



HALF YEAR RESULTS FOR THE 26 WEEKS ENDED 27 AUGUST 2022

Performance reflects normalisation of Financial Services post Covid-19 and the macroeconomic environment, with continuing strategic progress and strong balance sheet

£m	26 weeks to 27 August 2022 (H1 23)	26 weeks to 28 August 2021 (H1 22) ¹	% Change
Group revenue	331.5	347.4	(4.6)%
<i>Product revenue</i>	211.2	222.7	(5.2)%
<i>Financial services revenue</i>	120.3	124.7	(3.5)%
Adjusted EBITDA ²	27.9	52.5	(46.9)%
Adjusted EBITDA margin	8.4%	15.1%	(6.7)ppts
Adjusted profit before tax ²	4.3	24.4	(82.4)%
Statutory profit before tax	7.2	28.4	(74.6)%
Unsecured net cash ²	47.2	41.9	12.6%
Adjusted net debt ²	(243.5)	(268.3)	9.2%

Highlights

- **Revenue reflects tougher trading conditions**
 - As the period progressed, weakening consumer confidence led to a more challenging online retail market, with the market down c.7% for H1 23³ based on our category mix
 - Group revenue down 4.6%:
 - Product revenue down 5.2%, from 0.6% in Q1 to 9.4% in Q2 and with this trend continuing into Q3
 - Strategic brands product revenue 2.2% lower, with Heritage brands 11.8% lower
 - Financial Services revenue down 3.5%, reflecting a smaller debtor book at the start of the year
- **Product margin improvement with Financial Services margin normalising post Covid-19**
 - A focus on product gross margin rate, up 1.4ppts, provided mitigation to lower order volumes and continued returns rate normalisation
 - Financial Services gross margin rate down c.13ppts, against an exceptional elevated rate in the prior period driven by Government Covid-19 support to consumers
- **Profit reduction reflects exceptional Financial Services profitability in H1 22**
 - Adjusted EBITDA reduction of 46.9% driven by prior year Financial Services performance, with the FY22 impact weighted towards H1, when a Covid-19 IFRS 9 credit loss provision was released and write-offs were atypically low, as highlighted in the FY22 year end results

- Lower product revenue due to softer market conditions in H1 largely offset by margin focus
- Operational and central cost base tightly controlled despite inflationary pressures
- Targeted marketing investment in line with strategy
- **Strong balance sheet**
 - Strong balance sheet, with unsecured net cash of £47.2m. Additional £45.5m accessible cash voluntarily undrawn on the securitisation funding facility and access to fully undrawn RCF of £100m, with total accessible liquidity in excess of £200m
- **Actions taken to mitigate softer volumes and inflationary pressures**
 - Continued strategy execution with a focus on promotional discipline and implementing measured price increases supported by data tools. Average item values up 14%
 - Operational cost flexibility and contract management has generated savings to offset normalisation of returns volumes and inflationary pressures
- **Digital transformation continues despite challenging backdrop**
 - New mobile-first website for Simply Be launched in September enhancing customer experience, including easier site navigation and checkout journey; plan to launch new Jacamo site in first half of 2023
 - Commenced work on building new Financial Services platform
- **Current trading & outlook**
 - Uncertainty around macroeconomic conditions persists, and as such, visibility of trading trends is limited. We have seen second quarter product revenue decline of 9.4% continue into September and at this stage, are planning on the basis of challenging market conditions continuing for longer, with H2 23 product revenue expected to decline at a similar rate to Q2
 - Additional product margin improvements are expected through the Group's pricing response to cost inflation, the movement of the product mix back to clothing, and ongoing initiatives including data usage to optimise pricing strategies
 - We will continue to carefully manage cost and margins whilst planning for ongoing elevated inflation. We will benefit from the variable cost model and normalising against a baseline that from H2 includes the step up in strategic marketing
 - We are well hedged against our US Dollar purchases at more than 100% for H2 23 and c. 50% for FY24, and interest rates hedged to December 2024
 - We have yet to see a significant change in the performance of the debtor book as a result of the macroeconomic environment; we expect the steady normalisation back towards pre-pandemic Financial Services arrears rates to continue
 - As a consequence of these factors, we now expect FY23 Adjusted EBITDA to be in the region of £60m
 - At the end of FY23, we continue to expect the Group to maintain a strong unsecured net cash position, and, whereas we previously expected net debt to be in line with FY22's closing position, we now expect year-end net debt to have reduced over FY22

Steve Johnson, Chief Executive, said:

"In a difficult period of weakening consumer confidence, we've balanced our objectives between disciplined trading – with a focus on upholding margin – and delivering on our long-term strategy to transform the business."

Our teams have worked relentlessly to launch Simply Be's new website, and early indicators give us confidence in the wider benefits for all our customers when we roll this out more widely across our other strategic brands.

We anticipate continued softness in trading over the second half as macroeconomic pressures continue to weigh on consumers, despite government support. We will, therefore, maintain our focus on tightly managing both our costs and margins. At the same time, given our ongoing confidence in our strategy and the strength of our balance sheet, we will continue to invest in our digital transformation to deliver sustainable profitable growth."

¹Refer to FY22 prior year adjustment on page 11.

²A full reconciliation of statutory to adjusted measures is included in the Financial Review.

³BRC total online non-food market weighted to N Brown category mix using management analysis.

Webcast for analysts and investors:

A webcast presentation of these results will take place at 9am on 6 October 2022 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 & footwear digital retailer, with a home proposition. Our retail brands include JD Williams, Simply Be and Jacamo, 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

Macroeconomic pressures during the period have resulted in a tough retail market, with more caution from consumers around discretionary spending, record low consumer confidence and an ongoing reduction in disposable incomes. Whilst the economic backdrop has become more subdued, we have seen resilience in average item values, which were up 14% on H1 22, and stable items per order. At a customer demand level, this has more than offset a lower level of website sessions and softer conversion of these through to orders, albeit demand has then reduced at product revenue level by the normalisation of returns rates.

Despite this challenging backdrop, we have progressed execution of the strategy we announced in May 2022 which targets the delivery of growth through a simpler and more focused business. As announced, our strategic brands, Simply Be, JD Williams and Jacamo, remain our primary focus for growth, with our remaining brands consolidated within a “heritage brands” portfolio focused on protecting value. We have no further brand closures planned. Our strategy is predicated on five pillars and a short update on progress made against each is set out below. Our five pillars are underpinned by two key enablers: our people and talent, and a sustainable operating model appropriate for a digital retailer.

We remain wholly focused on returning N Brown to sustainable growth and are increasing our efforts to progress this. In a particularly challenging market, we are concentrating on all the elements we can control as a business, ensuring we deliver value for our customers in the most effective way possible.

Key Performance Indications (KPIs)¹

We report a range of digital customer metrics which provide operational measures of how our strategy is progressing.

	H1 23	H1 22	Change	FY22
Total website sessions ²	117m	121m	(3.3)%	252m
Conversion	3.6%	3.8%	(0.2)ppts	3.8%
Total Orders ³	4.5m	5.0m	(10.0)%	10.2m
AOV	£78.7	£69.4	13.4%	£71.1
Items per order	2.9	2.9	-	2.8
AIV	£27.5	£24.1	14.1%	£25.2
Total active customers	2.8m	2.8m	-	2.9m
FS arrears	8.9%	7.3%	(160)bps	8.4%
NPS	59	61	(2)	60

¹ KPIs are defined on page 21.

² Prior year sessions restated reflecting implementation of improved data tool which includes more accurate tracking of app sessions.

³ Total orders includes online and offline orders.

Several of our KPIs reflect the impact of the tougher consumer environment on the business. Total website sessions declined by 3.3%, reflecting a combination of a more cautious consumer and significant cost inflation in paid social and paid search, reducing the number of sessions obtained from the same spend. The conversion rate is down 0.2ppts against last year due to customers across the market adopting a more cautious approach whilst browsing sites.

The reduction in orders has been offset by an increase in average item value (AIV), benefitting from our proposition of quality own brand product combined with selected aspirational third-party brands. We have also mitigated a more subdued backdrop with a focus on promotional discipline, implementing measured price increases supported by data tools to help offset inflationary impacts, focusing on the elevated demand for occasionwear vs. leisurewear and customers buying into more premium ranges.

The total number of active customers is broadly in line with the prior year, reflecting the managed decline in our Heritage portfolio of brands, offset by growth in Strategic brands. The reduction against year-end reflects a lower re-trade rate due to greater caution in customer behaviour. We have seen a 3.9ppt increase in the proportion of new accounts opened which are credit accounts.

Financial Services arrears increased by 1.6ppts with Government support during the first part of the Covid-19 pandemic resulting in high repayment rates and low arrears, with the rate remaining below pre-pandemic level.

Our Net Promotor Score (NPS) declined modestly from our FY22 year-end position as we manage short-term delivery issues, whilst we focus on medium term opportunities to improve the customer experience.

Progress against our 5 strategic pillars

1. Build a Differentiated Brand Portfolio

Strategic objective: Build two multi brand and category platforms, one for women (JD Williams) and one for men (Jacamo), as well as one inclusive fashion brand (Simply Be)

Our brand focus has been on iterating our creative platforms to better represent the brand positioning.

For Simply Be, we launched a new creative approach, grounded in fit, which is a key reason we are chosen by customers. This was accompanied by a new media approach which saw us move away from traditional TV advertising entirely and focus our efforts on channels which better align with where our customer spends time, for example, digital video, social, out of home and influencers. We have built on this for our autumn/winter (AW) campaign.

For JD Williams, we designed our 'collections' creative approach to help the customer understand our full range across categories. It was launched with a new media approach in spring/summer (SS) '22, working alongside our brand ambassadors, Davina McCall and Amanda Holden, to bring it to life in an eye-catching, inspirational way. This approach has evolved further for the autumn/winter '22 season with our campaign having launched at the start of September.

For Jacamo, we launched our 'every man' creative approach for SS'22, designed to show we have the brands, styles and sizes for all men, broadening Jacamo's audience and helping to shift perceptions of the brand as 'plus size', to consistently give clear reasons to choose us. This was accompanied by a new media approach where we have aligned our ongoing communications and storytelling with the 'every man' creative.

