20 May 2021

FULL YEAR RESULTS FOR THE 52 WEEKS ENDED 27 FEBRUARY 2021

Accelerating our transformation

£m	52 weeks to 27 February 2021 (FY21)	52 weeks to 29 February 2020 (FY20[1])	% Change
Group revenue	**728.8**	837.5	(13.0)%
Product revenue	***468.4***	*547.0[1]*	*(14.4)%*
Financial services revenue	***260.4***	*290.5*	*(10.4)%*
Adjusted EBITDA[2]	**86.5**	106.7	(18.9)%
Adjusted EBITDA margin	**11.9%**	12.7%	(0.8)ppts
Statutory operating profit	**35.1**	48.1	(27.0)%
Statutory operating profit margin	**4.8%**	5.7%	(0.9)ppts
Adjusted profit before tax[3]	**30.1**	59.5	(49.4)%
Statutory profit before tax	**9.9**	35.7	(72.3)%
Net cash / unsecured net debt[4]	**80.8**	(77.5)	n/m
Adjusted net debt[5]	**(301.1)**	(497.2)	(39.4)%

[1]Revenue has been restated in FY20 as described in note 19.
[2]Adjusted EBITDA is defined 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.
[3]Defined as profit before tax, excluding exceptionals items and fair value movement on financial instruments. The Directors believe that adjusted profit before tax represents the most appropriate measure of the Group's underlying profit before tax profit as it removes items that do not form part of the recurring activities of the Group.
[4]Excludes debt securitised against receivables (customer loan book) of £381.9m and lease liabilities of £4.9m. The directors believe this is the most appropriate measure of the Group's net debt in relation to its unsecured borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.
[5]Total liabilities from financing activities less cash, excluding lease liabilities. The Directors believe this is the most appropriate measure of the Group's net debt in relation to its unsecured borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.
A full reconciliation of statutory to adjusted measures is included in the FY21 Financial Review.

FY21 Highlights

- **Significant progress made in transforming the Group**
  - Successfully completed £100m equity raising to accelerate strategic transformation and eliminate unsecured debt alongside new extended financing facilities
  - Completed move to Alternative Investment Market in December 2020
- **Resilient financial performance despite the impact of Covid-19**
  - Improving product revenue trajectory throughout the year
    - Product revenue was (25.7)% in Q1 and steadily recovered to be (4.3)% in Q4
    - Strategic brands delivered product revenue growth of +1.3% in Q4

    - Reshaped cost base with adjusted operating costs to revenue ratio reducing from 39.8% in FY20 to 32.5% in FY21
        - Marketing costs down 55.7% vs. FY20
    - Adjusted EBITDA of £86.5m above the top end of the range of guidance (FY20: £106.7m) despite an additional £15.4m IFRS 9 provision
    - Net cash £80.8m (FY20 unsecured net debt: £(77.5)m)
- **Continued development of the N Brown customer offer**
    - Continued brand rationalisation, with High & Mighty and House of Bath closed in the year and customers migrated to our strategic brands
    - Renewed approach to design and buying, with a refreshed team, a new clear pricing architecture and a 4ppt increase in own designed womenswear ranges
    - Standalone brand, *Home Essentials,* launched during the year, supporting an increase in the mix of Home & Gift from 29% in FY20 to 41% in FY21
- **Further actions taken to support acceleration of the Group's strategy**
    - New Financial Services platform development project underway
    - Launched new ESG agenda, SUSTAIN, replaced 90% of our packaging with Green Polyethylene despatch bags
    - Strengthened Executive & Leadership team including new CFO and new Retail CEO in the year

Steve Johnson, Chief Executive, said:

"In a year where we have all had to overcome multiple challenges, we have continued our transformation of the Group through a relentless focus on our five strategic brands, improving our product offering and enhancing our digital capabilities, all of which will position us better with our target customers. Although we remain cautious, we are beginning to see some early signs of progress."

"Our capital raise has enabled us to strengthen our balance sheet and allows us to accelerate our investment into strategic initiatives, particularly our digital platform and brand websites. Whilst wider consumer dynamics remain uncertain as we emerge from lockdown, we have significantly transformed the shape of the business from where it was at the start of the pandemic. I would like to thank every single one of our colleagues for helping us make those changes at pace, whilst delivering a very high standard of service to our customers through very difficult times."

Webcast for analysts and investors:

A webcast presentation of these results will take place at 9am on 20 May 2021 followed by a Q&A conference call for analysts and investors. Please contact Nbrown@mhpc.com for details.

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About N Brown Group:

N Brown is a top 10 UK clothing and footwear digital retailer, with a Home proposition, serving customers across five strategic brands. Our strategic 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

Accelerating transformation from a strengthened base

It has been an extraordinary 12 months, with our financial year beginning just weeks before the onset of the Covid-19 pandemic in the UK. This has presented unique challenges and difficulties for everyone across the country, and at N Brown it has been no different.

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

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

Our response to Covid-19

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

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

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

Strategic update

In June 2020 we announced our 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. We have made significant progress in transforming the Group in the year and we are now in the "accelerate" phase of our strategy driven by our five growth pillars:

1. Distinct brands to attract broader ranges of customers
2. Improved product to drive customer frequency
3. New Home offering for customers to shop more across categories
4. Enhanced digital experience to increase customer conversion
5. Flexible credit to help customers shop

These growth pillars are underpinned by our people and culture, data and a sustainable cost base appropriate for a digital retailer. An update on the transformation achieved in the year is provided below.

1. Distinct brands to attract broader ranges of customers

What we have achieved in FY21

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

- **Simply Be** – a size-inclusive online showcasing own brand and third-party brand fashion & beauty for women aged 25-45.
- **Jacamo** – a size-inclusive online fashion & grooming brand for men, showcasing own brand and third-party brands targeting men aged 25-50.
- **JD Williams** - an online boutique shopping experience showcasing own brand and third party brand fashion and home product for 45-65 year old women.
- **Ambrose Wilson** – an online womenswear brand for the more mature customer, supported by home, showcasing own brand and third party brands targeting women aged 65+.
- **Home Essentials** - a one stop home brand offering own brand and third party brand modern homeware helping customers to "dress their homes". The target customer is mums aged 25-45 with children at home.

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

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

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

What we will focus on in FY22

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

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

2. Improved product to drive customer frequency

What we have achieved in FY21

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

- First, we started the process of improving our product 'handwriting' through clearly defined designs for each brand, investing in fabric, quality and consistency of fit. With our passion to define our unique and more differentiated customer proposition by brand we recruited a new Group Design Director and created dedicated teams, aligned to each strategic brand. These changes to our design process mean that our prints are now completely unique to us and our palettes and product are designed with a specific customer in mind. In the year, we increased the proportion of own designed womenswear ranges from 53% to 57%. Our new teams were able to swiftly pivot our product offer to meet the customer demand for Leisurewear and Nightwear whilst protecting our 'famous for' categories such as lingerie and denim.
- Secondly, we have redefined our good/better/best price architecture with the purpose of creating product which represents great quality and value as well as introducing new brands which stretch the range within the 'best' category. We have rationalised our ranges to ensure there is less duplication and a clearer more considered offer. These investments are being well received by our customers. We have also made significant progress with launching new third-party brands on our websites, with Hugo Boss and Ralph Lauren both launched on Jacamo in the year.
- Finally, we have continued with our commitment to embed sustainability throughout the organisation, our product ranges and all our processes. In March 2020 we introduced our sustainably sourced Jacamo men's denim range which uses a mixture of organic cotton, cotton sourced through Better Cotton Initiative ("BCI") and Repreve polyester meaning the entire men's denim range has sustainable attributes. 85% of our women's denim offer is now sustainably sourced and our aim is to increase this further throughout FY22. We have also further consolidated our supplier base, with an 18% year on year reduction in the total number of suppliers. Throughout the pandemic we were able to respond with increasing flexibility to shifting customer demands and delivered on average a one week improvement in lead times on product changes throughout the year.

What we will focus on in FY22

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

- We will continue to drive improvement in our product hand-writing to deliver exciting product which resonates with our customers. We are accelerating our investment in our design team with a particular focus on 'print' and the "famous for" categories such as lingerie, denim and footwear.
- Our range rationalisation is ongoing as we continue to improve the quality of the product and ranges which we offer our customers. On the Simply Be website we launched exciting new third-party brands Finery and Nobody's Child on Simply Be in March and April 2021 respectively with exclusivity through sizing. We plan to add French Connection, Sonder and Khost to JD Williams later this year alongside increasing the range size for existing third-party brands such as Hobbs, Joules and Monsoon.
- We are entering the second year of our sustainability roadmap with the focus being on ensuring all denim ranges will have sustainable properties, completing the roll out of Green Polyethene bags across Jacamo and Simply Be and reviewing recycling options for our customers. We will also focus on a roadmap for delivering a continued CO_2 reduction in our supplier base.

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

What we have achieved in FY21

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

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

What we will focus on in FY22

- Home Essentials is a brand whose focus is around in-house design which ensures the complete offer is individual and bespoke to this customer cohort. Our customers come to Home Essentials to find furniture alongside chairs, tables, soft furnishings, lighting, small appliances and storage. We will continue to invest in key product categories such as furniture and bedding to accelerate Home Essentials' second year as a standalone website.
- New customer acquisition is key to the success of Home Essentials. We have exciting plans around broadcast campaigns as well as continued social media activity to drive customer recruitment.

