



HALF YEAR RESULTS FOR THE 26 WEEKS ENDED 28 AUGUST 2021

Strong growth in strategic brands

£m	26 weeks to 28 August 2021 (H1 22)	26 weeks to 29 August 2020 (Restated ¹) (H1 21)	% Change
Group revenue	346.8	347.2	(0.1%)
<i>Product revenue</i>	222.1	215.0	3.3%
<i>Financial services revenue</i>	124.7	132.2	(5.7%)
Adjusted EBITDA ²	53.0	48.0	10.4%
Statutory operating profit	31.0	26.5	17.0 %
Adjusted profit before tax ³	24.2	22.6	7.1%
Statutory profit before tax	28.2	14.1	100.0%
Unsecured net cash / (debt) ⁴	41.9	(32.2)	n/a
Adjusted net debt ⁵	(268.3)	(411.1)	34.7%

¹H1 21 restated for the value added tax element on customer debt written off, previously reported within Revenue rather than being offset against Cost of Sales (refer to Prior Year Adjustment, note 32, in the 2021 Annual Report and Accounts).

²Adjusted EBITDA is defined as operating profit, excluding exceptional items, with depreciation and amortisation added back. The Directors believe that adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance.

³Defined as 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 as it removes items that do not form part of the recurring operational activities of the Group.

⁴Cash balances, net of cash utilised to reduce amounts drawn down on securitised debt, less amount drawn on the Group's unsecured debt facilities. Excludes debt securitised against receivables (customer loan book) of £310.2m and lease liabilities of £3.9m. The Directors believe that this is the most appropriate measure of the Group's unsecured net cash / borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.

⁵Total liabilities from financing activities less cash, excluding lease liabilities. The Directors believe this is the most appropriate measure of the Group's overall net debt in relation to both its secured and unsecured borrowings.

H1 Results Highlights

- **Strategic transformation delivering sustained momentum in product revenue**
 - Five strategic brands grew product revenue 14.9% as benefits of transformation accelerate
 - Overall product revenue grew 3.3%, reflecting ongoing managed decline of legacy brands
 - Increase in active customers of 1.1% Q2 on Q1, demonstrating impact of improving product offer and marketing outreach
- **Accelerating strategic investments in brand and product following our recent fundraise**
 - Step-up in marketing activity to support new campaigns, with several high-profile partnerships; Amanda Holden and Davina McCall signed as brand ambassadors for JD Williams; Frankie Bridge and Nicki Bamford-Bowes for Home Essentials
 - Ongoing improvements in digital experience, including an improved customer checkout
 - New in-house studio significantly enhances ability to create customised content

- **Financial Services stabilisation**

- Financial Services revenue declined 5.7%, as a result of smaller debtor book at the start of the financial year
- Bad debt provision rates remain similar year-on-year
- Year-on-year movement in Financial Services margin rate reflects the initial increase in provision rate last year and a lower than normal level of write-offs this year

- **Delivered profit growth**

- Adjusted EBITDA growth of 10.4%, to £53.0m with the improvement in Financial Services margin more than offsetting normalisation of costs
- Operating costs as percentage of Group revenue of 36.0%, lower than equivalent pre-pandemic level as efficiencies and cost flexibility retained
- Adjusted profit before tax increased by £1.6m or 7.1% to £24.2m

- **Robust balance sheet that positions us well for the future**

- Net cash of £41.9m, with further c.£57m cash utilised in the period to reduce draw-down on securitisation funding facility to deliver greater balance sheet efficiency and interest savings
- Adjusted Net debt of £268.3m, compared to £301.1m at the end of February 2021; net customer loan book of £509.6m significantly exceeds adjusted net debt

- **Continued progress with SUSTAIN our leading Group-wide sustainability strategy**

- Committed to increasing our proportion of sustainably sourced own brand product; on track to hit the exit run rate target of 30% by the end of FY22
- Membership of Better Cotton Initiative (BCI): we will source 50% of own brand cotton through BCI certified routes by the end of this year
- Greenhouse Gas Emissions per item shipped down 42% compared to base line; positions us well for target of a 35% reduction by the end of this year

Steve Johnson, Chief Executive, said:

“Over the last six months the consumer environment has been volatile. Nevertheless, momentum has continued throughout the business, with customers responding well to our improved product ranges; particularly across our five strategic brands. This is testament to the restructuring work we have done across the Group and the investments we are beginning to make to support our refreshed strategy. None of this would be possible without the talent, drive and commitment of our team, who have responded incredibly to the uncertainties we face.

Our mission is to be the most inclusive retailer in the UK, across both fashion and home. We’re excited to see new brand partnerships resonating with both existing and new customers, bringing this mission to life, including Amanda Holden and Davina McCall on JD Williams, and Frankie Bridge and Nicki Bamford-Bowes on Home Essentials.

We continue to deliver on our plan and are feeling well prepared for peak trading. EBITDA remains in-line with our expectations, and we are looking forward to exciting our customers with our new ranges as we head towards the Christmas peak. However, we do so with the backdrop of continued uncertainty around consumer confidence.”

Webcast for analysts and investors:

A webcast presentation of these results will take place at 9am on 8 October 2021 followed by a Q&A conference call for analysts and investors. Please contact Nbrown@mhpc.com for details.

For further information:

N Brown Group

Sarah Nichol, Group Financial Controller
David Fletcher, Head of Investor Relations

+44 7557 014549

MHP Communications

Simon Hockridge / James Midmer

+44(0) 20 3128 8789
NBrown@mhpc.com

Shore Capital – Nomad and Broker

Dru Danford / Stephane Auton / Daniel Bush / John More

+44 (0) 20 7408 4090

About N Brown Group:

N Brown is a top 10 UK clothing & footwear digital retailer. Our retail brands are JD Williams, Simply Be, Jacamo, Ambrose Wilson and Home Essentials and our financial services proposition allows customers to spread the cost of shopping with us. We are headquartered in Manchester where we design, source and create our product offer and we employ over 1,800 people across the UK.

PERFORMANCE REVIEW

Since June 2020 we have been focused on a refreshed strategy to return N Brown to sustainable growth by developing stronger brands and product propositions for our customers, driving profitability through the retail business and continuing to offer attractive and flexible credit solutions. Our strategy is predicated on five growth pillars and a short update on the progress made so far this year in each pillar is set out below. Our five growth pillars are underpinned by three key enablers; our people and culture, data and a sustainable cost base appropriate for a digital retailer.

Despite the challenging and volatile consumer environment, we have been pleased to see early momentum from our strategy in the KPIs which we use to assess the business and which are explained in greater detail below. The total number of active customers fell year-over-year by 5.7%, driven by the decline of our non-Strategic brands. However, the number of orders per customer increased by 12.5%, as each customer shopped with us more frequently. For the quarter ending August 2021 the number of active customers grew, compared with the May 2021 quarter. The Average Order Value (AOV) also increased by 1.3% year-on-year.

KPIs

Last year we disclosed a range of digital customer metrics to provide insight into progress on the implementation of our business performance. Several KPIs still reflect the impact of Covid-19 on the business. We are focussed on driving improvements across a range of measures.

	H1 22	H1 21	Change	FY 21
Total website sessions	119m	107m	11.2%	232m
Conversion	3.8%	3.8%	-	3.8%
Total Orders ¹	5.0m	4.7m	6.4%	10.0m
AOV	£69.4	£68.5	1.3%	£69.0
Items per order	2.9	2.8	3.6%	2.8
AIV	£24.1	£24.3	(0.8)%	£25.0
Total active customers	2.83m	3.00m	(5.7)%	2.82m
Orders per customer	1.8	1.6	12.5%	3.5
FS arrears	7.3%	8.0%	(70)bps	7.9%
NPS	61	64	(4.7)%	63

¹Total orders includes online and offline orders

Total website sessions grew 11.2% as we stepped up marketing investment in line with our strategy and consumers responded positively to the refreshed product offering and our marketing messages. Conversion rates were broadly steady, while orders grew by 6.4% versus the prior period. The increase in orders reflects robust demand for clothing and footwear merchandise from our Strategic brands.

Average item value declined, reflecting the product mix moving back into clothing, which typically have lower average prices, which was also behind the drive into a higher number of items per order, resulting in average order value (AOV) rising. Due to the managed decline in the non-strategic brands, the number of total active customers declined by 5.7%, while orders per customer rose by 12.5% as frequency of purchase increased sharply, indicating that consumers are more engaged with our brands and products.

Financial Services arrears were 7.3% as the quality of the loan book improved and customers continued to pay down balances in the period. Net promoter score (NPS) declined modestly.

1. Distinct brands to attract broader ranges of customers

We continue to focus on our five core brands; Simply Be, Jacamo, JD Williams, Ambrose Wilson and Home Essentials. In pursuit of our strategy of building clearer brand propositions, we have focused on developing a distinctive identity for each, and have begun to amplify our investment in different types of marketing based on relevance to each brand. In the last six months we made good progress on our strategy as shown in the increase in the number of visitors to our websites, growth in social media followers, and 14.9% product revenue growth.

