings within debtors were also understated by the same amount and an adjustment has been made accordingly.

This adjustment has no impact on the Company's net profit or loss in the prior and preceding years, nor its net assets.

The prior period has accordingly been restated for this adjustment as demonstrated below:

Balance sheet (extract)	29 February 2020 £m	Adjustment £m	29 February 2020 (Restated) £m
Current assets			
Debtors	115.2	54.7	169.9
Current liabilities			
Bank overdrafts	(48.0)	(54.7)	(102.7)
Net current liabilities	(142.1)	–	(142.1)
Net assets	98.9	–	98.9
Total Equity	98.9	–	98.9

APM GLOSSARY

Alternative Performance Measure	Definition
Adjusted gross profit	Gross profit excluding exceptional items. The Directors believe adjusted Gross profit represents the most appropriate measure of the Group's underlying trading performance
Adjusted gross profit margin	Adjusted gross profit as a percentage of Group Revenue. The Directors believe adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance
Adjusted EBITDA	Operating profit, excluding exceptional items, with depreciation and amortisation added back. The Directors believe adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance as it removes items that do not form part of the recurring activities of the Group
Adjusted EBITDA margin	Operating profit, excluding exceptional items, with depreciation and amortisation added back, as a percentage of revenue. The Directors believe adjusted EBITDA margin represents the most appropriate measure of the Group's underlying trading performance.
Adjusted profit before tax	Profit before tax, excluding exceptional items and fair value movement on financial instruments. The Directors believe that adjusted profit before tax represents the most appropriate measure of the Group's underlying profit before tax profit as it removes items that do not form part of the recurring activities of the Group.
Adjusted profit before tax margin	Profit before tax, excluding exceptional items and fair value movement on financial instruments, expressed as a percentage of Group Revenue. The Directors believe that adjusted profit before tax margin 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 activities of the Group.
Cash generation	Net cash generated from the Group's operating activities. The Directors believe that net cash generated is the most appropriate measure of the Group's cash generation from underlying performance as it demonstrates the Group's ability to support operations and invest in the future.
Adjusted operating costs	Operating costs less depreciation, amortisation and exceptional items. The Directors believe this is the most appropriate measure of the Group's operating cost base as it removes items that do not form part of the recurring activities of the Group.
Adjusted operating costs to revenue ratio	Operating costs less depreciation, amortisation and exceptional items as a percentage of Group revenue. The Directors believe this is the most appropriate measure to demonstrate the efficiency of the Group's operating cost base.
Adjusted net debt	Total liabilities from financing activities less cash, excluding lease liabilities. The Directors believe this is the most appropriate measure of the Group's net debt in relation to its unsecured borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure. A reconciliation is included in note 19.
Unsecured net cash/(debt)	Amount drawn on the Group's unsecured debt facilities less cash balances. The Director's believe that this is the most appropriate measure of the Group's unsecured net cash/(debt) position.
Total Accessible Liquidity	Total cash and cash equivalents and available headroom on secured and unsecured debt facilities. The Directors believe that this is most appropriate measure of the Group's liquidity. A reconciliation is included in note 2 in the going concern section.
Adjusted Earnings Per Share	Adjusted earnings per share based on earnings before exceptional items and fair value adjustments, which are those items that do not form part of the recurring operational activities of the Group. These are calculated in note 11. The Directors believe that this is the most appropriate measure of the Group's earnings per share as it removes items that do not form part of the recurring activities of the Group.

The reconciliation of the statutory measures to adjusted measures is included in the CFO report on page 31.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2021	February	Financial year end
	May	Preliminary announcement of annual results
	June	Publication of 2021 Annual Report and Accounts
	July	Annual General Meeting
	October	Interim results
2022	January	Christmas Trading Statement

An updated version of the financial calendar is available at www.nbrown.co.uk

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Shore Capital and Corporate Limited

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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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James Wheeler

Jo Clarke

Joanne Dickie

Joanne Roberts

Joe Barnfather

Kate Samba

Keith Nelson

Ken Mellis

Ken Kar Cheung

Louise Robinson

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