4. Enhanced digital experience to increase customer conversion

What we have achieved in FY21

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

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

What we will focus on in FY22

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

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

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

5. Flexible credit to help customers shop

What we have achieved in FY21

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

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

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

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

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

What we will focus on in FY22

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

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

People and Culture

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

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

Data

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

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

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

Sustainable cost base

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

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

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

Environment, Social and Governance

This year we launched our new four-year sustainability plan, SUSTAIN, which encompasses our People and our Planet pillars and aligns with the values of the business.

Year one of SUSTAIN focused on plastics. We successfully conducted a trial of Green Polyethylene (Green PE) despatch bags and from 1 March 2021, replaced 90% of our packaging with Green PE despatch bags. Green PE is a bio-based plastic, manufactured from polymer derived from sugarcane and therefore produced from an entirely renewable source. The despatch bags are also recyclable, and their sustainable properties mean that we will save an estimated 112 tonnes of carbon per annum. The roll out of Green PE bags will be extended to 100% of our packaging by the end of 2021.

We are also proud to have signed up to the BRC Climate Action Roadmap to help the Retail Industry, including supply chains, to hit net zero carbon emissions by 2040. We recognise the huge potential in sharing knowledge and learning from other retail leaders as we join forces and work collaboratively towards a Net Zero UK.

Since the beginning of the Covid-19 outbreak we have supported both our local communities affected by the crisis and those who are working tirelessly on the frontline. Through the donation of net sales proceeds from a range of products sold across our sites, we have donated over £20,000 to NHS Charities Together. We have also made donations of clothing and household items to frontline NHS staff in Manchester and donated face masks and face shields to a local care home near to our distribution centre in Oldham. Donations of clothing have also been made to a local charity supporting vulnerable people and children within the local community.

KPIs

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

	FY21	FY20
Total website sessions	232m	243m
Conversion	3.8%	4.1%
Orders	10.0m	12.2m
AOV	£69.0	£70.2
Items per order	2.8	2.9
AIV	£25.0	£24.3
Total active customers	2.8m	3.3m
FS arrears	7.9%	9.2%
NPS	63	61

Total website sessions remained relatively high in the year despite a 55.7% reduction in marketing expenditure supported by our ability to pivot into the products the customer was looking for such as home office and garden. As expected and in-line with other retailers, conversion was lower in FY21 due to more customers browsing during the pandemic. The reduction in orders in FY21 was reflective of customer demand and within this there was a significant pivot from Clothing & Footwear to Home & Gift. AOV was broadly similar to the prior year reflecting the strong Home & Gift performance in the year offsetting the price sensitivity in clothing & footwear. The increase in AIV was driven by the mix effect of Home & Gift as this category typically has higher average prices. This mix effect also resulted in a small decrease in 'items per order' as Home & Gift items typically have a higher price point. Total active customers declined in the year, primarily driven by the reduction in 'Other brands' customers.

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

Measure	Definition
Total website sessions	Total number of sessions across N Brown apps, mobile and desktop websites in the 12 month period
Total active customers	Customers who placed an accepted order in the 12 month period
Total orders	Total accepted orders placed in the 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
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	FY20 and FY21 arrears are stated including both customer debts with two or more missed payments, or customer debts on a payment hold (including Covid-19 payment deferrals).

[1]Accepted 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 FY20 and FY21 due to different internal reporting systems

FY22 guidance

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

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

Summary and outlook

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

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

FY21 FINANCIAL REVIEW

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

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

Product revenue improved every quarter following the sudden decline at the onset of the pandemic, and in Q4 our strategic brands delivered product revenue growth. We have demonstrated the flexibility of our cost base with material improvement in the adjusted operating costs to Group revenue ratio in the year enabling us to offset more than 80% of the reduction in gross profit and remain profitable.

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

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

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

Revenue

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

[1]FY20 restated see note 19

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

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

Group revenue declined 13.0% to £728.8m, as a result of a 14.4% decline in product revenue and a 10.4% decline in financial services revenue.

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

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

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

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

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

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

During the year we have changed our treatment of where we record the VAT bad debt relief received from HMRC as a consequence of writing off customer receivables. The VAT relief was previously represented in Product Revenue. We now believe a more appropriate treatment is to credit the VAT relief as a reduction to cost of sales. This credit is reflected within the Product gross margin as the relief would not be available to a standalone Financial Services business. Both the prior year and current year have been amended to this approach which is covered in note 19.

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

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

Adjusted Gross profit[1]

£m	FY21	FY20 *(Restated)*[3]	Change
Product gross profit	204.1	279.1	(27.1)%
Product gross margin %	*43.6%*	*51.0%*	*(7.4)ppts*
Financial services gross profit	119.4	160.8	*(25.7)%*
Financial services gross margin %	*45.8%*	*55.4%*	*(9.6)ppts*
Adjusted Group gross profit[1]	**323.5**	**439.9**	**(26.4)%**
Adjusted Group gross profit margin[2]	*44.4%*	*52.5%*	*(8.1)ppts*

[1] Adjusted gross profit is Gross profit excluding exceptional items. The Directors believe adjusted Gross profit represents the most appropriate measure of the Group's underlying trading performance.
[2] Adjusted gross profit margin is calculated as adjusted gross profit as a percentage of Group Revenue. The Directors believe adjusted Gross profit margin represents the most appropriate measure of the Group's underlying trading performance.
[3]FY20 restated see note 19.

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

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

The Financial Services gross margin declined 9.6ppts to 45.8% due to the movement in the impairment provision for future expected credit losses. In the first half of the financial year and in accordance with IFRS9, the Group increased the impairment provision by £17m to reflect future expected credit losses as a result of the impact of Covid-19 and payment deferrals. At the end of FY21 the impact has been reassessed at £15.4m. The Financial Services gross margin in the prior year also benefitted from IFRS 9 provision reassessments.

Adjusted operating costs[1]

£m	FY21	FY20	Change
Warehouse & fulfilment costs	(64.8)	(78.1)	17.0%
Marketing & production costs	(60.3)	(136.0)	55.7%
Admin & payroll costs	(111.9)	(119.1)	6.0%
Adjusted operating costs[1]	**(237.0)**	**(333.2)**	**28.9%**
Adjusted operating costs as a % of Group Revenue	**32.5%**	**39.8%**	**(7.3)ppts**

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

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

- Marketing costs were down 55.7% year on year to £60.3m driven by the strategic focus on sustainable profitable marketing activity and from the immediate and sharp removal of non-revenue generating spend in H1 in response to Covid-19;
- Warehouse and fulfilment costs were 17.0% lower year on year, better than the 14.4% reduction in Product revenue. Costs decreased as a result of lower returns and continued efficiencies; and
- Admin and payroll costs decreased by 6.0%, driven predominantly by an immediate essential spend only response to Covid-19 in the first half of the financial year, lower headcount, minimal discretionary spend and travel and continued Head Office efficiencies. Across Warehouse & Fulfilment and Admin & Payroll, the Group benefitted from c.£ 3.8m of furlough support from the Government in H1 which allowed us to work through the challenges that Covid-19 initially presented for our business and preserve a significant number of jobs for our colleagues.

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

Adjusted EBITDA and statutory operating profit

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

Depreciation and Amortisation

The successful equity raise and refinancing in December 2020 has enabled the Group to push ahead with strategic investment in technology advancements. Following the equity raise and refinancing, the Group has therefore performed a detailed review of the useful economic lives ("UEL") of its legacy assets in light of general advancements in technology and the Group's revised strategy. This resulted shortening the useful economic lives of certain assets and an increase in the amortisation charge of £6.6m. More detail is included in note 10.

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

Net finance costs

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

Exceptional items

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

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

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

Further details are included in note 6.

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

Allianz claim and counterclaim

The Group is currently involved in a claim and counterclaim with Allianz Insurance plc regarding the sale of historical insurance products. The claim and counterclaim are extremely complex and proceedings remain at an early stage, with each party only recently having completed a long disclosure exercise. We continue to gather detailed and factual expert and witness evidence in relation to multiple elements of the claim and counterclaim. The Group has concluded that these issues mean it is not possible to reliably estimate the amount of any potential financial outflow and has, therefore, not made provision for this claim at this time and instead a contingent liability has been disclosed. Further details can be found in note 18.

Adjusted profit before tax and statutory profit before tax

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

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

Taxation

The taxation charge for the period is based on the underlying estimated effective tax rate for the full year of 19.0%. Further details are contained in Note 8.

Earnings per share

Adjusted earnings per share were 7.89p (FY20: 16.37p). Statutory earnings per share were 2.63p (FY20: 9.63p). Both measures include the impact of the reduction in earnings as well as the 61.1% increase in the share capital following the equity raise in December 2020. Further details can be found in Note 9.

Financial services customer receivables and impairment

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

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

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

Customer loan balances have therefore reduced in the period, and the IFRS9 provision rates increased as shown in the table below:

£m	FY21	FY20	Change
Gross customer loan balances	605.8	656.9	(7.8%)
IFRS 9 provision	(85.2)	(71.7)	(18.8%)
Normal account provisions	*(60.9)*	*(66.3)*	*+0.4ppts*
Payment arrangement provisions	*(8.8)*	*(5.4)*	*(0.6)ppts*
Covid-19 impacts	*(15.4)*		*(2.5)ppts*
IFRS 9 provision / loan book ratio	14.1%	10.9%	(3.2)ppts
Net customer loan balances	520.6	585.2	(11.0%)

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

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

Funding and equity raise

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

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

- An up to £500 million securitisation facility committed until December 2023, drawings on which are linked to prevailing levels of eligible receivables;
- An RCF of £100 million committed until December 2023; and
- An overdraft facility of £12.5 million which is subject to an annual review every July.