Our social media channels continue to grow as we foster stronger relationships with our customers through these routes. We now have 2.3m followers across Facebook, Instagram, and Twitter, up 7% versus last year.

2. Elevate the Fashion and Fintech Proposition

Strategic objective: Elevate the fashion assortment, integrate the credit offer into the journey and create a credit brand

We continue to see improvement in how we elevate our own-brand fashion proposition. We have invested in and rebalanced the core offer whilst building in growth categories such as occasionwear. We have continued to grow our in house designed product from 67% of the range in AW'22 to 93% in SS'23 and we intend to reach 100% by AW23. We have introduced 3D Design on certain product areas and are training our design team in the technology over the remainder of the financial year.

Men's own label formalwear performance within the half was an area of particular success, up 74% vs. last year and with a significantly higher proportion sold at full price. Within this, we have sold over 50,000 of our own label 'James' suit.

We have launched a number of own brand labels and third-party brands since the start of the year, which have landed well. We launched Anise, our new sustainable own brand, with a campaign featuring our brand ambassadors, Davina McCall and Amanda Holden, wearing pieces from the range, creating a halo effect, with sales more than doubling on the items they wore. The brand has resonated with our new creative approaches, with a significantly stronger than average return on paid social media spend.

Third-party brands which have launched across our strategic portfolio have been chosen selectively to complement our own product offering. Ladies third party brands sales have increased by 26% versus last year, with a significant increase in the proportion sold at full price. In July, Twisted Wunder was our biggest ever new brand launch on Simply Be and complemented the great performance of Nobody's Child which sold over 45,000 dresses during the first half of the year. Men's branded offering continues to see growth, with good performance from our premium brands including Polo Ralph Lauren and Boss.

Our existing Financial Services proposition has been evolved to enhance the offer in the near term whilst, in parallel, work has begun on a new technology platform. We have improved the integration of our existing Financial Services proposition into the customer journey including developing better credit messaging displays, the introduction of store cards and optimising the user experience, which are all yielding results. There is more to come from our credit offering; we launched 0% interest for new customers and are due to launch this to existing customers in the autumn of 2022.

3. Transform the Customer Experience

Strategic objective: Transform the customer experience, pre and post purchase, and drive conversion at checkout through a personalised experience

We have evolved our digital sales journey in Simply Be through the launch of our new website, which is now live for 100% of our customers. The platform aims to deliver a seamless customer experience so shoppers are able to easily navigate the site, have a frictionless checkout experience and receive the same rich mobile application experience across any device. Jacamo will be the next brand to benefit, and is expected to go live in the first half of 2023.

Native checkout, which allows customers to pay directly through our app, went live for 20% of Android visitors and is now in Beta for iOS users.

Product Implementation Management to provide our customers with better information and insight on our products, including offering more detail about sizing and fabric, has now begun, and various technology solutions are currently being considered. This will create a consistent customer experience and lower returns rate by distributing accurate and complete content across all channels. The building of our new Financial Services technology platform has also commenced through a standalone team, working with an iterative approach.

4. Win with our Target Customer

Strategic objective: Grow our customer base through our existing core customer, high value lapsed customers and a new, younger generation

We have focused on building foundations for this pillar, firstly around activity to revitalise our lapsed customer base but also to drive frequency and engagement from our existing customers.

Secondly, we are evolving our approach to customer retention through agile principles. We are developing propensity models on leading indicators of retention and the customer journey to better understand customer behaviours and how we can influence them more effectively to increase customer value.

We are also investing in our data in this area so that we can better understand our base and how to improve customer targeting and personalisation.

5. Establish Data as an Asset to Win

Strategic objective: Establish data as an asset to drive top line and margin improvements

Significant progress has been made in developing our data strategy, which underpins this pillar. We have focused on how we establish data, through the operational model, team structure, recruitment, and culture, to set ourselves up for success.

In the meantime, we continue to invest in work around pricing, marketing optimisation and customer value as valuable products for the business. Pricetagger, an in-house tool which helps us optimally promote product using pricing elasticity curves, has been rolled out to all clothing and footwear promotions, with tangible benefits to gross margin. We have also developed a mailing selections model, allowing more efficiency with offline marketing spend.

Key Enablers

A significant amount of enabling work is underway in relation to developing an agile operating model through organisational structures which are aligned to our brands and systems which enable customer outcomes. We are learning through an iterative process how to embed this as part of our culture and implement it across areas of the business where value can be realised fastest.

We continue to put our people at the heart of our business, which is why we launched our Equity, Diversity and Inclusion Strategy, 'Embrace', a fundamental enabler to our success as an organisation, during the period. We are committed to both building a diverse workforce and creating an inclusive environment which values equality for all. Alongside this, we are welcoming the first cohort of our graduate scheme in October, as we continue to attract, acquire and develop capabilities for the future.

Environment, Social and Governance

We have continued to embed our Environmental, Social and Governance strategy into the business. Our sustainability plan, SUSTAIN, fully aligns our ethical policies with our commercial activities and our commitment to Our People and Our Planet.

Simply Be has launched its first clothing rental collection with the UK's leading accessible fashion rental platform HireStreet. This is another important milestone in the SUSTAIN strategy with the rental edit helping to extend the lifespan of products and encouraging customers to embrace product circularity.

A key pillar of SUSTAIN is our commitment to responsibly source own-brand product, and we have reached 31% of own brand designed Clothing and Home textile ranges with sustainable attributes (from 0% in 2019) as we target growing this to 100% by FY30 in line with our Textiles 2030 commitment.

Our Greenhouse Gas Emissions per item shipped are 50% lower compared to the base line set in FY15, in line with our BRC Climate Action Roadmap commitments. We are seeing benefits from upgrading to LED lighting at our main distribution centre at Shaw, and an overall reduction in the use of gas and water across our sites.

There has been a particular focus on our social impact during this period with new charity partnerships with Retail Trust and FareShare Greater Manchester announced in September, and the implementation of a more integrated Diversity, Equity and Inclusion policy "EMBRACE". The first 12 months of EMBRACE are targeted on building engagement, awareness and connection supported by five communities which we are establishing to represent the core strands of diversity that exist within our business. The charity choices reflect the two overarching objectives of our corporate charity strategy, which are to support a charity which is closely connected to our business through alignment with our strategic vision and industry and to continue to support a charity with a strong presence in Greater Manchester. We will work closely with both charities to develop a tangible fundraising target and a programme of activities to benefit all our colleagues.

Macroeconomic Environment

The current operating and economic environment remains extremely challenging. Significant increases in energy prices, general price increases and interest rate increases are putting pressure on household budgets and adversely impacting consumer confidence. The cost of living crisis is impacting all elements of people's lives including their decisions in relation to spending on non-essential items.

The Board maintains a continuous process for identifying, evaluating and managing risk as part of its overall responsibility for maintaining internal controls and the Risk Management Framework. This process is intended

to provide reasonable assurance regarding compliance with laws and regulations as well as commercial and operational risks.

Increased risk in the external environment of many of our principal risks (refer to page 30) is leading to a worsening risk position in many categories, despite improvements to the control environment. Control enhancements are identified routinely and on a continuous basis as we test controls, review operational issues and perform assurance activities.

FY23 Outlook

We have seen significant volatility in trading trends in the second quarter and into the third quarter of FY23, including both pre and post the 19th September bank holiday. This, combined with other macroeconomic conditions, makes visibility on revenue trends difficult. Based on the assumption that macroeconomic uncertainty and inflationary pressures continue through the second half of the year, we have revised our assumptions for H2¹ product revenue and now expect it to decline in line with the year-on-year decline seen in Q2 and September.

Consistent with H1, we expect to drive product margin improvements through the Group's pricing response to cost inflation, the movement of the product mix back into clothing, and continued initiatives, including data usage, to optimise pricing strategies. We are well hedged against our US Dollar purchases in H2, which we expect will offset most of the headwind from the recent weakening in Sterling. We will also continue to carefully manage the cost base to mitigate ongoing inflationary pressures.

The Financial Services gross margin has normalised in H1. We will continue to closely monitor customer behaviour and provide support to customers. We are expecting a steady move back towards pre-pandemic arrears rates. We have yet to see a significant change in the performance of the debtor book as a result of the macroeconomic environment.

As a consequence of the above factors, we now expect FY23 Adjusted EBITDA in the region of £60m before growing again as the Group's strategy is executed.

At the end of FY23, we expect the Group to maintain a strong unsecured net cash position and for net debt to be below FY22's closing position, whilst continuing to have full access to the £100m RCF, allowing us to further progress our transformation strategy.

We remain confident in the resilience of our business model and in our strategic direction. As demonstrated by the launch of the new Simply Be website, the business continues to be well positioned to invest in and deliver strategic change through the remainder of FY23 and beyond.

Over the medium term and if current macroeconomic conditions improve, the Board is confident that our strategy will support the delivery of 7% product revenue growth with a 13% EBITDA margin.

1. FY23 is a 53 week financial year. The reference to revenue growth expectations is on a comparable basis excluding the 53rd week in FY23. Other Outlook expectations include the 53rd week in FY23.

FINANCIAL REVIEW

Financial KPIs

Our non-financial KPIs are contained in the Chief Executive Officer's statement. We also use a number of financial KPIs to manage the business. These are shown below and will continue to be reported going forwards.

	H1 23	H1 22¹	Change
Product revenue	£211.2m	£222.7m	(5.2)%
Adjusted EBITDA ²	£27.9m	£52.5m	(46.9)%
Adjusted EBITDA margin ²	8.4%	15.1%	(6.7)ppts
Adjusted operating costs to Group revenue ¹	38.8%	35.9%	(2.8)ppts
Unsecured net cash ²	£47.2m	£41.9m	12.6%
Adjusted EPS ²	0.72p	4.41p	(83.7)%
Statutory profit before tax	£7.2m	£28.4m	(74.7)%

¹ Refer to prior year adjustment on page 11.

² A full glossary of Alternative Performance Measures and their definitions is included on page 22.