We have increased our use of social media during the last six months with positive results; revenue generated via social media was up 15% across the Group, with a total of 2.1m followers across Facebook, Instagram and Twitter, of whom 13% were added in the last 12 months. We have also built a new in-house LED photographic studio, which enables us to create bespoke content suited to each brand's distinctive style, as well as shooting content for different media such as social and video.

JD Williams' partnership with Amanda Holden and Davina McCall is indicative of how we see the future of the brand; both women are aspirational for JD Williams' target customers and highly representative of the brand's values of offering inspiration, championing individuality and recognising grown women. The response to our campaign has been positive, with increased JD Williams' social media followers and engagement.

Simply Be is focussed on a younger customer group and we have particularly invested in social media, with Instagram followers growing strongly over the past six months. We have worked with a range of influencers to build our social reach. Jacamo's "Beauty of Big" campaign ran throughout the summer across TV, social media, online video and out-of-home.

With a number of campaigns due to run through the balance of the year, we will continue to invest in marketing, with the aim of building brand reach in our target customer segments and driving customer acquisition.

As part of our focus on brand building activities and the most effective deployment of our marketing expenditure, we have appointed 'the7stars', the largest independent media agency in the UK, with a track record of innovation, experience in retail and finance and a suite of market leading data and tools. We expect the appointment to further our ability to deliver integrated and effective marketing campaigns.

2. Improved product to drive customer frequency

We have continued to build on the strong foundations set last year to strengthen our product offer to drive customer frequency. Customer response has been very positive and orders per customer rose 12.3% year-over-year.

We continue to focus on delivering our redefined good/better/best mix and pricing architecture. We have increased investment in own brand, which increased 15% compared to last year, replacing the "good" elements of the third-party range with our own. In parallel, we rebalanced our use of third-party brands to focus on aspirational brands that extend the "best" part of our range and are aligned with the overall brand message. This year we have added a number of third-party brands including Nobody's Child and Finery on Simply Be and Phase Eight, Studio 8 and Damsel in a Dress on JD Williams, with several more launching through the balance of the year including Mango, Wrangler, Y.A.S., Khost and Selected Femme.

We have also been consolidating the number of suppliers we work with, focussing on responsible sourcing and ensuring flexibility of supply, which has enabled us to deal well with global freight disruptions.

3. New Home offering for customers to shop more across categories

Home Essentials is our newest brand, launched in April 2020 at the start of the pandemic, and has been highly successful, with revenue rising more than threefold year-over-year, albeit from a low base. Our customers come to Home Essentials to find furniture alongside soft furnishings, lighting, small appliances and storage solutions. The brand already makes up c.5% of total product revenue, and our emphasis this year is on developing the proposition, with a focus on in-house design which ensures the complete offer is individual and bespoke to this customer cohort.

Home Essentials has continued to see strong growth in customer numbers during the last six-month period. Social media has proven to be a strong channel, with growth in the number of followers supported by an influencer campaign across Facebook and Instagram.

We have recently partnered with Frankie Bridge and Nicki Bamford-Bowes to showcase how our products can help customers build their “dream room”. A campaign to build awareness of the brand commenced in September 2021 and will be supported by above-the-line marketing investment in the second half of our financial year.

4. Enhanced digital experience to increase customer conversion

As part of the transformation of N Brown we continue to invest in our digital capabilities. Our current priority is the development of new front-end websites, which will replace the current websites, built over many years on a legacy technology stack.

The new, cleaner websites will improve customer experience resulting in better conversion rates and search optimisation benefits, and will feature a new sales journey, improved search, navigation, product listing, details pages, bag and checkout functions. The new websites are 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.

5. Flexible credit to help customers shop

Providing credit to make shopping affordable lies at the heart of N Brown's business model and remains core to our strategy. Importantly, we seek to provide credit to our customers in a supportive and responsible way, and continue to evolve our Financial Services business.

Overall, performance in Financial Services continues to be robust, with lower levels of write-offs and a normalisation in customer repayment rates. Customer behaviour remains stable and we have not seen elevated signs of distress. At the end of the period, no customers were on Covid-19 payment deferrals; all customers are either up to date or being supported through normal forbearance processes.

We remain focussed on our medium-term strategic priority of building a new, more flexible, Financial Services platform and launching innovative credit products to broaden the appeal of our proposition.

Key enablers

Our people are our key resource, and their expertise is central to our mission of being the most inclusive retailer on the market. We have remained fully operational throughout the pandemic, strictly following Government guidelines to ensure that our sites are Covid-secure. With office-based colleagues primarily working from home during the lockdown periods, we see the benefits of moving to a blended model in the future. We have committed to a hybrid working structure which sees colleagues, depending on the role, working part from the office and part from home, to promote a combination of productivity, collaboration and colleague well-being.

As a digital retailer, data is fundamental to our business. We have invested heavily in our data science and analytics functions over the past two years with the objective of upskilling and increasing our internal resources, and we are focused on building internal data capabilities to drive the performance of the business.

A particular area of focus in the first half of the current financial year has been on optimising our strategy regarding discounts and promotions. Following a set of discovery projects to determine the optimal pricing strategies for our brands, we have built models which determine how to maximise revenue, margin or other strategic KPIs through promotional pricing.

The third enabler of our strategy is the development of a sustainable and appropriate cost base, to help build retail profitability. Last year, during the onset of the pandemic, we took rapid action to significantly reduce costs; marketing expenditure in particular had previously been identified as an area for efficiency improvements. This year, we have judiciously increased our marketing costs to support our strategic brands and reach a broader set of customers. Marketing expenditure rose £7.6m compared to last year but remains 55% below the equivalent pre-pandemic period. The increase in marketing investment, along with a normalisation in other expenditure, resulted in adjusted operating costs as a percentage of revenue increasing by six percentage points to 36%, substantially improved compared to 41% in the equivalent pre-pandemic period.

Environment, Social and Governance

We proudly launched our sustainability plan SUSTAIN in FY21, engaging all colleagues with our commitment to Our People and Our Planet.

A key pillar of SUSTAIN is our commitment to responsibly sourced own-brand product, which now sits at 20% of our Clothing and Home Textile ranges (from 0% in 2019). We are on track to hit our exit run rate target of 30% responsibly sourced own-brand product by the end of FY22, growing to 50% in FY23 and 100% by FY30.

We entered into an agreement with the Better Cotton Initiative (BCI) in July 2021. We are on track to deliver 50% of the cotton we source through BCI certified routes by the end of this year, rising to 100% by the end of FY24.

Our Greenhouse Gas Emissions per item shipped¹ are 42% lower compared to the base line and we are on track to achieve our target of a 35% reduction by the end of this year.

¹ Rolling 12-month basis

FY22 Guidance

As a result of our improved product and branding, we have taken the decision to focus on profitable growth, rather than promotion-led sales. As a result, product revenue is now expected to grow +1% to +4%. We expect the Financial Services rate of revenue decline to improve in the second half of the financial year and to be c.(5)% for FY22. Overall, we now expect Group revenue to be broadly flat. As a result of our focus on profitable growth, we re-iterate our previously communicated expectation for adjusted EBITDA to be in the range of £93m to £100m.

We now expect capex to be c.£25m in FY22, lower than previously guided but a step up on last year due to strategic investment, net of certain project spend now being expensed. Net interest costs are now expected to be slightly lower at c.£15m. Depreciation and amortisation is expected to be c.£40m. At the end of FY22 we expect the Group to have a strong unsecured net cash position and at that point the Board will consider the resumption of dividend payments. FY22 year-end net debt is now anticipated to be slightly lower than previously guided, in the range of £270m to £280m.

Summary

In the past six months we have made good progress on the execution of our strategy and see momentum across the Group. Customers have responded well to our improved product ranges and clearer brand propositions, which is reflected in the growth in our Strategic brands. After a managed decline in customer numbers year-over-year, due to non-strategic “other” brands, we are seeing quarter-on-quarter increases in the number of active customers, which positions us well for the future. Financial Services revenue declined, following last year’s fall in retail sales. Stabilisation in Financial Services customer behaviour has led to a lower than normal level of write-offs this year. The Group has focused on profitability and cost control, driving growth in EBITDA and good cash generation.

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.

FINANCIAL REVIEW

In the first half of the current financial year the environment in which N Brown operates has continued to be unpredictable and volatile. Lockdown restrictions across the U.K. were gradually lifted. However, delays in the timing of rules easing, foreign travel uncertainty, self-isolation advice (the so-called “pingdemic”) and rapid growth in Covid-19 cases over the summer months all led to an uncertain environment for consumers.