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

In May 2020, in response to the pandemic, the Group put in place an up to £50 million 3-year Term Loan facility, under the Government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"), amended certain terms and covenants of the securitisation facility and widened certain covenants on the unsecured RCF facility. These were replaced with the facilities outlined above following the December 2020 equity raise and refinancing.

Inventory

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

Cash Flow

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

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

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

Adjusted net debt

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

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

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

Dividend and capital allocation

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

Pension scheme

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

Financial KPIs

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

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

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

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

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

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

Reconciliation of Statutory financial results to adjusted results

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

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

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

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

A full glossary of Alternative Performance Measures and their definitions is at the end of this statement.

£m		FY21				FY20		
	Notes	Statutory	Exceptional items (note 6)	Adjusted		Statutory	Exceptional items (note 6)	Adjusted
Group Revenue	5	728.8		728.8		**837.5**		**837.5**
Gross profit	5	322.4	1.1	323.5		**439.6**	**0.3**	**439.9**
Group gross profit margin	5	44.2%		44.4%		**52.5%**		**52.5%**
Operating profit	5	35.1	11.6	46.7		**48.1**	**28.5**	**76.6**
Operating profit margin	5	*4.8%*		*6.4%*		**5.7%**		**9.1%**
Depreciation & amortisation	5	39.8		39.8		**30.1**		**30.1**
EBITDA	5			**86.5**				**106.7**
EBITDA margin	5			***11.9%***				**12.7%**
Net finance costs	5	(16.6)		(16.6)		**(17.1)**		**(17.1)**
Profit before taxation and fair value adjustments to financial instruments	5	**18.5**	**11.6**	**30.1**		31.0	28.5	59.5
Fair value adjustments to financial instruments	7	(8.6)	(1.4)	(10.0)		**4.7**		**4.7**
Profit before taxation	**5**	**9.9**	**10.2**	**20.1**		35.7	28.5	64.2
Taxation	8	(1.6)	(1.7)	(3.3)		**(8.3)**	**(5.5)**	**(13.8)**
Profit for the period		**8.3**	**8.5**	**16.8**		27.4	23.0	50.4
Basic earnings per share (p)	9	2.63		7.89		**9.63**		**16.37**
Diluted earnings per share (p)	9	2.63		7.88		**9.62**		**16.35**

[1]The revenue and gross profit have been restated in FY20 as outlined in note 19.

Consolidated income statement
for the 52 weeks ended 27 February 2021

		52 weeks to 27 February 2021			52 weeks to 29 February 2020 (*restated)		
	Note	**Before exceptional items £m**	**Exceptional items (Note 6) £m**	**Total £m**	Before exceptional items £m	Exceptional items (Note 6) £m	Total £m
Revenue	5	**489.3**	**-**	**489.3**	574.2	-	574.2
Credit account interest		**239.5**	**-**	**239.5**	263.3	-	263.3
Total revenue (including credit account interest)	5	**728.8**	**-**	**728.8**	837.5	-	837.5
Cost of sales	5	**(266.2)**	**(1.1)**	**(267.3)**	(270.0)	(0.3)	(270.3)
Impairment losses on customer receivables		**(144.1)**	**-**	**(144.1)**	(133.9)	-	(133.9)
Profit on sale of customer receivables	5	**5.0**	**-**	**5.0**	6.3	-	6.3
Net impairment charge	5	**(139.1)**	**-**	**(139.1)**	(127.6)	-	(127.6)
Gross profit	5	**323.5**	**(1.1)**	**322.4**	439.9	(0.3)	439.6
Operating profit		**46.7**	**(11.6)**	**35.1**	76.6	(28.5)	48.1
Finance costs	5	**(16.6)**	**-**	**(16.6)**	(17.1)	-	(17.1)
Profit before taxation and fair value adjustments to financial instruments		**30.1**	**(11.6)**	**18.5**	59.5	(28.5)	31.0
Fair value adjustments to financial instruments		**(10.0)**	**1.4**	**(8.6)**	4.7	-	4.7
Profit before taxation		**20.1**	**(10.2)**	**9.9**	64.2	(28.5)	35.7
Taxation	8	**(3.3)**	**1.7**	**(1.6)**	(13.8)	5.5	(8.3)
Profit for the period		**16.8**	**(8.5)**	**8.3**	50.4	(23.0)	27.4

**** Refer to prior year adjustment note 19***

Earnings per share from continuing operations							
Basic	9			**2.63**			9.63
Diluted	9			**2.63**			9.62

Consolidated statement of comprehensive income
for the 52 weeks ended 27 February 2021

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Profit for the period	**8.3**	27.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial (loss)/gains on defined benefit pension schemes	**(1.9)**	0.8
Tax relating to items not reclassified	**0.7**	(0.3)
Net other comprehensive (loss) / income that will not be reclassified to profit or loss	**(1.2)**	0.5
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(2.6)**	0.2
Net other comprehensive (loss) / income that may be reclassified to profit or loss	**(2.6)**	0.2
Other comprehensive (loss) / income	**(3.8)**	0.7
Total comprehensive income for the period attributable to equity holders of the parent	**4.5**	28.1

Consolidated balance sheet as at 27 February 2021

	Note	As at 27 February 2021 £m	As at 29 February 2020 (*Restated) £m
Non-current assets			
Intangible assets	10	**133.0**	151.4
Property, plant and equipment	11	**60.9**	62.6
Right-of-use assets		**3.6**	5.6
Retirement benefit surplus		**25.5**	26.3
Derivative financial instruments		**-**	1.3
Deferred tax assets		**12.7**	13.2
		235.7	260.4
Current assets			
Inventories		**77.7**	94.9
Trade and other receivables	12	**549.0**	614.4
Derivative financial instruments		**0.4**	4.0
Cash and cash equivalents	14	**94.9**	161.7
		722.0	875.0
Total assets		**957.7**	1,135.4
Current liabilities			
Bank overdrafts	14	**(14.1)**	(114.2)
Provisions		**(4.7)**	(11.1)
Trade and other payables	13	**(110.6)**	(110.5)
Lease liability		**(1.8)**	(2.2)
Derivative financial instruments		**(6.2)**	(1.3)
Current tax liability	8	**(4.5)**	(13.8)
		(141.9)	(138.9)
Net current assets		**580.1**	621.9
Non-current liabilities			
Bank loans	15	**(381.9)**	(544.6)
Lease liability		**(3.1)**	(4.7)
Derivative financial instruments		**(1.3)**	(0.9)
Deferred tax liabilities		**(13.2)**	(14.6)
		(399.5)	(564.8)
Total liabilities		**(541.4)**	(817.9)
Net assets		**416.3**	317.5
Equity attributable to equity holders of the parent			
Share capital	17	**50.9**	31.4
Share premium account		**85.0**	11.0
Own shares		**(0.3)**	(0.3)
Foreign currency translation reserve		**0.4**	3.0
Retained earnings		**280.3**	272.4
Total equity		**416.3**	317.5

Both Cash and cash equivalents and Bank overdrafts have been restated in 2020 to gross up the effect of bank accounts in overdraft and cash separately (see note 14)

Consolidated cash flow statement for the 52 weeks ended 27 February 2021

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Net cash inflow from operating activities	**143.8**	51.4
Investing activities		
Purchases of property, plant and equipment	**(1.4)**	(6.5)
Purchases of intangible assets	**(18.6)**	(33.2)
Net cash used in investing activities	**(20.0)**	(39.7)
Financing activities		
Interest paid	**(19.0)**	(17.8)
Dividends paid	**-**	(20.1)
(Decrease)/Increase in bank loans	**(162.8)**	44.4
Principal elements of lease payments	**(1.7)**	(3.5)
Proceeds on issue of share capital	**99.6**	-
Transaction costs relating to the issue of share capital	**(6.1)**	-
Purchase of shares by ESOT	**-**	(0.1)
Net cash (outflow) /inflow from financing activities	**(90.0)**	2.9
Net foreign exchange difference	**(0.5)**	0.6
Net increase in cash and cash equivalents and bank overdraft	**33.3**	15.2
Cash and cash equivalents and bank overdraft at beginning of period	**47.5**	32.3
Cash and cash equivalents and bank overdraft at end of period	**80.8**	47.5

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Profit for the period	**8.3**	27.4
Adjustments for:		
Taxation charge	**1.6**	8.3
Fair value adjustments to financial instruments	**10.0**	(4.7)
Net foreign exchange gain / (loss)	**0.8**	(0.6)
Finance costs	**16.6**	17.1
Depreciation of right-of-use assets	**1.6**	1.3
Depreciation of property, plant and equipment	**3.3**	4.2
Impairment of intangible assets	**1.9**	1.8
Amortisation of intangible assets	**34.9**	24.7
Share option charge/ (credit)	**0.8**	(1.3)
Operating cash flows before movements in working capital	**79.8**	78.2
Decrease in inventories	**17.0**	16.6
Decrease in trade and other receivables	**64.4**	5.5
Decrease in trade and other payables	**0.7**	(41.1)
Decrease in provisions	**(6.2)**	(10.9)
Pension obligation adjustment	**(0.8)**	(0.7)
Cash generated by operations	**154.9**	47.6
Taxation (paid) / received	**(11.1)**	3.8
Net cash inflow from operating activities	**143.8**	51.4