Prior year adjustment

In FY22, full year results included a prior year adjustment relating to a change in accounting policy for software as a service (“SAAS”) costs and re-presentation of deceased customer debt write-offs. The H1 22 comparatives have been adjusted to reflect these changes and the rephasing of returns. These are illustrated in the table below.

Income Statement (extract)	28 August 2021 (Reported) £m	Deceased accounts Adjustment £m	Returns rephasing adjustment £m	SAAS adjustment £m	28 August 2021 (Restated) £m
Revenue	232.3	1.8	(1.2)	-	232.9
Cost of sales	(126.0)	0.2	0.7	-	(125.1)
Impairment losses on customer receivables	(43.0)	(2.0)	-	-	(45.0)
Depreciation & amortisation	(22.0)	-	-	0.7	(21.3)
Operating profit	31.0	-	(0.5)	0.7	31.2
Profit before taxation	28.2	-	(0.5)	0.7	28.4
Taxation	(4.8)	-	0.1	(0.1)	(4.8)
Profit for the period	23.4	-	(0.4)	0.6	23.6

Balance Sheet (extract)	28 August 2021 (Reported) £m	Deceased accounts Adjustment £m	Returns rephasing adjustment £m	SAAS adjustment £m	28 August 2021 (Restated) £m
Non-Current Assets					
Intangible assets	122.6	-	-	(4.3)	118.3
Current Assets					
Trade and other receivables	536.8	-	0.5	-	537.3
Total Assets	895.3	-	0.5	(4.3)	891.5
Current liabilities					
Current tax liability	(2.1)	-	0.1	(0.1)	(2.1)
Net assets	440.8	-	0.6	(4.4)	437.0
Retained earnings	304.5	-	0.6	(4.4)	300.7
Total equity	440.8	-	0.6	(4.4)	437.0

Reconciliation of Statutory financial results to adjusted results

The reporting includes alternative performance measures (“APMs”), which are not defined or specified under the requirements of IFRS. These APMs are consistent with how we measure performance internally and are also used in assessing performance under our incentive plans. Therefore, the Directors believe that these APMs provide stakeholders with additional, useful information on the Group's performance.

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 are material to the current financial year or represent true ups to items presented as exceptional in prior periods. These are detailed in note 5.

A full glossary of APMs and their definitions is included on page 22.

Reconciliation of Income Statement Measures

	H1 23	H1 23	H1 23	H1 22	H1 22	H1 22
	Statutory	Exceptional Items	Adjusted	Statutory (Restated ¹)	Exceptional Items	Adjusted (Restated ¹)
Product Revenue	211.2	-	211.2	222.7	-	222.7
Financial services Revenue	120.3	-	120.3	124.7	-	124.7
Group Revenue	331.5	-	331.5	347.4	-	347.4
Product Cost of sales	(115.0)	-	(115.0)	(124.5)	-	(124.5)
Financial services Cost of sales	(60.0)	-	(60.0)	(45.6)	-	(45.6)
Group Cost of sales	(175.0)	-	(175.0)	(170.1)	-	(170.1)
Gross profit	156.5	-	156.5	177.3	-	177.3
<i>Gross profit margin – Group</i>	<i>47.2%</i>	-	<i>47.2%</i>	<i>51.0%</i>	-	<i>51.0%</i>
<i>Gross profit margin - Product</i>	<i>45.5%</i>	-	<i>45.5%</i>	<i>44.1%</i>	-	<i>44.1%</i>
<i>Gross profit margin - Financial Services</i>	<i>50.1%</i>	-	<i>50.1%</i>	<i>63.4%</i>	-	<i>63.4%</i>
Warehouse & fulfilment	(31.7)	-	(31.7)	(31.9)	-	(31.9)
Marketing & production	(36.5)	-	(36.5)	(33.5)	-	(33.5)
Other admin & payroll	(60.4)	-	(60.4)	(59.4)	-	(59.4)
Operating Costs	(128.6)	-	(128.6)	(124.8)	-	(124.8)
Adjusted operating costs to group revenue ratio			38.8%			35.9%
Adjusted EBITDA			27.9			52.5
Adjusted EBITDA margin			8.4%			15.1%
Depreciation & amortisation	(17.1)	-	(17.1)	(21.3)	-	(21.3)
Operating Profit	10.8	-	10.8	31.2	-	31.2
Finance costs	(6.5)	-	(6.5)	(6.8)	-	(6.8)
Profit before taxation and fair value adjustment to financial instruments	4.3	-	4.3	24.4	-	24.4
Fair value adjustments to financial instruments	2.9	-	2.9	4.0	-	4.0
Profit before taxation	7.2	-	7.2	28.4	-	28.4
Taxation	(1.6)	-	(1.6)	(4.8)	-	(4.8)
Profit for the year	5.6	-	5.6	23.6	-	23.6
Earnings per share	1.22p		0.72p	5.10p		4.41p

¹ Refer to prior year adjustment on page 11.

Reconciliation of Cash and cash equivalents and bank overdrafts to Unsecured Net Cash and Adjusted Net Debt

£m	H1 23	H1 22
Cash and cash equivalents	47.2	41.9
Bank overdrafts	-	-
Unsecured debt	-	-
Unsecured Net Cash	47.2	41.9
Secured bank loans	(290.7)	(310.2)
Adjusted Net Debt	(243.5)	(268.3)

Reconciliation of Net movement in Cash and cash equivalents and bank overdrafts to Net Cash generation

£m	H1 23	H1 22
Net increase / (decrease) in cash and cash equivalents and bank overdraft	4.1	(38.9)
Voluntary flexible (drawdown) / repayment of securitisation loan	(14.6)	57.2
Repayment of unsecured loans		-
Net Cash (outflow) / generation	(10.5)	18.3

Overview

We entered FY23 cognisant of the escalating and fast-moving inflationary environment. As we have moved through the first half of FY23, we have seen a reduction in consumer confidence and the environment in which N Brown operates has become more challenging.

We decided not to aggressively drive volumes and although we have seen a softer product revenue performance than last year and also a weakening in Sterling, our disciplined approach to product margin rate and foreign exchange hedging has largely mitigated the impact of these. The cost base has been carefully managed through the period to mitigate inflationary headwinds, with the increase in costs for planned marketing investment in line with our strategy. Alongside this, the investment in and launch of the new Simply Be website marks a significant milestone in the digital transformation journey.

We have annualised against an unusual set of Financial Services comparatives, which has driven EBITDA lower against prior year.

The balance sheet remains strong and a return to growth in the debtor book and securitisation borrowings, driven by product revenue growth, remains a key opportunity for the business.

Revenue

£m	H1 23	H1 22 ^{1,2}	Change
Revenue			
Strategic brands ³	150.6	154.0	(2.2)%
Heritage brands ⁴	60.6	68.7	(11.8)%
Total product revenue	211.2	222.7	(5.2)%
Financial services revenue	120.3	124.7	(3.5)%
Group revenue	331.5	347.4	(4.6)%

Group revenue declined 4.6% to £331.5m, as a result of a 5.2% decline in total Product revenue and a 3.5% decline in Financial Services revenue.

Weighted for our category mix, the online market reduced by c.7% against last year for H1 23⁵, and includes the impact of some year-on-year channel shift by consumers from online to stores due to annualising against periods of store closures during pandemic-related lockdown measures.

In the first half, we experienced a decline in product revenue, however, we are disciplined in our approach to trading and retaining margin, and took the decision to not aggressively drive volumes, with average item values increasing by 14%. Alongside this we have made progress with our digital strategy including delivery of the new website for Simply Be and we remain confident in the ability of strategic brands to deliver growth beyond FY23. As previously highlighted, the Figleaves closure no longer causes a drag on revenue from FY23 onwards and this is reflected in the lower decline seen in Heritage brands versus FY22.

As anticipated, Clothing and Footwear mix increased further, moving from 66% of product revenue in H1 22 to 70% in H1 23. A strong performance has been delivered by categories rebounding against pandemic comparatives including swimwear, occasionwear, and formalwear, whereas declines have been seen in casual categories. As expected with the pivot back into Clothing and Footwear, and customers buying into higher returning categories such as dresses, we have seen further normalisation in customer returns rates, which have increased by 5ppts against the prior year and are now c. 1ppts below pre-pandemic levels.

Financial Services revenue has declined broadly in line with the customer receivables book, with the 3.5% revenue decline being slightly better than the decline seen in FY22.

¹ Refer to prior year adjustment on page 11

² Brand split re-represented into Strategic and Heritage brands in line with the Group's strategy.

³ JD Williams, Simply Be, Jacamo.

⁴ Heritage brands are Ambrose Wilson, Home Essentials, Fashion World, Marisota, Oxendales and Premier Man.

⁵ BRC total online non-food market, management analysis

Adjusted Gross profit¹

£m	H1 23	H1 22 ²	Change
Product gross profit	96.2	98.2	(2.0)%
<i>Product gross margin %</i>	<i>45.5%</i>	<i>44.1%</i>	<i>1.4ppts</i>
Financial services gross profit	60.3	79.1	(23.8)%
<i>Financial services gross margin %</i>	<i>50.1%</i>	<i>63.4%</i>	<i>(13.3)ppts</i>
Adjusted Group gross profit¹	156.5	177.3	(11.7)%
Adjusted Group gross profit margin	47.2%	51.0%	(3.8)ppts

¹ A reconciliation of statutory measures to adjusted measures is included on page 12. A full glossary of Alternative Performance Measures and their definitions is included on page 22.

² Refer to prior year adjustment on page 12.

The Group's adjusted gross profit margin was 47.2%, compared to 51.0% in H1 22. Financial Services gross margin was 50.1% in H1 23, 13.3ppts lower than in H1 22, and consistent with our expectation that Financial Services gross margin will normalise to a low to mid 50s percent range for full year FY23. This was a result of unprecedented conditions within the consumer credit market over FY21 and FY22, with government support during the first part of the Covid-19 pandemic resulting in high repayment rates, low arrears and write-off rates, and consequently, a net reduction in the IFRS 9 bad debt provision and low write offs in H1 22, the period against which H1 23 annualises.