Despite the challenges, N Brown moved forward on all key profitability measures and delivered a robust financial performance, with year-on-year Adjusted EBITDA growth and strong cash generation. Product revenue grew, led by our Strategic brands and driven by a resurgence in demand for clothing and footwear as pandemic restrictions were eased. The clothing and footwear market saw the re-opening of physical stores in the period and was highly competitive and promotional. Freight rates rose and the market saw supply chain challenges. We increased our investment in marketing to build our Strategic brands and showcase our improved product. We invested further in our technology to enhance the customer journey. Despite increased spending versus the prior period, we focussed on maintaining an efficient and sustainable cost base. Adjusted EPS has declined year-on-year as a result of the dilution impact following the equity raise.

Financial Services revenue fell, while profitability increased reflecting lower than normal levels of write offs in the period whilst the bad debt provision rate for future expected credit losses has been maintained at similar levels to last year.

Inventory levels rose as we invested in our improved product offering and ensured availability of supply for our customers. As a result of good cash generation, adjusted net debt fell to £268.3m compared to £301.1m at the end of FY21.

Revenue

£m	H1 22	H1 21 (Restated) ¹	Change
Revenue			
Strategic brands ²	180.5	157.1	14.9%
Other brands ³	41.6	57.9	(28.2%)
Total product revenue	222.1	215.0	3.3%
Financial services revenue	124.7	132.2	(5.7%)
Total Group revenue	346.8	347.2	(0.1%)

¹H1 21 restated for the value added tax element on customer debt written off, previously reported within Revenue rather than being offset against Cost of Sales (refer to Prior Year Adjustment, note 32, in the 2021 Annual Report and Accounts).

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

³Other brands are Fashion World, Marisota, Oxendales and Premier Man. High & Mighty and House of Bath were folded into Strategic brands in FY21. Figleaves was closed in March 2021 and is now sold on Simply Be.

Total Group revenue was broadly flat as a 3.3% increase in Total product revenue was offset by the decline of 5.7% in Financial Services revenue. Product revenue growth was driven by Strategic brands, up 14.9%, offset by the reduction in revenue from Other brands. Revenue from Other brands is a declining proportion of total product revenue, accounting for 18.7% in H1 22, down from 26.9% in the prior period. The managed decline in non-strategic Other brands is primarily due to the closure of the Figleaves website in March 2021 and the discontinuation of the High & Mighty and House of Bath brands in September 2020. Due to the timing of the closure of the Figleaves website, we expect to see this decline continue in H2 FY22. However, from FY23 Figleaves will no longer be in our comparative period results for Other brands.

Returns increased by 3.8 percentage points against a comparative period that was characterised by exceptional demand for lower-returning Home and Gift products and a customer pivot towards certain lower-returning apparel categories. This year, as customer demand for higher-returning apparel increased, we saw a corresponding increase in returns, albeit to rates that are 5.9 percentage points below pre-pandemic levels, inclusive of both mix and underlying like for like improvement.

Financial Services revenue decreased 5.7% to £124.7m, due to the smaller debtor book driven by lower retail sales last year through the pandemic.

Adjusted Gross profit¹

£m	H1 22	H1 21 ³	Change
Product gross profit	96.7	99.8	(3.1%)
<i>Product gross margin %</i>	<i>43.6%</i>	<i>46.4%</i>	<i>(2.8 ppts)</i>
Financial services gross profit	81.1	53.9	50.5%
<i>Financial services gross margin %</i>	<i>65.0%</i>	<i>40.8%</i>	<i>24.2ppts</i>
Adjusted Group gross profit¹	177.8	153.7	15.7%
Adjusted Group gross profit margin²	51.3%	44.3%	7.0ppts

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 H1 21 restated for the value added tax element on customer debt written off, previously reported within Revenue rather than being offset against Cost of Sales (refer to Prior Year Adjustment, note 32, in the 2021 Annual Report and Accounts).

The Group's overall adjusted gross margin was 51.3%, compared to 44.3% in H1 21. The increase in Financial Services gross margin is due to the reduction of the Covid-19 expected credit loss overlay, first introduced in H1 21, from £17.0m to £5.2m, which more than offset the decline in Product gross margin.

Product gross margin reduced 2.8 percentage points to 43.6% as a result of inflationary pressures in freight rates, a high level of discounting due to the competitive and promotional environment and a decline in VAT bad debt relief due to lower customer write-offs. The pressures on Product gross margin were partially offset by growth in higher margin clothing and footwear. Financial Services gross margin increased 24.2 percentage points to 65.0% reflecting the initial increase in provision rate last year and a lower than normal level of write-offs this year. At the end of H1 22 the future impact of Covid-19 has been reassessed at £5.2m, from £17.0m in the prior period, as customers who were on Covid-19 payment deferrals are now up-to-date or being supported through our normal arrears and forbearance processes.

Adjusted operating costs¹

£m	H1 22	H1 21	Change
Warehouse & fulfilment costs	31.9	30.3	(5.3%)
Marketing & production costs	33.5	25.9	(29.3%)
Admin & payroll costs	59.4	49.5	(20.0%)
Adjusted operating costs¹	124.8	105.7	(18.1%)
Adjusted operating costs as a % of Group Revenue²	36.0%	30.4%	(5.6)ppts

¹Adjusted 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.

²Adjusted 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 operating costs as a percentage of Group revenue increased by 5.6 percentage points to 36.0% as our cost base normalised. During the prior period, at the onset of the pandemic, we took rapid action to significantly reduce costs. Marketing expenditure had previously been identified as an area for efficiency improvements and was heavily curtailed. In the current period we have increased our marketing investment to support our strategic brands and reach a broader set of customers. In H1 22 marketing and production expenditure rose 29.3% or £7.6m compared to last year but remains 57% below the equivalent pre-pandemic period. Administration and payroll expenses rose by 20.0% or £9.9m due to higher payroll costs compared to the initial pandemic period, when the company took exceptional measures to reduce levels of spending. Warehouse and fulfilment costs rose 5.3% or £1.6m due to higher despatch volumes.

Adjusted EBITDA

Adjusted EBITDA increased by 10.4% to £53.0m, with the adjusted EBITDA margin increasing by 150bps to 15.3% (H1 21:13.8%) as a result of the temporary improvement in Financial Services profitability.

Depreciation and Amortisation

Depreciation and Amortisation was £22.0m, compared to £17.0m in the prior period primarily due to the acceleration of amortisation of the intangible assets following the review of estimated useful economic lives of the Group's legacy assets that was performed at the end of FY21.

Operating profit

Both adjusted and statutory operating profit were £31.0m as exceptional items were net £nil in the period. This compares to adjusted operating profit in H1 21 of £31.0m and statutory operating profit of £26.5m. Adjusted operating profit margin has remained flat year on year, whilst statutory operating profit margin has increased by 1.3bps to 8.9%.

Net finance costs

Net finance costs were £6.8m, down 19.0% compared to last year primarily driven by the lower drawdown on the securitisation facility and no drawdown on the Group's unsecured debt facilities.

Exceptional items

Exceptional items were net £nil in the period. Further details can be found in note 5.

£m	H1 22	H1 21
Legal costs	1.0	-
Customer redress	(0.2)	(0.7)
Tax matters	(0.8)	2.0
Strategic change	-	2.9
Impairment of tangible, intangible assets and brands	-	1.7
Gain from early settlement of derivative contracts	-	(1.4)
Items charged to profit before tax	-	4.5

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. Each party has undertaken a long disclosure exercise with further elements still to be completed. 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 16.

Adjusted profit before tax and statutory profit before tax

Adjusted profit before tax was £24.2m, an increase of 7.1% year-on-year as a result of increased gross profit and a 19.0% reduction in net finance costs. Statutory profit before tax was £28.2m (H1 21: £14.1m) which reflects a £4.5m improvement in exceptional costs and £8.0m fair value movement on the Group's financial instruments.

Taxation

The taxation charge for the period is based on the underlying estimated effective tax rate for the full year of 18.1%. Total interim effective tax rate for the six months period, after factoring in discrete items, was 16.7%. Further details are contained in Note 7.

Earnings per share

Adjusted earnings per share was 4.41p (HY 21: 6.72p). The decline in EPS is due to the increase in the weighted average number of shares, issued as part of the equity raise in December 2020. Statutory earnings per share was 5.10p (H1 21: 4.33p).

Dividend

As announced on 23 March 2020 due to the impact of Covid-19 the Board has suspended dividend payments for the foreseeable future. Therefore, the Board has not declared an interim dividend (H1 21: £nil). 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.

Financial Services

In the half year, the quality of the Financial Services debtor book remained robust. The impact of Covid-19 has not been as severe as previously anticipated, arrears rates remained at low levels. The debtor book has contracted as a result of lower retail sales in FY21 and strong collections.

During H1 22, write-offs were £16.8m lower than the prior period largely driven by Government support measures deferring customer defaults, the lower overall size of the debtor book and also tighter credit controls introduced in FY21.