Changes in liabilities from financing activities	**52 weeks to 27 February 2021 £m**	52 weeks to 29 February 2020 £m
Loans and borrowings		
Balance at 29 February 2020	**551.5**	500.2
Changes from financing cash flows		
Net (repayment) / proceeds from loans and borrowings	**(161.7)**	43.2
Leases recognised on transition of IFRS 16	**-**	9.5
New leases entered into in the period	**-**	0.9
Lease payments in the period	**(2.0)**	(3.6)
(Decrease) / Increase in loans and borrowings due to change in interest rates	**(1.0)**	1.3
(Decrease)/ Increase in loans and borrowings	**(164.7)**	51.3
Balance at 27 February 2021	**386.8**	551.5

Consolidated statement of changes in equity for the 52 weeks ended 27 February 2021

	Share capital £m	Share premium £m	Own shares £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Balance at 3 March 2019	31.4	11.0	(0.3)	2.8	266.0	310.9
Comprehensive income for the period						
Profit for the period	-	-	-	-	27.4	27.4
Other items of comprehensive income for the period	-	-	-	0.2	0.5	0.7
Total comprehensive gain for the period	-	-	-	0.2	27.9	28.1
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(20.1)	(20.1)
Share option credit	-	-	-	-	(1.3)	(1.3)
Tax on items recognised directly in equity	-	-	-	-	(0.1)	(0.1)
Total contributions by and distributions to owners	-	-	-	-	(21.5)	(21.5)
Balance at 29 February 2020	31.4	11.0	(0.3)	3.0	272.4	317.5
Comprehensive income for the period						
Profit for the period	-	-	-	-	8.3	8.3
Other items of comprehensive loss for the period	-	-	-	(2.6)	(1.2)	(3.8)
Total comprehensive income for the period	-	-	-	(2.6)	7.1	4.5
Transactions with owners recorded directly in equity						
Issue of shares	19.5	74.0	-	-	-	93.5
Share option charge	-	-	-	-	0.8	0.8
Tax on items recognised directly in equity	-	-	-	-	-	-
Total contributions by and distributions to owners	19.5	74.0	-	-	0.8	94.3
Balance at 27 February 2021	50.9	85.0	(0.3)	0.4	280.3	416.3

Notes to the consolidated financial statements for the 52 weeks ended 27 February 2021

1. Basis of preparation

The Group's financial statements for the 52 weeks ended 27 February 2021 will be prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. As such, these financial statements do not constitute the Group's statutory accounts and the Group expects to publish full financial statements that comply with IFRS in June 2021.

The financial information set out in this document does not constitute the company's statutory accounts for the 52 weeks ended 27 February 2021 or the 52 weeks ended 29 February 2020.

Statutory accounts for the period of 52 weeks ended 29 February 2020 have been delivered to the registrar of companies, and those for the period of 52 weeks ended 27 February 2021 will be delivered in due course.

The comparative figures for the year ended 29 February 2020 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) includes an emphasis of matter in relation to the material uncertainty around going concern which we have referred to in note 3, 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 4.

The accounting policies and presentation adopted in the preparation of these consolidated financial statements are consistent with those disclosed in the published annual report & accounts for the 52 weeks ended 29 February 2020, other than for the following:

- the accounting for government grants for funds received under the UK Government's Coronavirus Job Retention Scheme which has been paid to employees on furlough;
- the recognition of a prior year balance sheet adjustment in relation to the gross up of bank account balances in overdraft and cash separately as explained in note 14;
- the recognition of a prior year Income statement adjustment in relation to the recognition of relief claimed in respect of the value added tax element on customer debt written off as explained in note 19.

Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are recognised in profit and loss when they become receivable to match them with the already incurred staff costs with which they are intended to compensate.

2. Critical Judgements and key sources of estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Group's results and financial position, are as follows:

Impairment of customer receivables

Critical Judgement and Estimation Uncertainty

The allowance for expected credit losses for trade receivables involves several areas of judgement, including estimating forward-looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Group's experience of managing credit risk.

Key judgements involved in the determination of expected credit loss are:

- determining which receivables have suffered from a significant increase in credit risk, including customers impacted by Covid-19 who have taken out an internal or external Covid-19 hold on their repayments; and
- determining the appropriate PD to apply to the receivables.

The SICR threshold is set at the point at which the proportional change in the behavioural risk score results in the PD after 12 months for such stage 1 customers being higher than the average PD for stage 2 customers that are one payment in arrears.

Where the proportional change in risk score for a customer since initial recognition exceeds the threshold for the relevant segment for that customer, the asset will be deemed to have experienced a significant increase in credit risk.

In management's judgement, the most appropriate probability of default parameter in the ECL model is to reflect observed rates over a two-year period, this is considered to provide a representative view of default in ordinary times. A shorter period may lead to a less reliable estimate and increased volatility, whereas a longer period would be less likely to provide an up-to-date view of PDs incorporating the above.

Management have taken the judgement in the current year to use PD's in line with the previous year end, due to the impact of Covid-19 which management considered to be artificially improving the PD and SICR experienced in the previous 12 months as a result of continuing government support schemes, combined with the FCA instruction that Covid-19 related deferrals should not affect customer credit files.

Further judgement has been required to determine how to treat customers who have been impacted by a Covid-19 related payment deferral. Management have considered that for both customers who have taken a payment deferral with N Brown and with an external provider, this equates to a SICR event, and therefore such customers would be considered to be in a stage 2 population. An observation window, defined as the period after which a customer comes off a Covid-19 related payment deferral of 3 months has been applied before which customers will return to the normal modelled stage 1 ECL if subsequent evidence does not support that a SICR has occurred. During this period, and for any customers on a live payment deferral, these receivables have been provided for in line with the stage 2 population ECL.

Once collection strategies are no longer appropriate or effective, management typically sell customer receivables to third parties. Therefore, the estimated sales price for these balances is a key judgement. The expected recovery through debt sales built into the year-end ECL reflects an average of prices achieved over the previous 2 years.

Sensitivities of Estimation Uncertainties

To indicate the level of estimation uncertainty, the impact on the ECL of applying different model parameters are shown below:

- A 20% increase or decrease in PDs would lead to a £3m (2020: £5.9m) increase or decrease in the ECL;
- Extending the observation window for Covid-19 deferrals by 1 month would lead to a £2.2m increase or £2.3m decrease to the ECL respectively;
- An increase or decrease to peak unemployment of 2% would lead to a £3.8m increase or decrease respectively.

Software and Development costs

Critical Judgement
Included within intangible assets are significant software and development project costs in respect of the Group's technological development programme. Included in the year are agile asset development costs; costs spent on the Group's assets to integrate with and move to SAAS & Cloud based technologies; development of the new website and initial design and development of the FS Platform. Initial capitalisation of costs is based on management's judgement, that technological and feasibility is confirmed, the project will be successfully completed and that future economic benefits are expected to be generated by the project. If these criteria are not subsequently met, the asset would be subject to a future impairment charge which would impact the Group's results.

Estimation uncertainty
The estimated useful lives and residual values are based on management's best estimate of the period the asset will be able to generate economic benefits for the Group and are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis from the date at which a change in life is determined to be triggered.

Following the equity raise at the end of 2020, management performed a detailed review of the useful economic lives of its' legacy assets in light of general advancements in technology and the Group's revised strategy. More detail on the outcome and impact of this review, and sensitivity of the estimation uncertainty is disclosed in note 10.

Impairment of non-financial assets

Critical Judgement and estimation uncertainty
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Group's three year forecasts, taken into perpetuity, and are adjusted for restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used as well as the expected future cash inflows and the long-term growth rate used in perpetuity. The key assumptions used to determine the recoverable amount for the Group's non-financial assets, including a sensitivity analysis, are disclosed and further explained in note 10.

Allianz claim and counterclaim

Critical Judgement
The ongoing legal claim with Allianz Insurance plc has been disclosed as a contingent liability in note 18. The Group does not consider it appropriate to make any provision in respect of this claim because it is not possible to reliably estimate the amount of any possible financial outflow as at the balance sheet date. No asset has been recognised for the counterclaim as there is no certainty as to whether the claim will be successful.

Defined Benefit plan

Critical Judgement

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3. Key risks and uncertainties

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

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

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

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

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

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 commercial and operational risks.

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. During FY21, facilitation of the process moved from Internal Audit to Group Risk.

In setting strategy, the Board considers Environmental, Social and Governance ("ESG") factors, drivers and impacts on the health and sustainability of the business. Furthermore, in general terms the strategy is designed to deliver long term sustainable business management. The RMF has been established to provide an overview of strategic risk and as such incorporates assessments of risks that have the potential to create ESG exposures; these are reported through the governance framework and managed accordingly.

The residual risk profile of the majority of the principal risks remains unchanged or has improved from the prior year. Where the risk profile has deteriorated this is a result of continued uncertainty in the risk outlook or uncontrollable external or market events rather than a deterioration in the underlying control environment. Control enhancements are identified routinely and on a continuous basis as the Risk Management Framework is rolled out across each principal risk category.

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

Covid-19, UK exit from the European Union ("Brexit") and other key areas of focus
Covid-19 and its related impacts has dominated the Group's in-year activity and near-term risk horizon. Stress testing and scenario planning has been maintained in relation to a range of extreme but plausible scenarios which include the impact on demand for retail goods resulting from a downturn in consumer confidence, the ability of our credit customers to maintain contractual payments, and loss of operational continuity arising from further lockdown restrictions or global disruption to the supply chain. Management maintains reasonable assurance over the Group's outlook across the range of scenarios modelled but acknowledges that, while likely to improve throughout the year, the risk of continued business interruption is likely to remain the new normal for the foreseeable future in the context of Covid-19. The business has continued to perform well in the context of restrictions and impacts related to the pandemic. Resilience, continuity, and disaster recovery capability has been successfully exercised and significantly real-world stress-tested through Covid-19 incident management. Notwithstanding, it is difficult to predict the impact that Covid-19 might have on the business. Related medium and longer-term macroeconomic and social impacts are difficult to determine and whilst management has considered extreme but plausible downsides, these do not include the most severe of possibilities.