Product gross margin increased 1.4ppts to 45.5%, benefitting from management actions taken to mitigate the impact of inflationary pressures, including on freight rates. These included a combination of reduced promotional levels through disciplined trading, measured price increases supported by data, the mix effect into clothing and the decision to increase shipping charges to customers, which benefitted margin rate by c. 4ppts. We saw c. 1ppt of margin rate benefit from higher VAT bad debt relief due to a normalising level of financial services write-offs. Partially offsetting this was a negative impact of c. 1.5ppts from higher freight rates and with the impact from weak Sterling mitigated through hedging. A further adverse impact of c. 2ppt includes additional stock provisioning reflecting a higher stock balance with greater mix towards clothing.

Adjusted operating costs¹

£m	H1 23	H1 22 ²	Change
Warehouse & fulfilment costs	(31.7)	(31.9)	0.6%
Marketing & production costs	(36.5)	(33.5)	(9.0)%
Admin & payroll costs	(60.4)	(59.4)	(1.7)%
Adjusted operating costs¹	(128.6)	(124.8)	(3.0)%
Adjusted operating costs as a % of Group Revenue	38.7%	35.9%	(2.8)ppts

¹ A reconciliation of statutory measures to adjusted measures is included on page 12. A full glossary of Alternative Performance Measures and their definitions is included on page 22.

² Restated for change in accounting policy (refer to Prior Year Adjustment note 32 in the 2022 Annual Report and Accounts).

Overall, adjusted operating costs as a percentage of Group revenue increased from 35.9% in H1 22 to 38.7% in H1 23. As highlighted at the start of the financial year, we anticipated that inflationary increases and maintaining strategic brand investment would increase the cost ratio in FY23. Management actions have helped to mitigate increases to the cost base, with the total increase of £3.4m being driven by the marketing investment and after the absorption of approximately £6m of inflationary increases. We are focused on maintaining an efficient and sustainable cost base and are planning for a reduction in adjusted operating costs as a percentage of Group revenue in H2 relative to H1.

Warehouse and fulfilment costs were slightly lower than in the prior year period, benefitting from flexing of the cost base by c. £4m with c.10% lower volumes due to higher average item values. This was partially offset by higher returns which drove a c. £2m increase over prior year and the absorption of around £2m across fuel surcharges and inflationary impacts on carrier and resource costs.

Marketing and production costs increased by 9.0% to £36.5m reflecting the previously highlighted strategic decision to invest more into brand marketing, comparing against a lower level of spend in Q1 FY22 when above the line activity did not increase post easing of lockdowns, as well as approximately £2m of inflationary impact, particularly due to higher market costs for paid social and paid search.

Admin and payroll costs increased by 1.0%, driven predominantly by inflationary increases of c. £2m including utilities, payroll and National Insurance.

Exceptional items

Exceptional items were £nil in the period (H1 22: £nil). Further details can be found in note 5.

Profit and earnings per share

Driven by the elevated Financial Services gross margin rate in prior year, lower product revenue performance and marketing investment, Adjusted EBITDA reduced by £24.3m to £27.9m and Adjusted EBITDA margin reduced by 6.7ppts to 8.4%.

Depreciation and amortisation reduced to £17.1m from £21.3m in the prior year as a result of the acceleration of amortisation in FY22 following a review of useful economic lives which took place at the end of FY21, and the change in accounting policy adopted in FY22 relating to software as a service.

Statutory operating profit decreased by £20.4m over the prior year to £10.8m reflecting the reduction in Adjusted EBITDA partially offset by lower depreciation and amortisation.

Net finance costs were £6.5m, broadly in line with £6.8m in the prior year. The opportunity to voluntarily underdraw on the securitisation facility continues to be utilised. The Group has limited its exposure to interest rate movements through interest rate hedging which it continues to have in place, as described in Note 6.

Adjusted profit before tax was £4.3m, down £20.1m year on year (H1 22: £24.4m) as a result of the reduction in EBITDA, partially offset by the lower depreciation and amortisation.

Statutory profit before tax was £7.2m, down £21.9m year on year (H1 22: £28.4m).

The taxation charge was £1.6m (H1 22: £4.8m) with the reduction driven by the lower profit before tax.

Statutory earnings per share decreased to 1.22p (H1 22: 5.10p). Adjusted earnings per share decreased to 0.72p (H1 22: 4.41p).

Financial Services customer receivables and impairment

Gross customer trade receivables at the end of H1 23 reduced by 4.4% to £572m over H1 22. This reflected a combination of lower product revenue, higher write-offs, and higher than normal levels of customer repayments in the half.

The IFRS9 bad debt provision to gross receivable balance ratio is 13.9% compared to 14.7% in H1 22. The H1 22 level was inclusive of £5.2m to cover future Covid-19 default risks.

The reduction in provision rate on payment arrangements reflects a higher propensity to recover. This is a consequence of customers proactively seeking forbearance via the business' various support measures.

The FY22 year-end inflationary post model adjustment of £5.8m is now embedded in the base provision as book performance has declined and modelled economic inflationary expectations are now in line with the market.

Overall provision rates remain higher than the pre Covid-19 level reported in FY20 (10.9%).

£m	H1 23	H1 22	Change
Gross customer loan balances	571.7	597.7	(4.4)%
IFRS 9 provision	(79.7)	(88.1)	(9.5)%
<i>Normal account provisions</i>	(62.5)	(60.3)	-85ppts
<i>Payment arrangement provisions</i>	(17.1)	(22.6)	+78ppts
<i>Covid-19 impact</i>	-	(5.2)	+87ppts
IFRS 9 provision / loan book ratio	13.9%	14.7%	+80ppts
Net customer loan balances	492.0	509.6	(3.5)%

In the half year, the net impairment charge was £59.3m, £14.3m higher than prior year driven by exceptionally low levels of arrears in the prior year, which are now normalising as expected, and the prior year benefitting from the release of c. £10m of Covid-19 additional credit loss provision which was not required.

Net Cash Generation

£m	H1 23	H1 22 ¹
Adjusted EBITDA	27.9	52.5
Inventory working capital movement	(15.6)	(12.4)
Other working capital and operating cash flows	8.7	4.1
Customer loan book IFRS 9 provision movement	11.1	3.0
Cash flow adjusted for working capital	32.1	47.2
Exceptional items	(3.3)	(3.6)
Capital investing activities	(11.2)	(10.5)
Non-operating tax & treasury	(0.6)	(2.0)
Interest paid	(6.5)	(6.7)
Non-operational cash outflows	(21.6)	(22.8)
Gross customer loan book repayment	5.4	8.4
Securitisation debt balance (volume / book size)	(4.0)	(5.0)
Decrease in securitisation debt (eligibility / advance rate)	(22.4)	(9.5)
Net cash outflow from the customer loan book	(21.0)	(6.1)
Net cash (outflow) / generation	(10.5)	18.3

¹Refer to FY22 prior year adjustment on page 11.

Net cash increased by £4.1m compared to a reduction of £38.9m in the prior year. Excluding voluntary flexible drawdown of the securitisation facility of £14.6m this year and voluntary repayment of £57.2m in the prior year, net cash outflow from operations was £10.5m (H1 22 net cash generation: £18.3m). The undrawn headroom on the securitisation facility was £45.5m (H1 22: £57.2m).

The net cash outflow has been driven by a greater decrease in securitisation debt than seen in prior year. £(4.0)m (H1 22: £(5.0)m) reflects the reduction in the customer loan book during the period. £(22.4)m (H1 22: £(9.5)m) is driven by a reduction in the level of eligible receivables within the loan book which can be securitised. The lower level of eligible receivables is a result of a return to a more normal level of build up of payment arrangements in the year with an increase of £31m in payment arrangements since year end. This includes where customers have chosen to proactively use these, which the business continues to facilitate as a responsible lender.

Net inventory levels at the end of the half were up 14.4% against prior year, to £103.0m (H1 22: £90.0m). We have invested in our improved product offering and ensured availability of supply for our customers and the balance has a higher proportion of current season stock than prior year. The balance also includes c. £2m higher freight costs than in the prior year. Given the revenue expectations for H2, we have plans in place to carefully manage inventory intake.

Capital expenditure of £11.2m (FY21: £10.5m) was slightly higher than prior year and an increase in the level of spend is planned for H2 to deliver the ongoing digital transformation of the business.

Adjusted net debt

Unsecured net cash, which is defined as the amount drawn on the Group's unsecured borrowing facilities less cash balances, closed the half with unsecured net cash of £47.2m (FY22: unsecured net cash £43.1m; H1 22: unsecured net cash £41.9m).

Adjusted net debt decreased by £15.9m in the half against FY22 year end, to £243.5m (FY22: £259.4m; H1 22: £268.3m). This is the net amount of £47.2m of cash and £290.7m of debt drawn against the securitisation funding facility which is backed by eligible customer receivables. The £492.0m net customer loan book significantly exceeds this adjusted net debt figure.

Dividend and capital allocation

In the context of the current macroeconomic uncertainty in FY23, the Board will defer the decision on the reintroduction of a dividend until FY24. Nevertheless, the Directors continue to recognise that dividends are an important part of shareholders' returns.

Pension scheme

The Group's defined benefit pension scheme has a surplus of £31.4m (H1 22: £27.1m surplus).

Since the interim reporting date there has been significant volatility in financial markets, however the net balance sheet position of the Fund is not expected to have materially changed. The Fund's investment strategy aims to hedge the impact of changes in interest rates and inflation expectation, to limit the impact of market volatility on the funding position. Whilst the recent increase in bond yields will have reduced the value of the Fund's liabilities, this is expected to have been largely offset by a similar reduction in the value of the Fund's investments.

Allianz litigation

During the period to 27 August 2022, there have been no material developments in the litigation which would materially change the Group's estimated potential net outflow (see Note 16 for full details).