Bad debt provision rates remain similar year-on-year as Covid-19 overlays have been replaced by underlying model refinements including predictive analytics for customer behaviour in moving between expected credit loss stages. The prior year one-off Covid-19 overlay of £17.0m has been partially captured within the normal account provisions leaving a £5.2m residual Covid-19 overlay for the risk associated with the cessation of the Government support schemes. Model refinements include the increase in Stage 2 balances driven by a shift in balances from Stage 1 to Stage 2 of £77.0m due to updated SICR methodology to capture more accounts with significant increase in credit risk prior to them rolling into arrears.

£m	H1 22	H1 21	Change
Gross customer loan balances	597.7	632.1	(5.4%)
IFRS 9 bad debt provision	(88.1)	(91.7)	(3.9%)
<i>Normal account provisions</i>	<i>(60.3)</i>	<i>(52.3)</i>	<i>(15.3%)</i>
<i>Payment arrangement provisions</i>	<i>(22.6)</i>	<i>(22.4)</i>	<i>(0.9%)</i>
<i>Covid-19 impacts</i>	<i>(5.2)</i>	<i>(17.0)</i>	<i>69.4%</i>
Loan book provision ratio	14.7%	14.5%	0.2ppts
Net customer loan balances	509.6	540.4	(5.7%)

In the half year, the net impairment charge was £43.0m, £34.3m lower than last year due to lower write-offs and Covid-19 impacts being less severe than expected.

Inventory

Net inventory levels at the half year end were up 11.8%, to £90.0m (H1 FY21: £80.5m). Inventory levels rose as we invested in our improved product offering and ensured availability of supply for our customers.

Cash Flow

Total net cash generated in the period was £18.3m compared to £45.3m in the same period last year. The improvement in Adjusted EBITDA is offset by the higher investment in inventory and other working capital movements in comparison to the cash preservation actions taken by management at the beginning of the pandemic in the prior period. Non operating tax and treasury returned to normal outflow levels after the deferral of tax liabilities during the pandemic. Lower cash generation is a result of higher investment in Inventory, partially offset by a reduction in the level of exceptional costs and interest costs.

£m	H1 22	H1 21
Adjusted EBITDA	53.0	48.0
Inventory working capital	(12.4)	14.3
Other working capital	4.1	6.4
Cashflow adjusted for working capital	44.7	68.7
Exceptional items	(0.8)	(8.4)
Capital investment	(10.5)	(11.3)
Non-operating tax & treasury	(4.8)	1.6
Interest	(6.7)	(9.3)
Non-operational cash outflows	(22.8)	(27.4)
Net repayment in customer loan book	10.9	44.7
Decrease in securitisation debt in line with customer loan book	(14.5)	(40.7)
Net cash (outflow) /inflow from the customer loan book	(3.6)	4.0
Net cash generated from operations	18.3	45.3
Voluntary flexible repayment of securitisation loan ¹	(57.2)	-
Repayment of unsecured loans	-	(50.0)
Net cash decrease before the impact of foreign exchange	(38.9)	(4.7)²

¹ During the period we have agreed with our banks that the securitisation does not need to be fully drawn and that surplus cash be used to repay drawings from time to time. The full drawdown level remains accessible.

² H1 21 excludes the impact of foreign exchange of £2m.

Adjusted Net Debt and Unsecured net cash

£m	H1 22	H1 21
Debt	(310.2)	(455.9)
Cash and cash equivalents	41.9	214.5
Bank overdrafts	-	(169.7)
Adjusted Net Debt	(268.3)	(411.1)
Unsecured Net Cash /(debt)	41.9	(32.2)
Decrease in adjusted net debt in the period	32.8	86.0
Decrease in securitisation debt in line with customer loan book	(14.5)	(40.7)
Voluntary flexible repayment on securitisation loan	(57.2)	-
Repayment on unsecured loans	-	(50.0)
Net cash decrease before the impact of foreign exchange	(38.9)	(4.7)¹

¹ H1 21 excludes the impact of foreign exchange of £2m.

As a result of the Group's on-going focus on cash generation and careful cost control, adjusted net debt has continued to decline. Unsecured net cash was £41.9m compared to net cash of £80.8m at the end of FY21, with the difference principally reflecting the decision to reduce the drawdown on the Group's securitisation funding facility by £57.2m. Adjusted net debt was £268.3m, a decline of 10.9% compared to the £301.1m level at the end of FY21 and a decline of £142.8m from the prior period. Adjusted net debt is net of £41.9m of cash and £310.2m of debt drawn against the securitisation funding facility which is backed by the eligible customer receivables. The £509.6m net customer loan book significantly exceeds this adjusted net debt figure.

Pension scheme

The Group's defined benefit pension scheme has a surplus of £27.1m (H1 FY21 : £31.0m surplus). The small reduction in the surplus is primarily due to lower return on the scheme assets during the period.

Financial KPI's

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.

	H1 22	H1 21 (Restated ⁶)	Change
Product revenue	£222.1m	£215.0m	3.3%
Adjusted EBITDA ¹	£53.0m	£48.0m	10.4%
Adjusted EBITDA margin ²	15.3%	13.8%	1.5ppts
Adjusted operating costs to Group revenue ³	36.0%	30.4%	5.6ppts
Net cash / (unsecured net debt) ⁴	£41.9m	£(32.2)m	n/m
Adjusted EPS ⁵	4.41p	6.72p	(34.4%)

¹Adjusted 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.

²Adjusted EBITDA margin is calculated as 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.

³Adjusted 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.

⁴Cash balances, net of cash utilised to reduce amounts drawn down on securitised debt, less amount drawn on the Group's unsecured debt facilities. Excludes debt securitised against receivables (customer loan book) of £310.2m and lease liabilities of £3.9m. The Directors believe that this is the most appropriate measure of the Group's unsecured net cash / borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.

⁵Adjusted 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.

⁶H1 21 restated for the value added tax element on customer debt written off, previously reported within Revenue rather than being offset against Cost of Sales (refer to Prior Year Adjustment, note 32, in the 2021 Annual Report and Accounts).

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 5. Adjusted EBITDA represents the most appropriate measure of the Group's underlying trading performance. Adjusted EBITDA is defined as operating profit, excluding exceptional items, 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 at the end of this statement.

£m	Notes	H1 22			H1 21		
		Statutory	Exceptional items (note 5)	Adjusted	Statutory	Exceptional items (note 5)	Adjusted
Group Revenue	4	346.8	-	346.8	347.2	-	347.2
Gross profit	4	177.8	-	177.8	153.7	-	153.7
Group gross profit margin	4	51.3%	-	51.3%	44.3%	-	44.3%
Operating profit	4	31.0	-	31.0	26.5	4.5	31.0
<i>Operating profit margin</i>	4	8.9%	-	8.9%	7.6%	-	8.9%
Depreciation & amortisation	4	(22.0)	-	(22.0)	(17.0)	-	(17.0)
EBITDA	4	53.0	-	53.0	43.5	4.5	48.0
EBITDA margin	4	15.3%	-	15.3%	12.5%	-	13.7%
Net finance costs	4	(6.8)	-	(6.8)	(8.4)	-	(8.4)
Profit before taxation and fair value adjustments to financial instruments	4	24.2	-	24.2	18.1	4.5	22.6
Fair value adjustments to financial instruments	6	4.0	-	4.0	(4.0)	-	(4.0)
Profit before taxation	4	28.2	-	28.2	14.1	4.5	18.6
Taxation	7	(4.8)	-	(4.8)	(1.8)	(0.9)	(2.7)
Profit for the period		23.4	-	23.4	12.3	3.6	15.9
Basic earnings per share (p)	8	5.10		4.41	4.33		6.72
Diluted earnings per share (p)	8	5.09		4.39	4.32		6.72

**Unaudited Condensed consolidated income statement
for the 26 weeks ended 28 August 2021**

	Note	26 weeks to 28 August 2021 Before exceptional items £m	26 weeks to 28 August 2021 Exceptional items (Note 5) £m	26 weeks to 28 August 2021 Total £m	26 weeks to 29 August 2020 Before exceptional items £m	26 weeks to 29 August 2020 Exceptional items (Note 5) £m	26 weeks to 29 August 2020 Total (*Restated) £m
Revenue		232.3	-	232.3	225.2	-	225.2
Credit account interest	4	114.5	-	114.5	122.0	-	122.0
Total revenue	4	346.8	-	346.8	347.2	-	347.2
Cost of sales		(126.0)	-	(126.0)	(116.2)		(116.2)
Impairment losses on customer receivables	4	(43.0)	-	(43.0)	(77.3)	-	(77.3)
Gross profit	4	177.8	-	177.8	153.7	-	153.7
Operating profit	4	31.0	-	31.0	31.0	(4.5)	26.5
Finance costs		(6.8)	-	(6.8)	(8.4)	-	(8.4)
Profit before taxation and fair value adjustments to financial instruments		24.2	-	24.2	22.6	(4.5)	18.1
Fair value adjustments to financial instruments	6	4.0	-	4.0	(4.0)	-	(4.0)
Profit before taxation		28.2	-	28.2	18.6	(4.5)	14.1
Taxation	7	(4.8)	-	(4.8)	(2.7)	0.9	(1.8)
Profit for the period		23.4		23.4	15.9	(3.6)	12.3
<i>*Revenue and Cost of Sales restated for the value added tax element on customer debt written off, previously reported within Revenue rather than being offset against Cost of Sales (refer to Prior Year Adjustment note 32 in the 2021 Annual Report and Accounts).</i>							
Earnings per share							
Basic	8			5.10p			4.33p
Diluted	8			5.09p			4.32p