The Board has continued to monitor Brexit impacts and mitigations with management throughout the year via the

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

4. Going Concern

After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the 12 months following the date of signing this Annual Report and Accounts. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

In arriving at their conclusion, the Directors considered the following:

a) the Group's cash flow forecasts and revenue projections for the 12 months from the date of signing (the "Base Case"), reflecting, amongst other things the following assumptions:
   - The business continues to be fully operational throughout the remainder of the pandemic (as has been the case since the outset);
   - Product gross margin pressure continues due to mix, a highly promotional retail market and industry wide increase in freight rates;
   - Financial Services revenue reduces as the size of the loan book reduces as a function of the lower product sales;
   - FS gross margin declines due to an increase in bad debt and write offs due to the impact of Covid-19; and
   - Operating cost efficiencies are maintained in that they continue at a similar cost to revenue ratio as achieved in FY21.

b) the impact on trading performance of severe but plausible downside scenarios (the "Downside Case"), including continued Covid-19 restrictions, the removal of government support schemes such as Stamp Duty Relief and the Coronavirus Jobs Retention Scheme and adverse macroeconomic conditions. In particular, the downside scenario assumes that the lockdown restrictions experienced in the second half of the year ended February 2021 will apply throughout the year ending February 2022 resulting in an adverse impact on retail sales, a reduction in customer receivable collection rates with a consequent increase in bad debts and a reduction in the debt securitisation advance rate. It has also been assumed that the current unusually high freight rates will continue to apply with an adverse effect on gross margins.

c) the committed facilities available to the Group and the covenants thereon. Details of the Group's committed facilities are set out in note 17, the main components of which are:
   - a £500 million securitisation facility committed until December 2023, drawings on which are linked to prevailing levels of eligible receivables (£381.9 million drawn to the maximum of eligible customer receivables at the year-end);
   - an RCF of £100 million committed until December 2023, which is fully undrawn; and
   - an overdraft facility of £12.5 million which is subject to an annual review every July (undrawn as at date of signing of these accounts)

d) that there are no forecast breaches of any covenants in either the Base Case or Downside Case. In the event that trading deteriorated further than envisaged in the Downside Case additional management actions could be implemented which would include sale of customer receivables, working capital deferrals, temporary reductions in inventory and capital expenditure and further discretionary cost reductions.

e) the Group's robust policy towards liquidity and cash flow management. As at 30 April 2021, the Group had cash of £84.3 million, net restricted cash of £3.3m and undrawn facilities of £112.5 million, giving rise to total accessible liquidity ("TAL") of £193.5 million (FY20: £75 million) reflecting, amongst other things, the benefit of the equity raise in December 2020 (£93.5 million, net) and positive cash generation in the current financial year offset by a decision by the Board to reduce the RCF by £25 million and to hand back the £50m CLBILS Term Loan Facility.

f) the Group management's ability to successfully manage the principal risks and uncertainties outlined in note 3 during periods of uncertain economic outlook and challenging macroeconomic conditions.

5. Business Segment

The Group has identified two operating segments in accordance with IFRS 8 – Operating segments, Product Revenue and Financial Services ("FS"). The Board receives monthly financial information at this level and uses this information to monitor the performance of the Group, allocate resources and make operational decisions. Internal reporting focuses and tracks revenue, cost of sales and gross margin performance across these two segments separately, however it does not track operating costs or any other income statement items.

Revenues and costs associated with the product segment relate to the sale of goods through various brands. The Product cost of sales is inclusive of VAT bad debt relief claimed of £18.0m (2020 £20.7m) as a consequence of customer debt write off, with the write off presented in 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	**52 weeks to 27 February 2021 £m**	52 weeks to 29 February 2020 (*Restated) £m
Analysis of revenue:		
Sale of goods	449.8	518.6
Postage and packaging	18.6	28.4
Product – total revenue	**468.4**	547.0
Other financial services revenue	20.9	27.2
Credit account interest	239.5	263.3
Financial Services – total revenue	**260.4**	290.5
Group Revenue	**728.8**	837.5
Analysis of cost of sales:		
Product – total cost of sales	**(264.3)**	(267.9)
Impairment losses on customer receivables	(144.1)	(133.9)
Profit on sale of customer receivables	5.0	6.3
Other financial services cost of sales	*(1.9)*	*(2.1)*
Financial Services – total cost of sales	**(141.0)**	(129.7)
Cost of sales	**(405.3)**	(397.6)
Gross profit	**323.5**	439.9
Gross profit margin	44.4%	52.5%
Gross margin – Product	43.6%	51.0%
Gross margin – Financial Services	45.8%	55.4%
Warehouse and fulfilment	(64.8)	(78.1)
Marketing and production	(60.3)	(136.0)
Other administration and payroll	(111.9)	(119.1)
Adjusted operating costs before exceptional items	**(237.0)**	(333.2)
Adjusted EBITDA	**86.5**	106.7
Adjusted EBITDA margin	11.9%	12.7%
Depreciation and amortisation	(39.8)	(30.1)
Exceptional items charged to operating profit (note 6)	(11.6)	(28.5)
Operating profit	**35.1**	48.1
Finance costs	(16.6)	(17.1)
Fair value adjustments to financial instruments including exceptional fair value gain (note 6)	(8.6)	4.7
Profit before taxation	**9.9**	35.7

**Refer to prior year adjustment note 19*

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 (*Restated) £m
Analysis of Product revenue:		
Strategic brands[1]	341.2	372.7
Other brands[2]	127.2	174.3
Total Product revenue	**468.4**	547.0
Financial Services revenue	**260.4**	290.5
Group revenue	**728.8**	837.5

**Refer to prior year adjustment note 19*

[1]Strategic brands include JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.

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

Management have aligned the product revenue analysis to strategic and other brands, following the Group's strategic change and focus of the business on the five key strategic brands. The prior year comparatives have been aligned accordingly.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from Ireland and the US amounted to £27.6m (2020: £30.1m). Operating results from international markets amounted to £6.2m profit (2020: £3.3m profit). All segment assets are located in the UK and Ireland. All non-current assets are located in the UK with the exception of £0.1m located in Ireland.

For the purposes of monitoring segment performance, assets and liabilities are not measured separately for the two reportable segments of the Group and therefore disclosed together below. Impairments of tangible and intangible assets in the current period were £1.7m (2020: £1.8m).

6. Exceptional items

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Strategic change	**7.9**	3.5
Impairment of tangible, intangible assets and brands	**1.7**	1.8
Legal costs	**1.1**	1.0
Customer redress	**(0.1)**	22.9
Tax matters	**1.0**	(0.7)
Gain from early settlement of derivative contracts	**(1.4)**	-
Items charged to profit before tax	**10.2**	28.5

Strategic Change

In line with the Board's strategic reviews and multi-year transformation of the business, a material level of cost reduction programs have been completed as well as an increased focus and refinement of the Group's five strategic brands.

During the current year, total redundancy costs of £5.2m have been incurred across the Group including Figleaves, in order to align the Group's people costs to deliver an organisational design that supports the revised strategy. A further £2.7m has been incurred on the restructure and the transfer of the Figleaves business under the Simply Be brand including stock write down of £1.1m and onerous contract provisions of £0.8m.

The restructuring plans for both Figleaves and rest of the Group were announced to the affected employees prior to the end of the year, which represents a constructive obligation for the Group at the year end. The costs incurred are substantial in scope and impact, and incremental to the Group's normal operational and management activities, and therefore recognised within exceptional costs. All payments are expected to be made within FY22. The one-off costs related to the transformation are substantially complete.

Impairment Of Tangible, Intangible Assets And Brands

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

The impairment in the period is offset by a credit release of £0.3m relating to the reversal of previously recognised impairment on capitalised IT development.

In the prior year, management assessed the carrying value of the intangible and tangible assets held in respect of the High & Mighty, Slimma, Diva and Dannimac brands. Following this review, as well as the refocus to the Group's five strategic brands, the remaining value of the intangible asset held for the afore mentioned brands (£1.8m) was written down in full.

Legal Costs

During the prior year, a £1.0m provision was recognised for future expected legal costs to defend the Allianz Insurance plc claim and continuing to proceed with the counterclaim referred to in note 17. The trial date has now been set to March 2022 and as a result of the timetable extension, the expected total future legal costs have increased. An increase in the provision of £1.1m has been recognised in the current year.

Customer Redress

Redress activity, other than the Official Receiver complaints, has been concluded in the current year resulting in a net release to the provision of £0.1m. The provision held as at 27 February 2021 is £1.6m. During the prior period, a charge of £22.9m was made to reflect the additional volume of PPI information requests and claims received in the final days leading up to and including the 29 August 2019 deadline, including the amount relating to the estimated Official Receiver complaints.

Tax Matters

During the year, the Group reached agreement with HMRC to settle its long-running dispute with respect to the VAT treatment of certain marketing and non-marketing costs and the allocation of those costs between our retail and credit businesses. Total and final payment in the year amounted to £3.7m, compared to the opening provision held of £3.8m thus resulting in a release in the period of £0.1m.

The Group has recognised an additional charge in the current year of £1.1m in respect of further costs and interest expected to be incurred in relation to further matters under discussion with HMRC over a number of historical VAT and other tax matters.