KPI DEFINITIONS

Measure	Definition
Total website sessions	Total number of sessions across N Brown apps, mobile and desktop websites in the 6 or 12 month period
Total active customers	Customers who placed an accepted order in the 12 month period to reporting date
Total orders	Total accepted orders placed in the 6 or 12 month period. Includes online and offline orders.
AOV	Average order value based on accepted demand ¹
AIV	Average item value based on accepted demand
Items per order	Average number of items per accepted order
Orders per customer	Average number of orders placed per ordering customer
Conversion	% of app/web sessions that result in an accepted order
NPS	Customers asked to rate likelihood to “recommend the brand to a friend or colleague” on a 0-10 scale (10 most likely). NPS is (% of 9-10) minus (% of 0-6). NPS is recorded on JD Williams, Simply Be, Ambrose Wilson, Jacamo, Home Essentials and Fashion World.
FS Arrears	Arrears are stated including both customer debts with two or more missed payments, or customer debts on a payment hold.

¹Accepted demand is defined as the value of Orders from customers (including VAT) that we accept, i.e. after our credit assessment processes.

APM GLOSSARY

The statement includes APMs, which are not defined or specified under the requirements of IFRS. These APMs are consistent with how the Group measures performance internally and are also used in assessing performance under the Group's incentive plans. Therefore, the Directors believe that these APMs provide stakeholders with additional, useful information on the Group's performance.

Alternative Performance Measure	Definition
Adjusted gross profit	Gross profit excluding exceptional items.
Adjusted gross profit margin	Adjusted gross profit as a percentage of Group Revenue.
Adjusted EBITDA	Operating profit, excluding exceptional items, with depreciation and amortisation added back.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of Group Revenue.
Adjusted profit before tax	Profit before tax, excluding exceptional items and fair value movement on financial instruments.
Adjusted profit before tax margin	Adjusted profit before tax expressed as a percentage of Group Revenue.
Net Cash generation /(outflow)	Net cash generated from the Group's underlying operating activities.
Adjusted Operating costs	Operating costs less depreciation, amortisation and exceptional items.
Adjusted Operating costs to revenue ratio	Adjusted operating costs expressed as a percentage of Group Revenue.
Adjusted Net debt	Total liabilities from financing activities less cash, excluding lease liabilities.
Net debt	Total liabilities from financing activities less cash.
Unsecured net cash / (debt)	Amount drawn on the Group's unsecured debt facilities less cash balances. This measure is used to calculate the Group's leverage ratio, a key debt covenant measure.
Total Accessible Liquidity	Total cash and cash equivalents, less restricted amounts, and available headroom on secured and unsecured debt facilities.
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 reconciliation of the statutory measures to adjusted measures is included in the Financial Review report on page 12.

**Unaudited Condensed consolidated income statement
for the 26 weeks ended 27 August 2022**

		26 weeks to 27 August 2022 Before exceptional items £m	26 weeks to 27 August 2022 Exceptional items (Note 5) £m	26 weeks to 27 August 2022 Total £m	26 weeks to 28 August 2021 Before exceptional items £m <i>(Restated¹)</i>	26 weeks to 28 August 2021 Exceptional items (Note 5) £m	26 weeks to 28 August 2021 Total £m <i>(Restated¹)</i>
Revenue		222.1	-	222.1	232.9	-	232.9
Credit account interest	4	109.4	-	109.4	114.5	-	114.5
Total revenue	4	331.5	-	331.5	347.4	-	347.4
Cost of sales		(115.7)	-	(115.7)	(125.1)	-	(125.1)
Impairment losses on customer receivables	4	(59.3)	-	(59.3)	(45.0)	-	(45.0)
Net impairment charge	4	(59.3)	-	(59.3)	(45.0)	-	(45.0)
Gross profit	4	156.5	-	156.5	177.3	-	177.3
Operating profit	4	10.8	-	10.8	31.2	-	31.2
Finance costs		(6.5)	-	(6.5)	(6.8)	-	(6.8)
Profit before taxation and fair value adjustments to financial instruments		4.3	-	4.3	24.4	-	24.4
Fair value adjustments to financial instruments	6	2.9	-	2.9	4.0	-	4.0
Profit before taxation		7.2	-	7.2	28.4	-	28.4
Taxation	7	(1.6)	-	(1.6)	(4.8)	-	(4.8)
Profit for the period		5.6		5.6	23.6		23.6

¹ Refer to prior year adjustment on page 11.

Earnings per share from continuing operations

Basic	8	1.22p	5.10p
Diluted	8	1.21p	5.09p

**Unaudited condensed consolidated statement of comprehensive income
for the 26 weeks ended 27 August 2022**

	26 weeks to 27 August 2022	26 weeks to 28 August 2021
	£m	£m
		<i>(Restated¹)</i>
Profit for the period	5.6	23.6
Items that will not be classified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit pension schemes	(6.8)	1.0
Tax relating to items not reclassified	2.4	(0.4)
	(4.4)	0.6
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	0.1	(0.2)
Fair value movements of cash flow hedges	27.3	-
Reclassified from OCI to profit & loss	(0.2)	-
Tax relating to these items	(5.7)	-
Total comprehensive income for the period attributable to equity holders of the parent	22.7	24.0

¹ Refer to prior year adjustment on page 11.

Condensed consolidated balance sheet
As at 27 August 2022

	Note	As at 27 August 2022 (unaudited) £m	As at 28 August 2021 (unaudited) £m (Restated ¹)	As at 26 February 2022 (audited) £m
Non-current assets				
Intangible assets	9	108.3	118.3	113.0
Property, plant & equipment	10	58.6	60.2	58.5
Right-of-use assets		0.7	3.0	1.1
Retirement benefit surplus		31.4	27.1	37.4
Derivative financial instruments	6	10.3	0.5	5.1
Deferred tax assets		11.5	12.7	11.5
		220.8	221.8	226.6
Current assets				
Inventories		103.0	90.0	87.3
Trade and other receivables	11	516.3	537.3	533.1
Derivative financial instruments	6	21.1	0.5	1.7
Current tax asset		0.4	-	1.0
Cash and cash equivalents	13	47.2	41.9	43.1
		688.0	669.7	666.2
Total assets		908.8	891.5	892.8
Current liabilities				
Provisions	16	(27.6)	(3.9)	(30.9)
Trade and other payables	12	(103.8)	(113.5)	(94.7)
Lease liability		(0.6)	(1.3)	(0.9)
Derivative financial instruments	6	-	(3.1)	(0.4)
Current tax liability		-	(2.1)	-
		(132.0)	(123.9)	(126.9)
Net current assets		566.0	545.8	539.3
Non-current liabilities				
Bank loans	14	(290.7)	(310.2)	(302.5)
Lease liability		(0.2)	(2.6)	(0.4)
Derivative financial instruments	6	-	(0.9)	-
Deferred tax liabilities		(24.0)	(16.9)	(20.7)
		(314.9)	(330.6)	(323.6)
Total liabilities		(446.9)	(454.5)	(450.5)
Net assets		461.9	437.0	442.3
Equity				
Share capital		50.9	50.9	50.9
Share premium		85.0	85.0	85.0
Own shares		-	0.2	(0.2)
Cash flow hedge reserve		22.7	-	5.5
Foreign currency translation reserve		1.1	0.2	1.0
Retained earnings		302.2	300.7	300.1
Total equity		461.9	437.0	442.3

¹ Refer to prior year adjustment on page 11.

**Condensed consolidated cash flow statement
For the 26 weeks ended 27 August 2022**

	26 weeks to 27 August 2022 (unaudited) £m	26 weeks to 28 August 2021 (unaudited) £m <i>(Restated¹)</i>	26 weeks to 26 February 2022 (audited) £m
Net cash inflow from operating activities	34.3	51.1	78.7
Investing activities			
Purchase of property, plant and equipment	(1.9)	(1.6)	(3.4)
Expenditure on intangible assets	(9.3)	(8.9)	(16.4)
Net cash used in investing activities	(11.2)	(10.5)	(19.8)
Financing activities			
Interest paid	(6.5)	(6.7)	(13.8)
Repayment of bank loans	(11.8)	(71.7)	(79.3)
Principal elements of lease payments	(0.5)	(1.0)	(1.8)
Proceeds from foreign exchange contracts	0.8	-	(1.3)
Net cash outflow from financing activities	(18.0)	(79.4)	(96.2)
Net foreign exchange difference	(1.0)	(0.1)	(0.4)
Net increase/ (decrease) in cash and cash equivalents and bank overdraft	4.1	(38.9)	(37.7)
Cash and cash equivalents and bank overdraft at beginning of period	43.1	80.8	80.8
Cash and cash and bank overdraft equivalents at end of period	47.2	41.9	43.1

¹ Refer to prior year adjustment on page 11.

Reconciliation of operating profit to net cash from operating activities

	26 weeks to 27 August 2022 (unaudited) £m	26 weeks to 28 August 2021 (unaudited) £m (Restated ¹)	26 weeks to 26 February 2022 (audited) £m
Profit for the period	5.6	23.6	16.2
Adjustments for:			
Taxation charge	1.6	5.3	3.0
Fair value adjustments to financial instruments	(2.9)	(4.0)	(4.8)
Net foreign exchange gain	1.0	0.1	0.4
Finance costs	6.5	6.8	13.8
Depreciation of right-of-use assets	0.4	0.6	1.2
Depreciation of property, plant and equipment	2.1	2.1	4.4
Gain on disposal of right of use assets	-	-	(0.5)
Amortisation of intangible assets	14.6	18.6	32.5
Share option charge	1.1	0.6	0.8
Operating cash flows before movements in working capital	30.0	53.2	67.0
Increase in inventories	(15.6)	(12.4)	(9.6)
Decrease in trade and other receivables	16.3	12.3	15.9
Increase /(decrease) in trade and other payables	8.2	3.2	(13.5)
(Decrease)/increase in provisions	(3.3)	(0.9)	26.1
Pension obligation adjustment	(0.3)	(0.6)	(0.9)
Cash generated by operations	35.3	54.8	85.0
Taxation paid	(1.0)	(3.7)	(6.3)
Net cash inflow from operating activities	34.3	51.1	78.7

¹ Refer to prior year adjustment on page 11.