**Unaudited condensed consolidated statement of comprehensive income
for the 26 weeks ended 28 August 2021**

	26 weeks to 28 August 2021	26 weeks to 29 August 2020
	£m	£m
Profit for the period	23.4	12.3
Items that will not be classified subsequently to profit or loss:		
Actuarial gains on defined benefit pension schemes	1.0	4.7
Tax relating to items not reclassified	(0.4)	(1.7)
	0.6	3.0
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(0.2)	0.5
Total comprehensive income for the period attributable to equity holders of the parent	23.8	15.8

Condensed consolidated balance sheet
As at 28 August 2021

	Note	As at 28 August 2021 (unaudited)	As at 29 August 2020 (unaudited) <i>*Restated</i>	As at 27 February 2021 (audited)
		£m	£m	£m
Non-current assets				
Intangible assets	10	122.6	145.0	133.0
Property, plant & equipment	11	60.2	61.8	60.9
Right-of-use assets		3.0	4.7	3.6
Retirement benefit surplus		27.1	31.0	25.5
Derivative financial instruments	6	0.5	0.6	-
Deferred tax assets		12.7	13.2	12.7
		226.1	256.3	235.7
Current assets				
Inventories		90.0	80.5	77.7
Trade and other receivables	12	536.8	568.7	549.0
Derivative financial instruments	6	0.5	1.3	0.4
Cash and cash equivalents	14	41.9	214.5	94.9
		669.2	865.0	722.0
Total assets		895.3	1,121.3	957.7
Current liabilities				
Bank overdraft	14	-	(169.7)	(14.1)
Provisions		(3.9)	(7.2)	(4.7)
Trade and other payables	13	(113.5)	(112.2)	(110.6)
Lease liability		(1.3)	(2.2)	(1.8)
Derivative financial instruments	6	(3.1)	(1.5)	(6.2)
Current tax liability		(2.1)	(17.6)	(4.5)
		(123.9)	(310.4)	(141.9)
Net current assets		545.3	554.6	580.1
Non-current liabilities				
Bank loans	15	(310.2)	(455.9)	(381.9)
Lease liability		(2.6)	(3.8)	(3.1)
Derivative financial instruments	6	(0.9)	(1.5)	(1.3)
Deferred tax liabilities		(16.9)	(16.4)	(13.2)
		(330.6)	(477.6)	(399.5)
Total liabilities		(454.5)	(788.0)	(541.4)
Net assets		440.8	333.3	416.3
Equity				
Share capital		50.9	31.4	50.9
Share premium		85.0	11.0	85.0
Own shares		0.2	(0.3)	(0.3)
Foreign currency translation reserve		0.2	3.5	0.4
Retained earnings		304.5	287.7	280.3
Total equity		440.8	333.3	416.3

* Both Cash and cash equivalents and Bank overdrafts have been restated in H1 21 to gross up the effect of bank accounts in overdraft and cash separately (see note 14).

**Condensed consolidated cash flow statement
For the 26 weeks ended 28 August 2021**

	For the 26 weeks ended 28 August 2021 (unaudited)	For the 26 weeks ended 29 August 2020 (unaudited)	For the 52 weeks ended 27 February 2021 (audited)
	£m	£m	£m
Net cash inflow from operating activities	51.1	105.5	143.8
Investing activities			
Purchase of property, plant and equipment	(1.6)	(0.5)	(1.4)
Expenditure on intangible assets	(8.9)	(10.8)	(18.6)
Net cash used in investing activities	(10.5)	(11.3)	(20.0)
Financing activities			
Interest paid	(6.7)	(9.3)	(19.0)
Repayment of bank loans	(71.7)	(38.7)	(37.8)
Repayment of unsecured bank loans	-	(50.0)	(125.0)
Principal elements of lease payments	(1.0)	(0.9)	(1.7)
Proceeds on issue of share capital	-	-	99.6
Transaction costs relating to the issue of share capital	-	-	(6.1)
Net cash outflow from financing activities	(79.4)	(98.9)	(90.0)
Net foreign exchange difference	(0.1)	2.0	(0.5)
Net (decrease) /increase in cash and cash equivalents and bank overdraft	(38.9)	(2.7)	33.3
Cash and cash equivalents and bank overdraft at beginning of period	80.8	47.5	47.5
Cash and cash equivalents and bank overdraft equivalents at end of period	41.9	44.8	80.8

Reconciliation of operating profit to net cash from operating activities

	For the 26 weeks ended 28 August 2021 (unaudited) £m	For the 26 weeks ended 29 August 2020 (unaudited) £m	For the 52 weeks ended 27 February 2021 (audited) £m
Profit for the period	23.4	12.3	8.3
Adjustments for:			
Taxation charge	4.8	1.8	1.6
Fair value adjustments to financial instruments	(4.0)	4.0	10.0
Net foreign exchange gain / (loss)	0.1	(2.0)	0.8
Finance costs	6.8	8.4	16.6
Depreciation of right-of-use assets	0.6	0.9	1.6
Depreciation of property, plant and equipment	2.1	2.0	3.3
Impairment of intangible assets	-	1.7	1.9
Amortisation of intangible assets	19.2	14.7	34.9
Share option charge	0.6	-	0.8
Operating cash flows before movements in working capital	53.6	43.8	79.8
(Increase) /decrease in inventories	(12.4)	14.4	17.0
Decrease in trade and other receivables	11.9	46.3	64.4
Increase in trade and other payables	3.2	2.6	0.7
Decrease in provisions	(0.9)	(3.9)	(6.2)
Pension obligation adjustment	(0.6)	0.1	(0.8)
Cash generated by operations	54.8	103.3	154.9
Taxation (paid)/ received	(3.7)	2.2	(11.1)
Net cash inflow from operating activities	51.1	105.5	143.8
Changes in liabilities from financing activities	As at 28 August 2021 (unaudited) £m	As at 29 August 2020 (unaudited) £m	As at 27 February 2021 (audited) £m
Loans and borrowings balance brought forward	386.8	551.5	551.8
Changes from financing cashflows			
Net repayment on loans and borrowings	(71.5)	(88.5)	(161.7)
Lease payments in the period	(1.0)	(0.9)	(2.0)
Decrease in loans and borrowings due to changes in interest rates	(0.2)	(0.2)	(1.0)
Decrease in loans and borrowings	(72.7)	(89.6)	(164.7)
Loans and borrowings balance carried forward	314.1	461.9	386.8

Unaudited consolidated statement of changes in equity

	Share Capital £m	Share premium £m	Own shares £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 26 weeks to 29 August 2020						
Balance at 29 February 2020	31.4	11.0	(0.3)	3.0	272.4	317.5
Total comprehensive income for the period						
Profit for the period	-	-	-	-	12.3	12.3
Other items of comprehensive income for the period	-	-	-	0.5	3.0	3.5
Total comprehensive income for the period	-	-	-	0.5	15.3	15.8
Balance at 29 August 2020	31.4	11.0	(0.3)	3.5	287.7	333.3
Total comprehensive income for the period						
Loss for the period	-	-	-	-	(4.0)	(4.0)
Other items of comprehensive loss for the period	-	-	-	(3.1)	(4.2)	(7.3)
Total comprehensive income for the period	-	-	-	(3.1)	(8.2)	(11.3)
Transactions with owners recorded directly in equity						
Issue of shares	19.5	74.0	-	-	-	93.5
Share option charge	-	-	-	-	0.8	0.8
Total contributions by and distributions to the 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
Total comprehensive income for the period						
Profit for the period	-	-	-	-	23.4	23.4
Other items of comprehensive income for the period	-	-	-	(0.2)	0.6	0.4
Total comprehensive income for the period	-	-	-	(0.2)	24.0	23.8
Transactions with owners recorded directly in equity						
Issue of own shares by ESOT	-	-	0.5	-	(0.4)	0.1
Share option charge	-	-	-	-	0.6	0.6
Total contributions by and distributions to the owners	-	-	0.5	-	0.2	0.7
Balance at 28 August 2021	50.9	85.0	0.2	0.2	304.5	440.8

Notes to the unaudited consolidated financial statements
For the 26 weeks ended 28 August 2021

1. Basis of preparation

This condensed set of consolidated interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting in conformity with the requirements of the Companies Act 2006. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 27 February 2021. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

The comparative figures for the year ended 27 February 2021 are extracted from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements. This is explained in further detail in note 3.