Gain On Early Settlement Of Derivative Contracts

A £1.4m credit was recognised in the period representing the gain achieved on the early settlement of foreign currency derivative contracts that were no longer required following the decline in product purchases driven by the sudden and significant impact of Covid-19 at the start of the period.

7. Derivative financial instruments

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

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Notional amount – sterling contract value	**211.2**	305.9
Fair value of (liability)/ asset recognised	**(7.1)**	3.1

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are calculated with reference to the duration of the derivative instrument together with the observable market data such as spot and forward interest rates, foreign exchange rates and market volatility at the balance sheet date.

Changes in the fair value of derivatives recognised, being currency derivatives where hedge accounting has not been applied, amounted to a charge of £10.0m (2020: credit of £4.7m) to income in the period.

Financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2020: Level 2). Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

There were no transfers between Level 1 and Level 2 during the current or prior period.

8. Tax

Tax recognised in the income statement	**52 weeks to 27 February 2021 £m**	52 weeks to 29 February 2020 £m
Current tax		
Charge for the period	**2.0**	2.7
Adjustments in respect of previous periods	**(0.2)**	0.1
	1.8	2.8
Deferred tax		
Origination and reversal of temporary timing differences	**(0.4)**	4.4
Adjustments in respect of previous periods	**0.2**	1.1
	(0.2)	5.5
Total tax expense	**1.6**	8.3

UK corporation tax is calculated at 19% (2020: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The UK deferred tax liability as at 27 February 2021 has been calculated based on the enacted rate as at the balance sheet date of 19% with the exception of the retirement benefit scheme where deferred tax has been provided at the rate of 35% being the rate applicable to authorised surplus payments. In the 3 March 2021 Budget it was announced that the UK tax rate will remain at the current 19% and increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax liability would have decreased by £1.3m.

The charge for the period can be reconciled to the profit per the income statement as follows:

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Profit before tax	**9.9**	35.7
Tax at the UK corporation tax rate of 19% (2020: 19%)	**1.9**	6.7
Effect of change in deferred tax rate	**(0.6)**	0.4
Tax effect of expenses that are not deductible in determining taxable profit	**0.6**	0.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.3)**	(0.2)
Tax effect of adjustments in respect of previous periods	**-**	1.2
Tax expense for the period	**1.6**	8.3

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

Tax recognised in other comprehensive income	**52 weeks to 27 February 2021 £m**	52 weeks to 29 February 2020 £m
Deferred tax – remeasurement of retirement benefit obligations	**(0.7)**	0.3
Tax charge in the statement of comprehensive income	**(0.7)**	0.3

In respect of corporation tax, as at 27 February 2021 the Group has provided a total of £2.8m (2020: £13.2m) for potential tax future charges based upon the Group's best estimate and their discussions with HMRC. The Group has now resolved these historical open corporation tax positions with the majority of the 2020 provision being settled during the current year, and the closing 2021 provision settled during March 2021.

9. Earnings per share

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the period.

The adjusted earnings per share figures have also been calculated based on earnings before exceptional items and fair value adjustments, which are those items that do not form part of the recurring operational activities of the Group and are so substantial in nature and impact that the Directors believe that they require separate disclosure to avoid distortion of underlying performance (note 6) and certain other fair value adjustments. These have been calculated to allow the shareholders to gain an understanding of the underlying trading performance of the Group. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares.

The calculations of the basic and diluted earnings per share is based on the following data:

Earnings	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity of the parent	**8.3**	27.4

Number of shares ('000s)	52 weeks to 27 February 2021 Number	52 weeks to 29 February 2020 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**315,633**	284,665
Effect of dilutive potential ordinary shares:		
Share options	**194**	297
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**315,827**	284,962

Earnings from continuing operations	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Total net profit attributable to equity holders of the parent for the purpose of basic earnings per share	**8.3**	27.4
Fair value adjustment to financial instruments (net of tax)	**8.1**	(3.8)
Exceptional items (net of tax)	**8.5**	23.0
Adjusted earnings for the purposes of adjusted earnings per share	**24.9**	46.6

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

Adjusted earnings per share	52 weeks to 27 February 2021 Pence	52 weeks to 29 February 2020 Pence
Basic	**7.89**	16.37
Diluted	**7.88**	16.35

Earnings per share	52 weeks to 27 February 2021 Pence	52 weeks to 29 February 2020 Pence
Basic	**2.63**	9.63
Diluted	**2.63**	9.62

In December 2020, the Group completed an equity raise for £93.5m net proceeds, which were used to eliminate unsecured debt and accelerate the Group's strategic investment. As part of the equity raise, a total number of 174,666,053 ordinary shares 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 other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

10. Intangible assets

	Brands	Software	Customer Database	Total
	£m	£m	£m	£m
Cost				
At 2 March 2019	16.9	361.4	1.9	380.2
Additions	-	32.7	-	32.7
Disposals	-	(35.9)	-	(35.9)
At 29 February 2020	16.9	358.2	1.9	377.0
Additions	-	19.6	-	19.6
Disposals	-	-	-	-
At 27 February 2021	**16.9**	**377.8**	**1.9**	**396.6**
Accumulated amortisation and impairment				
At 2 March 2019	15.1	218.0	1.9	235.0
Charge for the period	-	24.7	-	24.7
Impairment	1.8	-	-	1.8
Disposals	-	(35.9)	-	(35.9)
At 29 February 2020	16.9	206.8	1.9	225.6
Charge for the period	-	34.5	-	34.8
Impairment	-	1.9	-	1.6
Transfer from tangible assets	-	0.4	-	0.4
Disposals	-	-	-	-
At 27 February 2021	16.9	**243.6**	**1.9**	**262.4**
Carrying amount				
At 27 February 2021	-	**133.0**	–	**133.0**
At 29 February 2020	-	151.4	–	151.4
At 2 March 2019	1.8	143.4	–	145.2

Assets in the course of development included in intangible assets at the year-end total £9.8m (2020: £15.2m). No amortisation is charged on these assets. Borrowing costs of £0.3m (2020: £nil) have been capitalised in the period.

As at 27 February 2021, the Group had entered into contractual commitments for the further development of intangible assets of £6.2m (2020: £10.8m) of which £5.2m (2020: £5.4m) is due to be paid within one year.

Research costs of £0.4m have been incurred in the year.

Review of estimated useful life

The successful equity raise and refinancing in December 2020 has enabled the Group to push ahead with strategic investment in technology advancements. Following this the Group has therefore performed a detailed review of the useful economic lives of its' legacy assets in light of general advancements in technology and the Group's revised strategy.

An assessment has been performed, on an asset line basis, to consider whether the remaining UEL continues to be the best estimate in respect of the likely period of continued use of each asset, with reference to the Group's strategy and technology roadmap to estimate when a replacement or other change in circumstance would result in the obsolescence or retirement of those assets. Assets with a total Net Book Value ('NBV') of £114.9m have been identified where a revision of their UEL was required.

A summary of impact of this assessment is as follows:

- Additional amortisation charge of £6.6m has been incurred in the current financial year in respect of those assets where their UEL has been shortened; and
- Additional amortisation charge of £10m, £4.4m and £2.5m is expected over the next 3 financial periods respectively as a result of the revision of UELs on these assets. This will be offset by a reduction in amortisation charge further into the future.

Sensitivity of estimation uncertainty

To indicate the level of sensitivity in relation to the judgement applied in determining the revised useful economic lives, we have assessed the impact of reducing or increasing the UELs of the affected assets by 12 months. Where the increase results in a longer life than the original UEL, no change has been applied:

- A reduction in the revised UEL of the affected assets by a further 12 months would increase the expected amortisation charge for the following financial year by £4m;
- An increase in the UEL of the affected assets by a maximum of a further 12 months would decrease the expected amortisation charge for the following financial year by £2.4m.

Impairment testing for non-financial assets

The Group performed its impairment review in February 2021. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At the balance sheet date, the market capitalisation of the Group was lower than the Group's net assets. As this, together with the impact of Covid-19, represent indicators for impairment, management is required to test for impairment over the Group's total assets, with the recoverable amount being determined from value in use calculations. In addition, included within intangibles assets are ongoing projects that are not yet available for use and therefore not being amortised. Where intangible assets are not being amortised management is required to test for impairment.

The value in use assessment has been performed over the Group's total assets under one CGU, being the smallest group of assets, which generate independent cash inflows. This represents a change from the prior year where two CGUs were in existence, being Figleaves and core Group excluding Figleaves. During the current year, the decision was taken to restructure and transfer the Figleaves business to be under the Simply Be brand, which forms part of the core CGU. The transfer of business has progressed through the financial year, and Figleaves now wholly operates under the Simply Be brand and trade from our Head Office in Manchester with fulfilment out of the Distribution Centres in Oldham and Hadfield. From the current year end the Group's results, performance and viability will be assessed for the Group as a whole. In line with IAS 36, management therefore considered the assessment on a single CGU basis as appropriate.

The value in use calculations use Board approved forecasts covering a three-year period as the basis for its cashflow projections, with accounting adjustments taken to comply with specific requirements of IAS 36. The board approved forecasts target medium term product 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 the first three-year cash flows from adjusted forecasts, management have extrapolated the cash flows into a fourth and fifth year using a growth rate assumption of 3.4% taken from analysis of external views of the overall market growth expected in future. After the fifth year cash flows, a terminal value was calculated based upon the long-term growth rate and the Group's risk adjusted pre-tax discount rate.

The Group's three-year cash flow projections were based upon the Group's Board approved three-year plan as at 27 February 2021.