Changes in liabilities from financing activities

	26 weeks to 27 August 2022 (unaudited) £m	26 weeks to 28 August 2021 (unaudited) £m	26 weeks to 26 February 2022 (audited) £m
Loans and borrowings balance brought forward	303.8	386.8	386.8
Changes from financing cashflows			
Net repayment on loans and borrowings	(12.6)	(71.5)	(79.2)
Lease payments in the period	(0.5)	(1.0)	(1.8)
Lease disposals in the year	-	-	(1.8)
Decrease in loans and borrowings due to changes in interest rates	0.8	(0.2)	(0.2)
Decrease in loans and borrowings	(12.3)	(72.7)	(83.0)
Loans and borrowings balance carried forward	291.5	314.1	303.8

Unaudited consolidated statement of changes in equity

	Share Capital £m	Share premium £m	Own shares £m	Cash Flow Hedge Reserve £m	Foreign currency translation Reserve £m	Retained earnings £m	Total £m
Changes in equity for the 26 weeks to 27 August 2022							
Balance at 27 February 2021	50.9	85.0	(0.3)	-	0.4	276.3	412.3
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	23.6	23.6
Other items of comprehensive loss for the period	-	-	-	-	(0.2)	0.6	0.4
Total comprehensive income for the period	-	-	-	-	(0.2)	24.2	24.0
Transactions with owners recorded directly in equity							
Issue of own shares by ESOT	-	-	0.5	-	-	(0.4)	0.1
Share option charge	-	-	-	-	-	0.6	0.6
Total contributions by and distributions to the owners	-	-	0.5	-	-	0.2	0.7
Balance at 28 August 2021 (Restated¹)	50.9	85.0	0.2	-	0.2	300.7	437.0
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(7.3)	(7.3)
Other items of comprehensive income for the period	-	-	-	6.0	0.8	6.2	13.0
Total comprehensive income for the period	-	-	-	6.0	0.8	(1.1)	5.7
Hedging gains transferred to the cost of inventory	-	-	-	(0.5)	-	-	(0.5)
Transactions with owners recorded directly in equity							
Issue of own shares by ESOT	-	-	(0.4)	-	-	0.4	-
Share option charge	-	-	-	-	-	0.2	0.2
Total contributions by and distributions to the owners	-	-	(0.4)	(0.5)	-	0.6	(0.3)
Balance at 26 February 2022	50.9	85.0	(0.2)	5.5	1.0	300.2	442.4
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	5.6	5.6
Other items of comprehensive income /(loss) for the period	-	-	-	21.4	0.1	(4.4)	17.1
Total comprehensive income for the period	-	-	-	21.4	0.1	1.2	22.7
Hedging gains transferred to the cost of inventory	-	-	-	(4.2)	-	-	(4.2)
Transactions with owners recorded directly in equity							
Issue of own shares by ESOT	-	-	0.2	-	-	(0.3)	(0.1)
Share option charge	-	-	-	-	-	1.1	1.1
Total contributions by and distributions to the owners	-	-	0.2	-	-	0.8	1.0
Balance at 27 August 2022	50.9	85.0	-	22.7	1.1	302.2	461.9

¹Refer to prior year adjustment on page 11.

Notes to the unaudited consolidated financial statements For the 26 weeks ended 27 August 2022

1. Basis of preparation

This condensed set of consolidated interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting in conformity with the requirements of the Companies Act 2006. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 26 February 2022. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

The comparative figures for the year ended 26 February 2022 are extracted from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

The accounting policies and presentation adopted in the preparation of these consolidated interim financial statements are consistent with those disclosed in the published annual report & accounts for the 52 weeks ended 26 February 2022.

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

Annual improvements to IFRS 2018-2020 Cycle

Conceptual Framework for Financial Reporting (Amendments to IFRS 3)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts)

IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

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

Critical judgements and key sources of estimation uncertainty

In preparing the condensed interim financial statements, the areas of critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty related to the same areas as those applied to the consolidated financial statements for the year ended 26 February 2022.

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

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

2. Key risks and uncertainties

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

Principal risks with the potential to impact on performance and the delivery of the strategic roadmap in year or through the planning cycle are 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. Technology
11. People
12. Strategic
13. Supplier and Outsourcing

We have added a significant risk in relation to the macro-economic environment which is explained below.

The macro-economic environment

The current operating and economic environment is extremely challenging. Significant increases in energy prices, general price increases and interest rate increases are putting pressure on household budgets and adversely impacting consumer confidence. The cost of living crisis is adversely impacting all elements of people’s lives including their decisions in relation to spending on non-essential items.

Whilst recent and future government intervention may help reduce the impact, the recently announced Government Growth Plan has, initially at least, increased forecast interest rates and impacted dollar exchange rates. These could increase future pressure on household income.

The Group actively manages currency and interest rate fluctuations through hedging in the near term. Currency arrangements expire on a rolling basis with reducing hedging levels up to 24 months. We continue to monitor rates to identify the most appropriate hedging strategy going forward.

The cost pressures noted above may create affordability challenges for our credit customers. Leading indicators are tracked to enable the Group to react to changes in the lending market. We also ensure that appropriate forbearance options are in place to ensure good customer outcomes for those impacted by these issues.

The ongoing conflict in Ukraine has added further uncertainty to the macro-economic environment, reduced customer confidence and increased pressure in the supplier chain. A sustained decrease in the value of the pound against the dollar will significantly increase product costs.

The Board maintains a continuous process for identifying, evaluating and managing risk as part of its overall responsibility for maintaining internal controls and the 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.

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 success. 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.

Increased risk in the external environment of many of our principal risks is leading to a worsening risk position in many categories, despite improvements to the control environment. Control enhancements are identified routinely and on a continuous basis as we test controls, review operational issues and perform assurance activities.

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

3. Going Concern

After reviewing the Group’s forecasts and risk assessments, including assumptions around capital and operating expenditure and their impact on cash flows, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of signing these financial statements.

In reaching their conclusions, the Directors have considered the Group’s cashflow and revenue projections for the 12 months following the date of signing these results, which have been borne out of extensive scenario testing, based on a variety of end market assumptions, while taking account of appropriate mitigating actions within the direct control of the Group. The Directors have had regard to the implications of recent market movements, in particular, the effect of the weakening of Sterling against the US dollar on the cost of goods purchased in US dollars and the potential impact of rising interest rates on its cost of borrowing; consumer confidence and the health of its debtor book which affects its ability to draw down on the securitisation facility and the impact of severe but plausible downside scenarios on the cash flows. Under the severe but plausible downside scenario, the Group continues to be in compliance with all relevant covenants associated with its available facilities.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

As at 27 August 2022, the Group had cash of £47.2m, net restricted cash of £4.0 and undrawn secured facilities of £45.5m. In addition, the Group had £112.5m of unsecured facilities that were not drawn. This gives rise to total accessible liquidity (“TAL”) of £201.1m (FY22 year end: £210.0m).

4. Business Segments

The Group has identified two operating segments in accordance with IFRS 8 – Operating segments, Product Revenue and Financial Services (“FS”). The Board receives 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 £9.0m (H1 22: £7.2m) as a consequence of customer debt write off, with the write off presented in Financial Services cost of sales. As disclosed in the FY22 Annual Report and Accounts, during the prior year amounts relating to deceased customer accounts debt write off of £2.1m were re-represented within FS cost of sales from product revenue. 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.

	26 weeks to 27 August 2022	26 weeks to 28 August 2021
	£m	£m (Restated ¹)
Analysis of revenue:		
Sale of goods	200.7	212.4
Postage and packaging	10.5	10.3
Product – total revenue	211.2	222.7
Other financial services revenue	10.9	10.2
Credit account interest	109.4	114.5
Financial Services – total revenue	120.3	124.7
Total Group Revenue	331.5	347.4
Analysis of cost of sales:		
Product – total cost of sales	(115.0)	(124.5)
Impairment losses on customer receivables	(59.3)	(45.0)
<i>Other financial services cost of sales</i>	(0.7)	(0.6)
Financial Services – total cost of sales	(60.0)	(45.6)
Cost of sales	(175.0)	(170.1)
Gross profit	156.5	177.3
Gross profit margin	47.2%	51.0%
Gross margin – Product	45.5%	44.1%
Gross margin – Financial Services	50.1%	63.4%
Warehouse and fulfilment	(31.7)	(31.9)
Marketing and production	(36.5)	(33.5)
Other administration and payroll	(60.4)	(59.4)
Adjusted operating costs before exceptional items	(128.6)	(124.8)
Adjusted EBITDA	27.9	52.5
Adjusted EBITDA margin	8.4%	15.1%
Depreciation and amortisation	(17.1)	(21.3)
Exceptional items charged to operating profit (note 5)	-	-
Operating profit	10.8	31.2
Finance costs	(6.5)	(6.8)
Fair value adjustments to financial instruments including exceptional fair value gain (note 6)	2.9	4.0
Profit before taxation	7.2	28.4

¹Refer to prior year adjustment on page 11.

	26 weeks to 27 August 2022 £m	26 weeks to 28 August 2021 £m (Restated ^{1,2})
Analysis of Product revenue:		
Strategic brands ³	150.6	154.0
Heritage brands ⁴	60.6	68.7
Total Product revenue	211.2	222.7
Financial Services revenue	120.3	124.7
Total Group revenue	331.5	347.4

¹Refer to prior year adjustment on page 11..

²Brand split re-represented into Strategic and Heritage brands in line with the Group's strategy.

³Strategic brands include JD Williams, Simply Be and Jacamo.

⁴Heritage brands include Ambrose Wilson, Home Essentials, Fashion World, Marisota, Oxendales and Premier Man.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from Ireland amounted to £8.6m (H1 22: £10.5m). Operating results from international markets amounted to £0.8m profit (H1 22, £2.0m profit). All segment assets are located in the UK and Ireland. All non-current assets are located in the UK.

For the purposes of monitoring segment performance, assets and liabilities are not measured separately for the two reportable segments of the Group. Impairments of tangible and intangible assets in the current period were £nil (H1 22: £nil).

5. Exceptional items

	26 weeks to 27 August 2022 £m	26 weeks to 28 August 2021 £m
Allianz Litigation	-	1.0
Historical Tax matters	-	(0.8)
Other legacy matters	-	(0.2)
Items charged to profit before tax	-	-

ALLIANZ LITIGATION

During the prior period, the Group recorded a charge for legal costs of £1.0m in relation to the ongoing legal dispute with Allianz Insurance Plc. The provision of £28.0m booked in the Group's 2022 Annual Report and Accounts, continues to represent the best estimate for accounting purposes of the potential costs of settlement or award and future legal costs. The provision outstanding at 27 August 2022 was £25.5m. Details of the legal case and estimation uncertainty involved in the amount recognised is disclosed in note 18.