The accounting policies and presentation adopted in the preparation of these consolidated interim financial statements are consistent with those disclosed in the published annual report & accounts for the 52 weeks ended 27 February 2021.

At the date of issue of these interim financial statements the following standards and interpretations became effective in the current financial year, and have been applied for the first time in these financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

None of these new standards and interpretations have had any material impact on these financial statements.

Critical judgements and key sources of estimation uncertainty

In preparing the condensed interim financial statements, the areas of critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty related to the same areas as those applied to the consolidated financial statements for the year ended 27 February 2021.

The key areas of significant judgements made by management in applying the Group's accounting policies during the period were as follows:

- Impairment of customer receivables (*critical judgement and estimation uncertainty*)
- Software and development costs (*critical judgement and estimation uncertainty*)
- Impairment of non-financial assets (*critical judgement and estimation uncertainty*)
- Allianz claim and counterclaim (*critical judgement and estimation uncertainty*)
- Defined benefit plan (*critical judgement*)

2. Key risks and uncertainties

During the year the Group has continued its investment in risk management capability and capacity across the three lines of defence resulting in enhanced risk management practices that support the N Brown Enterprise Risk Management Framework (“RMF”). Significant progress has been made in transitioning from the previously reported Enterprise Risk RMF Programme to an embedded state of business-as-usual risk management that complements and supports business activities. The RMF enables the Group to maintain robust governance and oversight around emerging risks, risk management activities and Key Risk Indicators to underpin a consistent and dynamic approach to managing risks.

The Group operates a consolidated and standardised set of 13 Principal Risk Categories; all sub-risks are mapped and indexed directly to one of the 13 Categories. During the year the number of Principal Risk Categories was reduced from 14 to 13, the Process category now being incorporated as a factor in each of the remaining 13 categories.

To identify the Group’s areas of Principal Risk and determine risk appetite, risk profiles have been mapped against the Group’s strategic priorities, transformation plan and legal and regulatory obligations. A suite of Risk Policies summarising risk statements, appetite metrics and key risk indicators have been developed for each area of principal risk.

Principal risks with the potential to impact on performance and the delivery of the strategic roadmap in year or through the planning cycle have been defined as:

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

The Board of Directors maintains 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 strategic, commercial, and operational risks. The process is supported further through the Group-wide alignment with the Senior Management Function (“SMF”) structure and reasonable steps programme.

Specific review and identification of existing and emerging risks is facilitated by routine Board-level risk assessment cycles completed during the year, as informed by a routine of regular risk assessments at business unit level. Outputs are reported to the Audit and Risk Committee. The process is facilitated by the Group Business Risk team

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 continues to be applied at an enterprise level 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 by the Board.

Except as described below, the residual risk profile of the principal risk categories remains broadly the same as disclosed in the year-end report and accounts. Control enhancements are identified routinely and on a continuous basis through the RMF’s application across each principal risk category.

The Group has successfully steered its way through the Covid-19 crisis, however the global impacts are still ongoing across our supply chain. Throughout the period the Group has continued its stress testing and scenario planning activity.

In addition to the Covid-19 disruption to the supply chain, there are also industry wide stresses in the distribution chain for our products. The availability and pricing of international shipping is in flux, and there are emerging challenges with UK freight transportation.

Whilst we have exited the European Union, some transitional difficulties are impacting our risk profile such as availability of staff and operational difficulties around the application of the Trade and Co-Operation Agreement between the UK and EU. Whilst the impact of Brexit-related risk has reduced, the Board continues to monitor Brexit risks.

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

3. Going Concern

After reviewing the Group's forecasts and risk assessments, the Directors have formed a judgement at the time of approving these financial statements, that there is a reasonable expectation that the Group have adequate resources to continue in operational existence for the 12 months following the date of approval of the half year results. 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 these results (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 and supply chain challenges;
- Financial Services revenue reduces as the size of the loan book reduces as a function of the lower product sales;
- FS gross margin improves due to lower bad debt and write off levels following better than expected economic and employment impact of Covid-19; and
- Operating costs have a 2 - 3% higher cost to revenue ratio than 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 Jobs Retention Scheme and adverse macroeconomic conditions. In particular, the downside scenario assumes that the lockdown restrictions experienced during the year ended February 2021 and the first half of the current year, will apply throughout the rest of 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 and supply chain pressures will continue to apply with an adverse effect on gross margin, as well as one off potential exceptional cash outflows.

c) the committed facilities available to the Group and the covenants thereon. Details of the Group's committed facilities are set out in note 16, 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 (£313.4m drawn against an accessible £370.6m based on the maximum of eligible customer receivables at 28 August 2021). The Board have approved the proposed refinancing of the facility to reduce the limit down to £400m and extend maturity to December 2024. This is expected to complete in October 2021.
- 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, 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 28 August 2021, the Group had cash of £41.9m million, net restricted cash of £3.9m and undrawn facilities of £169.7m, giving rise to total accessible liquidity ("TAL") of £207.8m (H1 21: £164.5m) reflecting positive cash generation in the current financial period.

f) the Group management's ability to successfully manage the principal risks and uncertainties outlined on pages 25 to 26 during periods of uncertain economic outlook and challenging macroeconomic conditions.

4. Business Segments

The Group has identified two operating segments in accordance with IFRS 8 – Operating segments, Product Revenue and Financial Services ("FS"). The Board receives regular 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 £7.2m (H1 21: £9.5m) as a consequence of customer debt write off, with the write off presented in Financial Services 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.

Analysis of revenue	26 weeks to 28 August 2021	26 weeks to 29 August 2020 (Restated ¹)
	£m	£m
Analysis of revenue:		
Sale of goods	211.8	206.6
Postage and packaging	10.3	8.4
Product – total revenue	222.1	215.0
Other financial services revenue	10.2	10.2
Credit account interest	114.5	122.0
Financial Services – total revenue	124.7	132.2
Total Group Revenue	346.8	347.2
Analysis of cost of sales:		
Product – total cost of sales	(125.4)	(115.2)
Impairment losses on customer receivables	(43.0)	(77.3)
<i>Other financial services cost of sales</i>	(0.6)	(1.0)
Financial Services – total cost of sales	(43.6)	(78.3)
Cost of sales	(169.0)	(193.5)
Gross profit	177.8	153.7
Gross profit margin	51.3%	44.3%
Gross margin – Product	43.6%	46.4%
Gross margin – Financial Services	65.0%	40.8%
Warehouse and fulfilment	(31.9)	(30.3)
Marketing and production	(33.5)	(25.9)
Other administration and payroll	(59.4)	(49.5)
Adjusted operating costs before exceptional items	124.8	105.7
Adjusted EBITDA	53.0	48.0
Adjusted EBITDA margin	15.3%	13.8%
Depreciation and amortisation	(22.0)	(17.0)
Exceptional items charged to operating profit (note 5)	-	(4.5)
Operating profit	31.0	26.5
Finance costs	(6.8)	(8.4)
Fair value adjustments to financial instruments including exceptional fair value gain (note 6)	4.0	(4.0)
Profit before taxation	28.2	14.1

	26 weeks to 28 August 2021	26 weeks to 29 August 2020 (Restated ¹)
	£m	£m
Analysis of Product revenue:		
Strategic brands ²	180.5	157.1
Other brands ³	41.6	57.9
Total Product revenue	222.1	215.0
Financial Services revenue	124.7	132.2
Total Group revenue	346.8	347.2

¹Revenue and Cost of Sales restated for the value added tax element on customer debt written off, previously reported within Revenue rather than being offset against Cost of Sales (refer to Prior Year Adjustment note 32 in the 2021 Annual Report and Accounts).

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

³Other brands are Fashion World, Marisota, Oxendales and Premier Man. High & Mighty and House of Bath were folded into Strategic brands in FY21. Figleaves was closed in March 2021 and is now sold on Simply Be.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from Ireland and the US amounted to £10.8m (HY 21: £10.2m). Operating profits from international markets amounted to £2.2m profit (HY 21, £3.9m 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 disclosed together. Impairments of tangible and intangible assets in the current period were £nil (HY 21: £1.7m).

5. Exceptional items

	26 weeks to 28 August 2021 £m	26 weeks to 29 August 2020 £m
Legal costs	1.0	-
Customer redress	(0.2)	(0.7)
Tax matters	(0.8)	2.0
Strategic change	-	2.9
Impairment of tangible, intangible assets and brands	-	1.7
Gain from early settlement of derivative contracts	-	(1.4)
Items charged to profit before tax	-	4.5

Legal Costs

During the period, Allianz sought to increase the scope of its original claim in relation to a further customer redress exercise, yet to be undertaken. An additional £1.0m provision was recognised in the period for future expected legal costs to defend the Allianz Insurance plc claim and continuing to proceed with the counterclaim referred to in note 16.