The key assumptions in the value in use calculations are considered to be the determination of years 1-3 cashflows incorporating expected product revenue growth not attributed to future capital expenditure and expected EBITDA margin growth, the risk adjusted pre-tax discount rate, and the level of capital expenditure cashflows considered to be of a replacement nature. The key assumptions on revenue and EBITDA growth reflect historic experience, the expected recovery in demand post Covid-19 and the anticipated benefits of product, marketing and other initiatives.
The years 4-5 growth rate and long-term growth rate were determined with reference to retail market publications and IMF forecast GDP growth respectively which management believe are reasonable indicators of expected market growth rates available at 27 February 2021, however the value in use is relatively insensitive to these assumptions and are therefore not considered to be key assumptions.

The long-term growth rate used is purely for the impairment testing of intangible assets under IAS 36 "Impairment of Assets" and does not reflect long-term planning assumptions used by the Group for investment proposals or for any other assessments. The pre-tax discount rate was based on the Group's weighted average cost of capital as at 27 February 2021, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made.

The key assumptions are as follows:

- Years 1 to 3 expected product revenue and EBITDA margin growth;
- Replacement Capital expenditure of £22m per year;
- Pre-tax discount rate: 13.1% (2020: 11.2%)

The impairment review performed over the Group's CGU has indicated that no impairment is required over the remaining assets of the Group. The recoverable amount exceeds its carrying amount by £242m.

The following sensitivities have been performed:

- Within years 1-3 expected cashflows, if product revenue growth were to drop to less than 1.2% on average per annum or if EBITDA margin improvement was less than 0.12% on average per annum the value in use would indicate an impairment;
- An increase to replacement capital expenditure cashflows by greater than £23.6m per year (108% increase) would result in an impairment;
- Increasing the discount rate by 1% reduces the headroom calculated through the value in use by £94m, an increase to the discount rate of more than 3.7% would result in an impairment.

It is reasonably possible that the Revenue and EBITDA margin growth assumptions may not be realised in full or in the timescale envisaged. An impairment would be required if, all other things being equal, Group EBITDA per annum was £19.9m lower than forecast.

11. Property, plant and equipment

	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At 2 March 2019	59.1	122.7	181.8
Additions	-	6.5	6.5
Reclassifications	-	0.9	0.9
Disposals	-	(50.1)	(50.1)
At 29 February 2020	59.1	80.0	139.1
Additions	-	1.7	1.7
Disposals	-	-	-
At 27 February 2021	**59.1**	**81.7**	**140.8**
Accumulated depreciation and impairment	16.6	105.8	122.4
At 2 March 2019			
Charge for the period	1.2	3.0	4.2
Disposal	-	(50.1)	(50.1)
At 29 February 2020	17.8	58.7	76.5
Charge for the period	0.9	2.8	3.7
Impairment	-	0.1	0.1
Transfer to intangible assets	-	(0.4)	(0.4)
Disposal	-	-	-
At 27 February 2021	**18.7**	**61.2**	**79.9**
Carrying amount			
At 27 February 2021	**40.4**	**20.5**	**60.9**
At 29 February 2020	41.3	21.3	62.6
At 2 March 2019	42.5	16.9	59.4

Assets in the course of development included in fixtures and equipment at 27 February 2021 total £0.7m (2020: £8.7m), and in land and buildings total £nil (2020: £nil). No depreciation has been charged on these assets.

At 27 February 2021, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2020: £nil).

12. Trade and other receivables

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Amount receivable for the sale of goods and services	**605.8**	656.9
Allowance for expected credit losses	**(85.2)**	(71.7)
Net trade receivables	**520.6**	585.2
Other debtors and prepayments	**28.4**	29.2
Trade and other receivables	**549.0**	614.4

Other debtors include a balance of £3.0m (2020: £2.6m) relating to amounts due from wholesale partners.

Trade receivables are measured at amortised cost.

The weighted average Annual Percentage Rate ("APR") across the trade receivables portfolio is 58.2% (2020: 57.9%). For customers who find themselves in financial difficulties, the Group may offer revised payment terms (payment arrangements) to support customer rehabilitation. These revised terms may also include suspension of interest for a period of time.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and bespoke credit limit. Credit limits and scores attributed to customers are reviewed every 28 days.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 27 February 2021.

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £13.4m at 27 February 2021 (2020: £8.7m). Interest income recognised on trade receivables which were impaired as at 27 February 2021 was £13.5m (2020: £16.0m).

The amounts written off in the period of £134.6m (2020: £159.3m) include the sale of impaired assets with a net book value of £14.3m (2020: £19.9m).

There is no significant concentration of credit risk due to the large number of credit customers 0.95 million (2020: 1.0 million) with individually small balances.

	52 weeks to 27 February 2021			52 weeks to29 February 2020		
Ageing of trade receivables	**Trade receivables**	**Trade receivables on payment arrangements**	**Total trade receivables**	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Current – not past due	**522.8**	**13.4**	**536.2**	550.7	8.7	559.4
28 days – past due	**20.5**	**1.1**	**21.6**	35.9	1.5	37.4
56 days – past due	**12.3**	**0.2**	**12.5**	19.5	0.7	20.2
84 days – past due	**9.9**	**0.2**	**10.1**	13.0	0.6	13.6
112 days – past due	**7.4**	**0.1**	**7.5**	8.9	0.4	9.3
Over 112 days – past due	**17.8**	**0.1**	**17.9**	16.4	0.6	17.0
Gross trade receivables	**590.7**	**15.1**	**605.8**	644.4	12.5	656.9
Allowance for expected credit losses	**(76.4)**	**(8.8)**	**(85.2)**	(66.3)	(5.4)	(71.7)
Net trade receivables	**514.3**	**6.3**	**520.6**	578.1	7.1	585.2

Allowance for expected credit losses				52 weeks to 27 February 2021	52 weeks to 29 February 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Opening balance	13.1	20.8	37.8	**71.7**	97.1
Impairment	35.0	49.4	63.7	**148.1**	142.7
Utilised during the period	(31.8)	(39.1)	(63.7)	**(134.6)**	(168.1)
Closing balance	16.3	31.1	37.8	**85.2**	71.7

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Impairment	**148.1**	**142.7**
Recoveries	**(12.4)**	**(17.0)**
Other items	**3.4**	**1.9**
Net Impairment charge	**139.1**	**127.6**

13. Trade and other payables

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Trade payables	**46.7**	65.9
Other payables	**4.7**	7.1
Accruals and deferred income	**59.2**	37.5
Trade and other payables	**110.6**	**110.5**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2020: 54 days).

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

The Group continues to have a supplier financing arrangement which is facilitated by HSBC. The principal purpose of this arrangement is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third-party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms of suppliers participating in the programme are similar to those suppliers that are not participating. The maximum facility limit as at 27 February 2021 was £10.0m (2020: £10m). The facility limit was increased to £15m after the year end. At 27 February 2021, total of £8.0m (2020: £6.3m) had been funded under the programme. The scheme is based around the principle of reverse factoring whereby the bank purchases from the suppliers approved trade debts owed by the Group. Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard Group payment terms; the Group is not party to this contract. The scheme has no cost to the Group as the fees are paid by the supplier directly to the bank. The bank have no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group. There is no fixed expiry date on this facility.

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 £0.5m (2020: £0.6m) of restricted cash which is held in respect of the Group's customer redress programmes and £3.0m (2020: £3.6m) in respect of our securitisation reserve account. This cash is available to access by the Group. In addition, £1.9m (2020: £4.2m) was held at the balance sheet date in relation to an amount to be repaid against the Group's securitisation facility.

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

	52 weeks to 27 February 2021	52 weeks to 29 February 2020
	£m	£m
Sterling	**69.1**	10.2
Euro	**6.2**	10.3
US dollar	**5.5**	27.0
Net cash and cash equivalents and bank overdrafts	**80.8**	47.5
Made up of:		
Cash and cash equivalents	**94.9**	161.7
Bank overdrafts	**(14.1)**	(114.2)

The Group operates a notional pooling and net overdraft facility whereby cash and overdraft balances held with the same bank have a legal right of offset. In line with 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 February 2020 to show these amounts gross.

This adjustment has no impact on the Group's net profit or loss in the prior and preceding years, nor its net assets. In addition, there was no impact on net cashflows in the prior or preceding years.

The prior period has accordingly been restated for this adjustment as demonstrated below:

Balance sheet (extract)	29 February 2020	Adjustment	29 February 2020 (Restated)
	£m	£m	£m
Current assets			
Cash and cash equivalents	47.5	114.2	161.7
Current liabilities			
Bank loans and overdrafts	-	(114.2)	(114.2)
Net current assets	**621.9**	**-**	**621.9**
Net assets	**317.5**	**-**	**317.5**
Total Equity	**317.5**	**-**	**317.5**

15. Bank borrowings

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Bank loans	**(381.9)**	(544.6)
Net overdraft facility	**-**	–
The borrowings are repayable as follows:		
Within one year	**-**	–
In the second year	**-**	(544.6)
In the third to fifth year	(381.9)	–
Amounts due for settlement after 12 months	(381.9)	(544.6)

The bank overdrafts are repayable on demand.
All borrowings are held in sterling.