HISTORICAL TAX MATTERS

The Group has now reached agreement with HMRC over a number of historical VAT and other tax matters. The release of £0.8m in the prior period related to provisions no longer required.

OTHER LEGACY MATTERS

During the prior year the Group had a release of £0.2m representing a true up to items presented as exceptional in prior periods.

6. Derivative financial instruments

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

	27 August 2022	28 August 2021
	£m	£m
Notional amount – Sterling contract value (designated cash flow hedges – Interest rate swap)	250.0	-
Notional amount – Sterling contract value (designated cash flow hedges – Foreign exchange forwards)	120.9	-
Notional amount – Sterling contract value (FVPL)	15.0	156.9
Total notional amount	385.9	156.9

The Group has fair value amounts held for derivative financial liabilities in the following line items on the Balance Sheet:

	27 August 2022	28 August 2021
	£m	£m
Current Assets		
Interest rate swap – cash flow hedges	7.7	-
Foreign currency forwards – cash flow hedges	11.8	-
Foreign currency forwards – non designated instruments at FVPL	1.6	0.5
Total	21.1	0.5

	27 August 2022	28 August 2021
	£m	£m
Non-current Assets		
Interest rate swap – cash flow hedges	7.3	-
Foreign currency forwards – cash flow hedges	3.0	-
Foreign currency forwards – non designated instruments at FVPL	-	0.5
Total	10.3	0.5

	27 August 2022	28 August 2021
	£m	£m
Current liabilities		
Foreign currency forwards – non designated instruments at FVPL	-	3.1
Total	-	3.1

	27 August 2022	28 August 2021
	£m	£m
Non-current liabilities		
Foreign currency forwards – non designated instruments at FVPL	-	0.9
Total	-	0.9

The fair value of foreign currency and interest rate derivative contracts is the market value of the instruments as 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 not designated for hedge accounting amounted to a gain of £2.9m (H1 22: £4.0m), recognised through the Income statement in the period.

Changes in the fair value of derivatives designated for hedging purposes amounted to £27.3m (H1 22: £nil) recognised through the cash flow hedge reserve.

Financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (H1 22: 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. Hedge accounting was adopted from the 29 August 2021, and from this point fair value movements on the designated financial instruments were taken to a hedge reserve.

7. Taxation

The underlying effective tax rate for the full year is estimated to be 22.3% (H1 22: 18.1%) and applying this to the profits for the 26 weeks period ended 27 August 2022, after factoring in discrete items, gives a total interim effective tax rate for the six months period of 22.3% (H1 22: 16.7%). The current period rate is higher than the statutory UK tax rate of 19% due to the impact of prior year adjustments on deferred tax recognised at 25% (following enactment of the higher rate in the prior period) and assumed utilisation of brought forward trading losses, partially offset by benefits from fixed asset expenditure including use of the super deduction scheme. In the prior period, the effective rate was lower than the statutory UK tax rate of 19% due to deferred tax assets being recalculated at 25% from 19%, the availability of the super deduction announced by the government on fixed asset expenditure and a lower country rate of tax being applied to those profits arising in Ireland.

On 23 September, the Government announced their intention to retain the rate of Corporation Tax at 19% and reverse the intended increase 25% from 1st April 2024. Had this change been enacted at the half year, the effective tax rate, including discrete items, would have been 16.85%.

8. Earnings per share

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

The adjusted earnings per share figures have also been calculated based on earnings before exceptional items that are one-off in nature and material by size and fair value adjustments that are considered to be distortive of the true underlying performance of the business. These have been incorporated to allow shareholders to gain an understanding of the underlying trading performance of the Group. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

<i>Earnings for the purposes of basic and diluted earnings per share:</i>	26 weeks to 27 August 2022	26 weeks to 28 August 2021
	£m	£m (Restated ¹)
Total net profit attributable to equity holders of the parent	5.6	23.4
Fair value adjustment to financial instruments (net of tax)	(2.3)	(3.2)
Exceptional items (net of tax)	-	-
Adjusted profit for the period as used in headline earnings per share	3.3	20.2

¹Refer to prior year adjustment on page 11.

<i>Number of shares for the purposes of basic and diluted earnings per share:</i>	26 weeks to 27 August 2022	26 weeks to 28 August 2021
	m	m
Weighted average number of shares in issue – basic	459.3	458.5
Dilutive effect of share options	2.6	1.4
Weighted average number of shares in issue – diluted	461.9	459.9

Earnings per share

Basic	1.22	5.10
Diluted	1.21	5.09

Adjusted earnings per share

Basic	0.72	4.41
Diluted	0.71	4.39

9. Intangible assets

	Brands	Software	Customer database	Total
	£m	£m	£m	£m
Cost				
As at 27 February 2021	16.9	369.9	1.9	388.7
Additions	-	8.9	-	8.9
Disposals	-	(12.3)	-	(12.3)
As at 28 August 2021 (Restated¹)	16.9	366.5	1.9	385.3
Additions	-	7.4	-	7.4
Reclass	-	1.5	-	1.5
Disposals	-	(2.1)	-	(2.1)
As at 26 February 2022	16.9	373.3	1.9	392.1
Additions	-	9.9	-	9.9
Disposals	-	-	-	-
As at 27 August 2022	16.9	383.2	1.9	402.0
Amortisation				
As at 27 February 2021	16.9	241.8	1.9	260.6
Charge for the period	-	18.6	-	18.6
Impairment	-	-	-	-
Transfer from tangible assets	-	-	-	-
Disposals	-	(12.2)	-	(12.2)
As at 28 August 2021 (Restated¹)	16.9	248.2	1.9	267.0
Charge for the period	-	13.9	-	13.9
Reclass	-	0.4	-	0.4
Impairment	-	-	-	-
Disposals	-	(2.2)	-	(2.2)
As at 26 February 2022	16.9	260.3	1.9	279.1
Charge for the period	-	14.6	-	14.6
Impairment	-	-	-	-
Disposals	-	-	-	-
As at 27 August 2022	16.9	274.9	1.9	293.7
Carrying amounts				
As at 27 August 2022	-	108.3	-	108.3
As at 26 February 2022	-	113.0	-	113.0
As at 28 August 2021 (Restated ¹)	-	118.3	-	118.3
As at 27 February 2021	-	128.1	-	128.1

¹Refer to prior year adjustment on page 11.

Assets in the course of construction included in intangible assets at the period end total £8.8m (H1 22: £15.7m). No amortisation is charged on these assets until they are available for use.

As at 27 August 2022, the Group had entered into contractual commitments for the further development of intangible assets of £5.0m (H1 22: £6.1m) of which £5.0m (H1 22: £3.6m) is due to be paid within 1 year.

CHANGE IN ACCOUNTING POLICY

In the prior year, the Group reviewed its accounting policy at February 2022 following the IFRIC agenda decision in respect of the configuration and customisation costs previously capitalised in respect of its SaaS implementations. The half year comparatives have been restated to reflect this impact, and total amortisation charge of £0.6m in the half year ended 28 August 2021 has been reversed.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Group tests its intangible and tangible assets annually for impairment or more frequently if there are indicators of impairment. As previously highlighted one of the key indicators is when the market capitalisation is lower than the net assets of the Group. At the balance sheet date of 27 August 2022, this indicator was triggered, and the Board also considered the change in economic conditions since the period end. An assessment was performed consistent with the year end methodology. The key inputs considered included a pre tax discount rate of 18.6% and replacement capex of £15m in the terminal year. This assessment concluded that no impairment was required as at the reporting date of 27 August 2022.

Following the period end, significant challenges in the economy and market conditions have been experienced. The Board recognise that these are likely to introduce an increased level of uncertainty around the Group's short to medium term performance and may impact the key inputs such as the discount rate.

The value in use model is sensitive to changes in assumptions, and the Board is closely monitoring developments in the economic and market conditions over the coming months. Any changes required will be reflected in the value in use model assessed as part of the annual impairment review for the financial year ending 4 March 2023.

10. Property, plant and equipment

Additions to tangible fixed assets during the period of £2.1m (H1 22: £1.3m) primarily relate to warehousing improvement projects. Depreciation of £2.0m (H1 22: £2.1m) was charged during the period. Additionally, depreciation relating to IFRS 16 right of use assets amounted to £0.4m (H1 22: £0.6m) during the period.

Assets in the course of construction included in fixtures and equipment at the period end total £1.3m (H1 22: £1.9m), and in land and buildings total £nil (HY 22: £nil). No depreciation is charged on these assets until they are available for commercial use.

11. Trade and other receivables

	27 August 2022 £m	28 August 2021 £m	26 February 2022 £m
Amounts receivable for the sale of goods and services	571.7	597.7	577.2
Allowance for expected credit losses	(79.7)	(88.1)	(68.7)
Net trade receivables	492.0	509.6	508.5
Other receivables and prepayments	24.3	27.7	24.6
Trade and other receivables	516.3	537.3	533.1
Movement in the allowance for doubtful debts			
		<i>*Re-presented</i>	
Balance at the beginning of the period	68.7	85.2	85.2
Impairment	41.9	30.4	64.3
Utilised during the period	(30.9)	(27.5)	(80.8)
Balance at the end of the period	79.7	88.1	68.7
	11.0	2.9	(16.5)
Income statement impairment charge			
		<i>*Re-presented</i>	
Provision movements	11.0	2.9	(16.5)
Gross write-offs	52.7	43.3	144.9
Recoveries	(7.1)	(4.5)	(36.8)
Other items	2.7	1.3	2.7
Net impairment charge	59.3	43.0	94.3

Other receivables and prepayments include a balance of £0.8m (H1 22: £3.1m) relating to amounts due from wholesale partners.

Trade receivables are measured at amortised cost.