Customer Redress

Redress activity, other than the Official Receiver complaints, has been concluded during the prior period, resulting in a net release to the provision of £0.2m. The provision held as at 28 August 2021 is £1.5m.

Tax Matters

The Group has now reached agreement with HMRC over a number of historical VAT and other tax matters, and the release in the period relates to opening provisions no longer required.

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 prior period, total redundancy costs of £2.9m were incurred in order to align the Group's people costs to deliver an organisational design that supports the revised strategy.

Impairment of Tangible, Intangible Assets and Brands

In the prior period, a total impairment of £1.7m was recognised in relation to the intangible assets held for the International and Fingleaves businesses, following the Group's strategic decision in the prior the year to focus on the UK as a market and the five strategic brands.

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.

6. Derivative financial instruments

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

	28 August 2021	29 August 2020
	£m	£m
Notional amount – Sterling contract value	156.9	218.9
Fair value of liability recognised	(3.0)	(1.1)

The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the observable market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

Changes in the fair value of derivatives recognised, being currency derivatives where hedge accounting has not been applied, amounted to a P&L credit of £4.0m (HY 21: charge of £4.0m) in the period.

Financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (HY 21: and FY 21: 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 the 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.

7. Taxation

The underlying effective tax rate for the full year is estimated to be 18.1% (HY 21: 19.2%) and applying this to the profits for the 26 weeks period ended 28 August 2021, after also factoring in discrete items, gives a total interim effective tax rate for the six months period of 16.7% (HY 21: 13.2%). These are both lower than the expected statutory UK tax rate of 19% due to deferred tax assets being recalculated at 25% from 19% (following the enactment in the period of this future tax rate change), the availability of the super deduction announced by the government on fixed asset expenditure and a lower country rate of tax being applied to those profits arising in Ireland.

In respect of Corporation tax, as at 28 August 2021 the Group held a total provision of £nil (HY 21: £15.9m) relating to the Malta entities' legacy tax positions. The Group has resolved the historical open corporation tax provisions with the closing 2021 provision settled during March 2021.

8. 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 that are one-off in nature and material by size and fair value adjustments that are considered to be distortive of the true underlying performance of the business. These have been incorporated to allow 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 all dilutive potential ordinary shares.

<i>Earnings for the purposes of basic and diluted earnings per share:</i>	26 weeks to 28 August 2021	26 weeks to 29 August 2020
	£m	£m
Total net profit attributable to equity holders of the parent	23.4	12.3
Fair value adjustment to financial instruments (net of tax)	(3.2)	3.2
Exceptional items (net of tax)	-	3.6
Adjusted profit for the period as used in headline earnings per share	20.2	19.1

<i>Number of shares for the purposes of basic and diluted earnings per share:</i>	26 weeks to 28 August 2021	26 weeks to 29 August 2020
	m	m
Weighted average number of shares in issue – basic	458.5	284.2
Dilutive effect of share options	1.4	0.2
Weighted average number of shares in issue – diluted	459.9	284.4

Earnings per share

Basic	5.10	4.33p
Diluted	5.09	4.32p

Adjusted earnings per share

Basic	4.41	6.72p
Diluted	4.39	6.72p

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 was 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 transactions involving ordinary shares or potential ordinary shares in the current year.

9. Dividends

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.

The Board have therefore not declared an interim dividend (HY 21: £nil).

10. Intangible assets

	Brands	Software	Customer database	Total
	£m	£m	£m	£m
Cost				
As at 29 February 2020	16.9	358.2	1.9	377.0
Additions	-	10.4	-	10.4
Disposals	-	-	-	-
As at 29 August 2020	16.9	368.6	1.9	387.4
Additions	-	8.0	-	8.0
Disposals	-	-	-	-
As at 27 February 2021	16.9	376.6	1.9	395.4
Additions	-	8.9	-	8.9
Disposals	-	(12.3)	-	(12.3)
As at 28 August 2021	16.9	373.2	1.9	392.0
Amortisation				
As at 29 February 2020	16.9	206.8	1.9	225.6
Charge for the period	-	14.7	-	14.7
Impairment	-	1.7	-	1.7
Transfer from tangible assets	-	0.4	-	0.4
Disposals	-	-	-	-
As at 29 August 2020	16.9	223.6	1.9	242.4
Charge for the period	-	19.8	-	19.8
Impairment	-	0.2	-	0.2
Disposals	-	-	-	-
As at 27 February 2021	16.9	243.6	1.9	262.4
Charge for the period	-	19.2	-	19.2
Impairment	-	-	-	-
Disposals	-	(12.2)	-	(12.2)
As at 28 August 2021	16.9	250.6	1.9	269.4
Carrying amounts				
As at 28 August 2021	-	122.6	-	122.6
As at 27 February 2021	-	133.0	-	133.0
As at 29 August 2020	-	145.0	-	145.0

Assets in the course of construction included in intangible assets at the period end total £15.7m (HY 21: £13.7m). No amortisation is charged on these assets until they are available for use.

As at 28 August 2021, the Group had entered into contractual commitments for the further development of intangible assets of £6.1m (HY 21: £11.9m) of which £3.6m (HY 21: £6.4m) is due to be paid within 1 year.

Impairment testing of intangible assets

The Group performed its impairment review in August 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, represents an indicator for impairment, management is required to test for impairment over the Group's total assets, with the recoverable amount being determined from value in use calculations. 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. From last year the Group's results, performance and viability are 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 two and a half year period as the basis for its cashflow projections, with accounting adjustments taken to comply with specific requirements of IAS 36. The Board approved medium term targets of product revenue 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 cash flows taken to FY24 year end (2.5 years) from adjusted forecasts, management have extrapolated the cash flows to the end of year 5 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 flow, 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 cash flow projections were based upon the Group's most recent Board approved three-year plan as at 28 August 2021.

The key assumptions in the value in use calculations are considered to be the determination of years 1-2.5 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 2.5-5 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 28 August 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 28 August 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 2.5 expected product revenue and EBITDA margin growth;
- Replacement Capital expenditure of £22m per year;
- Pre-tax discount rate: 13.1% (H1 FY21: 13.4%).

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 £367m.

The following sensitivities have been performed:

- a. Within years 1-2.5 expected cashflows, if product revenue growth were to drop to a contraction of 3.3% on average per annum or if EBITDA margin improvement were to drop to a contraction of 2.9% on average per annum the value in use would indicate an impairment;
- b. An increase to replacement capital expenditure cashflows by greater than £58.0m per year (164% increase) would result in an impairment;
- c. Increasing the discount rate by 1% reduces the headroom calculated through the value in use by £104m, an increase to the discount rate of more than 4.8% 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. In these circumstances, an impairment would be required if, all other things being equal, Group EBITDA per annum was £25.6m lower than forecast in the medium term.

11. Property, plant and equipment

Additions to tangible fixed assets during the period of £1.3m (HY 21: £0.5m) primarily relate to warehousing improvement projects. Depreciation of £2.1m (HY 21: £2.0m) was charged during the period. Additionally, depreciation relating to IFRS 16 right of use assets amounted to £0.6m (HY 21: £0.9m) during the period.

Assets in the course of construction included in fixtures and equipment at the period end total £1.9m (HY 21: £1.2m), and in land and buildings total £nil (HY 21: £nil). No depreciation is charged on these assets until they are available for commercial use.

12. Trade and other receivables

	28 August 2021 £m	29 August 2020 £m	27 February 2021 £m
Amounts receivable for the sale of goods and services	597.7	632.1	605.8
Allowance for expected credit losses	(88.1)	(91.7)	(85.2)
Net trade receivables	509.6	540.4	520.6
Other receivables and prepayments	27.2	28.3	28.4
Trade and other receivables	536.8	568.7	549.0
Movement in the allowance for doubtful debts			
Balance at the beginning of the period	85.2	71.7	71.7
Impairment	45.6	82.5	148.1
Utilised during the period	(42.7)	(62.5)	(134.6)
Balance at the end of the period	88.1	91.7	85.2
Income statement impairment charge			
Impairment	45.6	82.5	148.1
Recoveries	(4.5)	(7.0)	(12.4)
Other items	1.9	1.8	3.4
Net impairment charge	43.0	77.3	139.1

Other receivables and prepayments include a balance of £3.1m (HY 21: £1.0m) relating to amounts due from wholesale partners.

Trade receivables are measured at amortised cost.