	52 weeks to 27 February 2021 %	52 weeks to 29 February 2020 %
The weighted average interest rates paid were as follows:		
Net overdraft facility	**1.6**	2.3
Bank loans	**2.5**	3.0

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

The Group operates a notional pooling and net overdraft facility whereby cash and overdraft balances held with the same bank have a legal right of offset. The Group had a net overdraft balance of £nil at 27 February 2021 (2020: £nil). The facility had a maximum overdraft limit of £7.5m at 27 February 2021 (2020: £27.5m) and was amended after the year end to a maximum overdraft limit of £12.5m. The overdraft is repayable on demand, unsecured and bear interest at a margin over bank base rates. In line with the requirements of IAS 32, gross balance sheet presentation is required where there is no intention to settle any amounts net. The net balance has therefore been separated between overdrafts and cash balances and the Group has restated both the Cash and cash equivalents and the Bank loans and overdraft balances as at 29 February 2020 to show these amounts gross. Further detail included in note 14.

The Group has a bank loan of £381.9m (2020: £419.6m) secured by a charge over certain "eligible" trade debtors (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility has a current limit of £500m which is committed to December 2023, following refinancing in December 2020 where the term of the facility was extended. An assessment was undertaken as required under IFRS9 as to whether a substantial modification had occurred resulting in the derecognition of the existing liability, however the modification was not considered to substantially modify the liability on either a quantitative or qualitative basis. Unamortised fees relating to this facility of £2.3m are offset against the carrying amount of the loan.

The Group also has unsecured bank loans of £nil (2020: £125m) drawn down under a medium-term bank revolving credit facility (RCF). The facility was amended during the year to a maximum limit of £100m from £125m, and is committed to December 2023, after being extended during the year from an end date of September 2021. On modification, a substantial modification of the existing liability was deemed to have taken place under IFRS 9, and the existing liability was derecognized, with a new liability recognized under the revised terms. The remaining loan drawdown was repaid in full on completion of the refinancing and continues to be £nil as at the year end.

During the year, the Group secured a new up to £50 million three-year Term Loan facility, provided by its lenders under the government's Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). The facility, which was committed until May 2023 was fully repaid and handed back without penalty on 24 December 2020, following the completion of the equity raise, on which a loss on derecognition of previously capitalised fees of £0.4m was incurred.

The covenants inherent to these borrowing arrangements are closely monitored on a regular basis. Borrowing covenants continue to be in place on the securitisation and RCF facilities respectively. Key covenants for the Group are as follows:

- Leverage, representing the ratio of adjusted net debt on adjusted EBITDA <1.5; and
- Interest cover, representing the ratio of adjusted EBITDA on net finance charges >4.0.

Throughout the period, all covenants have been complied with. As part of the revised banking facilities secured in May 2020, it was agreed with our lenders to relax the quarterly leverage covenant ratio to not exceed 2.0:1 as at 29 August 2020, rather than 1.5:1. Despite this relaxation the actual measure at 29 August 2020 was 0.38, well within the actual and previous limit.

All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group uses interest rate cap derivatives to manage this risk. The fair value of interest rate caps outstanding at the year-end was £0.7m (2020: £0.8m), the caps cover the whole facility of £500m on a notional basis. Based on current weighted average interest rates and the value of bank loans as at 27 February 2021 the estimated future interest cost per annum until maturity is £9.5m (2020: £16.2m).

The Group continues to have a supplier financing arrangement which is facilitated by HSBC. The principal purpose of this arrangement is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third-party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms of suppliers participating in the programme are similar to those suppliers that are not participating. The maximum facility limit as at 27 February 2021 was £10.0m (2020: £10m). The facility limit was increased to £15m after the year end. At 27 February 2021, total of £8.0m (2020: £6.3m) had been funded under the programme. The scheme is based around the principle of reverse factoring whereby the bank purchases from the suppliers approved trade debts owed by the Group. Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard Group payment terms; the Group is not party to this contract. The scheme has no cost to the Group as the fees are paid by the supplier directly to the bank. The bank have no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group. There is no fixed expiry date on this facility.

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

16. Dividends

	52 weeks to 27 February 2021 £m	52 weeks to 29 February 2020 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 29 February 2020 of nil (2020: 4.27p) per share	**-**	12.1
Interim dividend for the 52 weeks ended 27 February 2021 of nil (2020: 2.83p) per share	**-**	8.0
		20.1
Proposed final dividend for the 52 weeks ended 27 February 2021 of nil (2020: nil) per share	-	-

17. Share Capital

	2021 Number	2020 Number	**2021 £m**	2020 £m
Allotted, called-up and fully paid ordinary shares of 11 1/19p each				
Opening as at 29 February 2020 (2 March 2019)	**285,817,178**	285,817,178	**31.4**	31.4
Issued in the year	**174,666,053**	-	**19.5**	-
At 27 February 2021 (29 February 2020)	**460,483,231**	285,817,178	**50.9**	31.4

The Company has one class of ordinary shares which carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

In December 2020, the Group completed an equity raise where a total number of 174,666,053 ordinary shares was issued at an offer price of 57 pence per share. Net proceeds, after accounting for direct transaction costs, amounted to £93.5m. The nominal value of the shares issued of £19.5m has been accounted for within share capital with the remaining £74.0m accounted for within share premium.

18. 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. Assessment and analysis of disclosures will be undertaken over the coming months. Witness and Expert evidence will play a significant role in helping to establish likely quantum and merits in relation to both the claim and the counter claim and is expected to be completed later in 2021.

The claim and counterclaim remain at an early stage of the legal process.

All claims made by the Insurer, and counterclaimed by JDW, remain subject to final determination by the court, both as to their success and quantum. The claim and counterclaim are extremely complex, and both parties only recently completed the lengthy disclosure exercise, and will continue to gather detailed and factual expert and witness evidence in relation to multiple elements of the claim and counterclaim over the coming months.

There is also considerable uncertainty as to the timing of any resolution of the claim / counterclaim given that the legal court process will continue well into 2021 and the trial is not scheduled until 2022. Legal fees are expected to continue to be incurred during FY22 but it is likely that the cashflows resulting from the claim and /or counterclaim may not arise until FY23.

Having taken legal advice on its own position, the Group has concluded that as the case remains at an early stage and there 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 probable that there will be an outflow of economic benefits to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Insurer's claim represents a present obligation and it is likely than there will be an outflow of economic benefits to settle it. However, given the complexities of the claim, the volume of the data elements involved, the historic nature of the claims and the difficulties associated with establishing all the relevant facts, it is not possible to estimate reliably the amount of the obligation. In these circumstances, IAS 37 requires a contingent liability to be disclosed. The protracted nature of the disclosure process and the volume of material to assess has contributed to the lack of progress in the year.

IAS 37 defines a contingent asset as a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is only recognised in the financial statements when an inflow of economic benefits is virtually certain. It is disclosed as a contingent asset when an inflow of economic benefits is probable. The counter claim does not meet either of these criteria and the description of the counterclaim is provided in accordance with requirements of IAS 1 (Presentation of financial statements) on the basis that claim and counterclaim are relevant to an overall understanding of the overall position.

19. Prior Year Adjustment

During the year, the Group identified that the relief claimed in respect of the value added tax element on customer debt written off was, in prior years, accounted for within product revenue, whilst the cost of the write off was recorded in Financial services cost of sales. On further review of the Group's revenue recognition, management have come to a conclusion that, this is not an income stream within revenue and rather it has no income statement effect.

For the year ended 29 February 2020, £20.7m of value added tax relief was recognised within revenue, rather than being offset against the cost of sales, leading to the overstatement of Group revenue and overstatement of Group cost of sales by £20.7m respectively.

A prior year adjustment of £20.7m has therefore been made in both revenue and cost of sales respectively. This adjustment has no impact on the Group gross profit or profit after tax, nor its net assets or equity in the prior year, and therefore no impact on basic or diluted earnings per share. In addition, there was no impact on net cashflows from operating activities in the prior year.

The prior period has accordingly been restated for this adjustment, as demonstrated below.

Consolidated Income Statement (extract)	29 February 2020 £m	Adjustment £m	29 February 2020 *(Restated)* £m
Revenue	594.9	(20.7)	574.2
Credit account interest	263.3	-	263.3
Total Revenue	**858.2**	**(20.7)**	**837.5**
Cost of sales	(291.0)	20.7	(270.3)
Impairment losses on customers	(133.9)	-	(133.9)
Profit on sale of customer receivables	6.3	-	6.3
Gross Profit	**439.6**	**-**	**439.6**
Operating Profit	**48.1**	**-**	**48.1**
Profit before tax	**35.7**	**-**	**35.7**
Profit for the period	**27.4**	**-**	**27.4**

This report was approved by the Board of Directors on 19 May 2021.

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 as it removes items that do not form part of the recurring activities of the Group.
Adjusted EBITDA margin	Operating profit, excluding exceptional items, with depreciation and amortisation added back, as a percentage of revenue. The Directors believe adjusted EBITDA margin represents the most appropriate measure of the Group's underlying trading performance.
Adjusted profit before tax	Profit before tax, excluding exceptional items and fair value movement on financial instruments. The Directors believe that adjusted profit before tax represents the most appropriate measure of the Group's underlying profit before tax 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 revenue. The Directors believe this is the most appropriate measure to demonstrate the efficiency of the Group's operating cost base.
Adjusted Net debt	Total liabilities from financing activities less cash, excluding lease liabilities. The Directors believe this is the most appropriate measure of the Group's net debt in relation to its unsecured borrowings and is used to calculate the Group's leverage ratio, a key debt covenant measure.
Unsecured net cash/(debt)	Amount drawn on the Group's unsecured debt facilities less cash balances. The Director's believe that this is the most appropriate measure of the Group's unsecured net cash/(debt) position.
Total Accessible Liquidity	Total cash and cash equivalents and available headroom on secured and unsecured debt facilities. The Directors believe that this is 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.