As at 27 August 2022

	Stage 1	Stage 2	Stage 3	Total
Gross trade receivables	388.1	99.7	83.9	571.7
Allowance for ECL	(7.6)	(25.2)	(46.9)	(79.7)
Net trade receivables	380.5	74.5	37.0	492.0
ECL %	(2.0%)	(25.2%)	(55.9%)	(13.9%)
Balances proportion	67.9%	17.4%	14.7%	100%
ECL proportion	9.6%	31.6%	58.8%	100%
Net trade receivables proportion	77.3%	15.1%	75.5%	100%

As at 28 August 2021

	Stage 1	Stage 2	Stage 3	Total
Gross trade receivables	380.2	146.1	71.4	597.8
Allowance for ECL excl. Covid Impact	(6.8)	(27.2)	(41.6)	(76.0)
Outside of IFRS9 provisions	0.0	0.0	0.0	0.0
Covid Impact on ECL	0.0	(4.7)	(0.5)	(5.2)
Allowance for ECL incl. Covid Impact	(6.8)	(31.9)	(49.5)	(88.1)
Net trade receivables	373.5	114.2	21.9	509.6
ECL % excl Covid impact	(1.8%)	(18.6%)	(68.7%)	(13.9%)
ECL %	(1.8%)	(21.8%)	(69.4%)	(14.7%)

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

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

12. Trade and other payables

	27 August 2022	28 August 2021	26 February 2022
	£m	£m	£m
Trade payables	61.6	53.6	47.5
Other payables	6.4	8.3	11.0
Accruals and deferred income	35.8	51.6	36.2
Trade and other payables	103.8	113.5	94.7

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases, based on invoice date, at HY 23 is 50 days (H1 22: 53 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 August 2022 was £15.0m (HY 22: £15.0m). At 27 August 2022, total of £11.9m (HY 22: £10.3m) 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 has no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group. There is no fixed expiry date on this facility.

13. 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 £1.0m (H1 22: £0.9m) of restricted cash which is held in respect of the Group's customer redress programmes and £3.0m (H1 22: £3.0m) in respect of our securitisation reserve account. This cash is available to access by the Group for restricted purposes.

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

	27 August 2022	28 August 2021	26 February 2022
	£m	£m	£m
Sterling	19.6	20.4	31.3
Euro	10.8	4.7	5.1
US dollar	16.8	16.8	6.7
Net cash and cash equivalents and bank overdrafts	47.2	41.9	43.1
Made up of:			
Cash and cash equivalents	47.2	41.9	43.1
Bank overdrafts	-	-	-

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.

14. Bank Borrowings

	27 August 2022	28 August 2021	26 February 2022
	£m	£m	£m
Bank loans	(290.7)	(310.2)	(302.5)
Repayable as follows:			
- Within one year	-	-	-
- In the second year	-	-	-
- In the third to fifth year	(290.7)	(310.2)	(302.5)
Amounts due for settlement after 12 months	(290.7)	(310.2)	(302.5)

	27 August 2022	28 August 2021	26 February 2022
	%	%	%
The weighted average interest rates were as follows:			
Net overdraft facility	1.7	1.6	1.7
Bank loans	2.9	2.4	2.5

All borrowings are held in sterling.

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

The net overdraft facility limit is £12.5m (H1 22: £12.5m), of which £nil was drawn down at 27 August 2022 (H1 22: £nil). The overdraft is repayable on demand, unsecured and bears interest at a margin over bank base rates.

The Group has a bank loan of £290.7m (H1 22: £310.2m) secured by a charge over certain "eligible" trade debtors (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility has a current limit of £400m and is committed to December 2024. Unamortised fees relating to this

facility of £2.5m are offset against the carrying amount of the loan.

The Group also has unsecured bank loans of £nil (H1 22: £nil) drawn down under a medium-term bank RCF. The facility has a maximum limit of £100m, which is committed to December 2023.

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

- Leverage, representing the ratio of adjusted unsecured net cash/(debt) on adjusted EBITDA, <1.5; and
- Interest cover, representing the ratio of adjusted EBITDA on finance charges on unsecured debt and adding back pension interest credit >4.0.

Throughout the period, Leverage covenant retained headroom of at least 1.8 below the 1.5 requirement, and interest cover retained headroom of at least 136.6 above the 4.0 requirement.

The key covenants applicable to the securitisation facility include three month average default, return and collection ratios, and a net interest margin ratio on the total and eligible pool. Through the reporting period all covenants have been complied with.

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

15. Dividends

No dividends were paid or proposed in either the current year or prior year.

16. Provisions

	Customer Redress £m	Strategic Change £m	Allianz Litigation £m	Other £m	Total £m
Balance as at 26 February 2022	1.8	0.8	28.0	0.3	30.9
Provisions made during the period	-	-	-	-	-
Provisions used during the period	(0.4)	(0.4)	(2.5)	-	(3.3)
Balance as at 27 August 2022	1.4	0.4	25.5	0.3	27.6
Non-current	-	-	-	-	-
Current	1.4	0.4	25.5	0.3	27.6
Balance as at 27 August 2022	1.4	0.4	25.5	0.3	27.6

ALLIANZ LITIGATION

As at 26th February 2022, in relation to the ongoing legal dispute with Allianz Insurance plc, the Group recognised an additional charge of £29.8m as an estimate for accounting purposes of the potential costs of settlement or award and incurred and future legal costs. During the current period, total legal costs of £2.5m have been booked against the provision.

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. These insurance products were provided by Allianz Insurance plc ("the Insurer") and sold by JDW as the Insurer's agent. JDW was an unregulated entity prior to 14 January 2005 in respect of the sale of PPI. 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 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 customers together with all associated costs. The Insurer has made a claim under the Civil Liability (Contribution) Act 1978 as well as on other bases.

On 5 March 2020, JDW served its Defence and Counterclaim which denied the Insurer's claim and also made counterclaims seeking contributions from the Insurer towards the losses JDW has suffered in respect of two different types of insurance product provided by the Insurer. In particular, JDW counterclaimed in respect of £16m of redress it had paid to customers who had bought PPI before 14 January 2005, plus £64m of redress it had paid or tendered to customers who had bought a different type of policy, known as "Product Protection", between 2006 and 2014.

On 9 April 2020, the Insurer served a Reply and Defence to JDW's Counterclaim. This document disputed the counterclaims and maintained the claim.

On 10 June 2021, the Insurer sought leave to increase the scope of its original claim in relation to a further customer redress exercise ("the Additional Cohort"), that JDW understands is still ongoing. The Insurer pleaded that the value of this additional element of the claim was up to £36m. The Insurer also revised the value of its original claim to £30m plus interest.

JDW subsequently filed and served its amended Defence as per the Court's timetable. More recently, JDW has further amended its Defence to bring into account the redress liabilities that it has borne without assistance from the Insurer in respect of customers who bought PPI on or after 14 January 2005, which it estimates at not less than £40 million. JDW says that the Court should take this into account, and that this should extinguish or diminish the Insurer's claims.

The two parties held a mediation meeting on 20 April 2022, which did not resolve the differences between them.

All claims made by the Insurer, and counterclaims by JDW, remain subject to final determination by the Court, both as to their success and their financial value. The claims, defences and counterclaims are complex. Both parties will submit factual and expert witness evidence in relation to the dispute over the coming months.

Accounting estimate

The Company is of the view that, should the matter proceed to trial, which is currently listed to commence in June 2023, the Court will determine the outcome on a net basis taking into account the merits of the parties' claims and counterclaims, and the liabilities already borne by them. The company is also of the view that the net basis would apply in any negotiated settlement. Accordingly, the company's assessment of the present obligation has been determined on a net basis.

Should the matter proceed to trial, the eventual outcome is highly uncertain. The range of potential outcomes is very significant given the disputes between JDW and the Insurer as to which sums should be brought into account and what proportions of the liabilities they should each have to bear.

The likelihood of a Court finding wholly in favour of the Insurer, without taking into account the costs already borne by JDW, is considered remote. Accordingly, the maximum potential outflow is considered to be significantly less than the £66 million claimed by the Insurer. Equally, there are reasonable scenarios in which JDW might be due a net contribution in respect of the costs it has incurred, even if the Insurer succeeds in some or all of its claims.

IAS 37 (Provisions, contingent liabilities and contingent assets) sets out the requirements for determining the

quantum and timing of recognition for provisions, contingent liabilities and contingent assets.

Having concluded that a provision should be estimated for the potential net outflow of the claims and counterclaims, the Group recorded a total charge of £29.8m in the prior year for legal costs, as an estimate for accounting purposes of the potential costs of settlement or award and future legal costs. During the period to 27 August 2022, there have been no material developments in the litigation which would materially change the Group's estimated potential net outflow.

Given the nature of the issues in dispute, the Court will have considerable discretion in reaching its conclusions. Accordingly, the range of potential outcomes, in either direction, could be many times materiality and involves a significant level of estimation.

There is also uncertainty as to the timing of any resolution of the claim and counterclaim. The trial is listed to commence in June 2023. Our accounting estimate is based upon the assumption that the parties reach a settlement within FY23, however, if the matter progresses to trial any cashflows resulting from the claim and/or counterclaim may not arise until FY24.

CUSTOMER REDRESS

The provision relates to the Group's liabilities in respect of costs expected to be incurred for payments for historic Financial Services customer redress, which represents the best estimate of redress obligations, taking into account factors including risk and uncertainty.

Redress activity, other than the Official Receiver complaints, has been concluded in prior years and as at 27 August 2022 the Group holds a provision of £1.5m, which will be paid in the next 12 months.

STRATEGIC CHANGE

The one off costs relating to the Group's multi year transformation were substantially complete in the prior year. The remaining provision of £0.4m as at 27 August 2022 relates to property dilapidation provisions and will be paid in the next 12 months.

OTHER

The provision held at 27 August 2022 of £0.3m relates to costs and interest in relation to matters under discussion with HMRC relating to FY19 or prior years. Agreement on this matter is still pending with HMRC as of the date of this financial report.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted with the requirements of the Companies Act 2006
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and

(b) DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This report was approved by the Board of Directors on 6 October 2022

Stephen Johnson
Chief Executive

Rachel Izzard
Chief Financial Officer