H1 22 as at 28 August 2021				
	Stage 1	Stage 2	Stage 3	Total
Gross trade receivables	380.2	146.1	71.4	597.7
Allowance for ECL excl. Covid-19 Impact	(6.8)	(27.2)	(49.0)	(82.9)
Covid-19 Impact on ECL	0.0	(4.7)	(0.5)	(5.2)
Allowance for ECL incl. Covid-19 Impact	(6.8)	(31.9)	(49.5)	(88.1)
Net trade receivables	373.5	114.2	21.9	509.6
ECL % excl Covid-19 impact	(1.8%)	(18.6%)	(68.7%)	(13.9%)
ECL %*	(1.8%)	(21.8%)	(69.4%)	(14.7%)

Balances proportion	63.6%	24.4%	11.9%	100.0%
ECL proportion	7.7%	36.1%	56.2%	100.0%
Net trade receivables proportion	73.3%	22.4%	4.3%	100.0%

H1 21 as at 29 August 2020				
	Stage 1	Stage 2	Stage 3	Total
Gross trade receivables	495.0	56.3	80.8	632.1
Allowance for ECL excl. Covid-19 Impact	(10.2)	(13.2)	(51.3)	(74.7)
Covid-19 Impact on ECL	(9.4)	(2.6)	(5.0)	(17.0)
Allowance for ECL incl. Covid-19 Impact	(19.6)	(15.8)	(56.3)	(91.7)
Net trade receivables	475.4	40.5	24.5	540.4
ECL % excl Covid-19 impact	(2.1%)	(23.3%)	(63.5%)	(11.8%)
ECL %*	(4.0%)	(28.0%)	(69.7%)	(14.5%)

Balances proportion	78.3%	8.9%	12.8%	100.0%
ECL proportion	21.4%	17.2%	61.4%	100.0%
Net trade receivables proportion	88.0%	7.5%	4.5%	100.0%

The increase in Stage 2 balances and ECLs is driven by a shift in balances from Stage 1 to Stage 2 of £77.0m due to updated SICR methodology to capture more accounts with significant increase in credit risk prior to them rolling into arrears.

13. Trade and other payables

	28 August 2021	29 August 2020	27 February 2021
	£m	£m	£m
Trade payables	53.6	50.1	46.7
Other payables	8.3	10.9	4.7
Accruals and deferred income	51.6	51.2	59.2
Trade and other payables	113.5	112.2	110.6

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases, based on invoice date, at HY 22 is 54 days (HY 21: 55 days) (based on invoice creation date: HY 22: 42 days, HY 21: 41 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 28 August 2021 was £15.0m (HY 21: £12.5m). At 28 August 2021, total of £10.3m (HY 21: £9.1m) 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 has 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.

14. Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. Included in the amount below is £0.9m (HY 21: £3.6m) of restricted cash which is held in respect of the Group's customer redress programmes and £3.0m (HY 21: £3.0m) in respect of our securitisation reserve account. This cash is available to access by the Group.

A breakdown of significant cash and cash equivalent balances by currency is as follows:

	28 August 2021	29 August 2020	27 February 2021
	£m	£m	£m
Sterling	20.4	11.2	69.1
Euro	4.7	14.5	6.2
US dollar	16.8	19.1	5.5
Net cash and cash equivalents and bank overdrafts	41.9	44.8	80.8
Made up of:			
Cash and cash equivalents	41.9	214.5	94.9
Bank overdrafts	-	(169.7)	(14.1)

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 the 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 August 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 August 2020	Adjustment	29 August 2020
	£m	£m	(Restated)
			£m
Current assets			
Cash and cash equivalents	44.8	169.7	214.5
Current liabilities			
Bank loans and overdrafts	-	(169.7)	(169.7)
Net current assets	554.6	-	554.6
Net assets	333.3	-	333.3
Total Equity	333.3	-	333.3

15. Bank Borrowings

	28 August 2021	29 August 2020	27 February 2021
	£m	£m	£m
Bank loans	(310.2)	(455.9)	(381.9)
Bank overdrafts	-	-	-
Repayable as follows:			
- Within one year	-	(2.0)	-
- In the second year	-	-	-
- In the third to fifth year	(310.2)	(453.9)	(381.9)
Amounts due for settlement after 12 months	(310.2)	(455.9)	(381.9)
The bank overdrafts are repayable on demand.			
All borrowings are held in sterling.			

	28 August 2021	29 August 2020	27 February 2021
	%	%	%
The weighted average interest rates were as follows:			
Net overdraft facility	1.6	2.3	1.6
Bank loans	2.4	2.9	2.5

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 has an overdraft facility of £nil (HY 21: £nil). The facility had a maximum overdraft limit of £12.5m at HY 22: (HY 21: £27.5m). The overdraft is repayable on demand, unsecured and bears 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 or simultaneously before maturity.

The Group has a bank loan of £310.2m (HY 21: £378.9m) 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. The Board have approved the proposed refinancing of the facility to reduce the limit down to £400m and extend maturity to December 2024.

This is expected to complete in October 2021. During the period, the Group took the decision to reduce the drawdown on the securitisation facility by c.£60m to deliver greater balance sheet efficiency and interest savings. As a result, net unsecured cash reduced down to £41.9m at 28 August 2021, from £80.8m at 28 February 2021. Accessible headroom on the securitisation facility amounted to £57.2m at 28 August 2021.

The Group also has unsecured bank loans of £nil (HY 21: £75m) drawn down under a medium-term bank revolving credit facility (RCF). The facility had a maximum limit of £100m at HY 22, and is committed to December 2023.

During the prior period, the Group 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.

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. Key covenants for the Group are as follows:

- Leverage, representing the ratio of adjusted net debt on adjusted EBITDA; and
- Interest cover, representing the ratio of adjusted EBITDA on net finance charges.

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 HY 22 was £0.6m (H1 21: £0.9m), the caps cover the whole facility of £500m on a notional basis.

The Group continues to have a supplier financing arrangement which is facilitated by HSBC as described in note 13.

There is no material difference between the fair value and carrying amount of the Group's borrowings.

16. Contingent Liabilities

Allianz claim and counterclaim

Until 2014, JD Williams & Company Limited ("JDW"), a subsidiary of N Brown Group plc sold (amongst other insurance products) payment protection insurance ("PPI") to its customers when they bought JDW products. This insurance was underwritten by Allianz Insurance plc ("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);
- 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.

On 10 June 2021 Allianz sought leave to increase the scope of its original claim in relation to a further customer redress exercise ("the Additional Cohort"), yet to be undertaken. Allianz estimates the value of this additional element of the claim, to be up to £36m. Allianz also revised the value of its original claim to £30m plus interest.

A second Claims Management Conference (CMC) was held on 25 June 2021, at which the Court permitted Allianz to bring forward its amended claim. JDW subsequently filed and served its amended defence by the deadline of 26 July 2021. At the second CMC the Court also (among other things):

- Vacated (cancelled) the March 2022 trial date.
- Set a third CMC date for late January 2022. The trial will not now be rescheduled until January 2022 and will not take place until very late 2022 or possibly early 2023;
- Varied the existing ADR order to provide for the parties to take steps toward Alternative Dispute Resolution (ADR) before 10 January 2022, in advance of the third CMC.

JDW have approached Allianz and proposed an ADR process.

The outcome of the second CMC, and in particular, the introduction of the claim in relation to the Additional Cohort has introduced further legal complexity, extended the amount of legal procedural steps and disclosure that will be required and increased the range of potential financial outcomes, as previously advised in the RNS on 16 June 2021. Accordingly, it will increase the legal costs to defend/press the claim and counterclaim. This has resulted in an increase in the Provision for legal expenses (within exceptional items) of £1.0m.

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. 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 initial lengthy disclosure exercise. More disclosure work is now required. Both parties 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 2022 and the trial is not yet scheduled. 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 had been no meaningful progress in relation to either the 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 more likely than not 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.

17. Government grants and other support

The UK government offered a range of financial support packages to help companies affected by coronavirus. During the six month period ended 28 August 2021 the Group has received a total government grant of £nil (HY 21: £3.3m) in respect of the furlough scheme. The Group stopped receiving furlough support in November 2020. In the prior year, the Group elected to deduct the grant in reporting the related expense.

KPI DEFINITIONS

Measure	Definition
Total website sessions	Total number of sessions across N Brown apps, mobile and desktop websites in the 6 or 12 month period
Total active customers	Customers who placed an accepted order in the 12 month period to reporting date
Total orders	Total accepted orders placed in the 6 or 12 month period. Includes online and offline orders.
AOV	Average order value based on accepted demand ¹
AIV	Average item value based on accepted demand
Items per order	Average number of items per accepted order
Orders per customer	Average number of orders placed per ordering customer
Conversion	% of app/web sessions that result in an accepted order
NPS	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.
FS Arrears	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).

¹Accepted demand is defined as the value of Orders from customers (including VAT) that we accept, i.e. after our credit assessment processes. Excludes Figleaves for FY21 due to different internal reporting systems

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 Gross profit margin 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.
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	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 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 overall net debt in relation to both its secured and unsecured borrowings.
Unsecured net cash /(debt)	Cash balances, net of cash utilised to reduce amounts drawn down on securitised debt, less amount drawn on the Group's unsecured debt facilities. The Directors believe that this is the most appropriate measure of the Group's unsecured net cash / borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.
Total Accessible Liquidity	Total cash and cash equivalents and available headroom on secured and unsecured debt facilities. The Directors believe that this is the most appropriate measure of the Group's liquidity.
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. 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.