18 May 2022

FULL YEAR RESULTS FOR THE 52 WEEKS ENDED 26 FEBRUARY 2022

Progressing our strategic transformation

£m	**52 weeks to 26 February 2022 (FY22)**	52 weeks to 27 February 2021 (FY21)[1]	% Change
Group revenue	**715.7**	728.8	(1.8)%
Product revenue	***465.6***	*468.4*	*(0.6)%*
Financial services revenue	***250.1***	*260.4*	*(4.0)%*
Adjusted EBITDA[2]	**95.0**	84.9	11.9%
Adjusted EBITDA margin	**13.3%**	11.6%	1.7ppts
Adjusted profit before tax[2]	**43.1**	29.4	46.6%
Statutory profit before tax	**19.2**	9.2	108.7%
Unsecured net cash[2,3]	**43.1**	80.8	(46.7)%
Adjusted net debt[2]	**(259.4)**	(301.1)	13.9%

[1] FY21 restated to reflect the impact of accounting policy change in relation to Software as a Service including minor reductions against the reported level of each of Adjusted and Statutory PBT (£0.7m) and to Adjusted EBITDA (£1.6m) (refer to note 19).

[2] A full reconciliation of statutory to adjusted measures is included in the FY22 Financial Review.

[3] FY22 excludes accessible amounts voluntarily undrawn against the securitisation facility of £60.1m.

Highlights

- **Delivered growth in strategic brands product revenue driven by increase in total active customers**
  - Group revenue reduced 1.8% reflecting a 0.6% reduction in product revenue and a 4.0% reduction in Financial Services revenue
  - Excluding the impact from closing Figleaves in early FY22, product revenue grew by c.4%, with growth in strategic brands more than offsetting the managed decline in other heritage brands
  - Strategic brands product revenue grew 9.9%, reflecting the benefits of strategic change and strong clothing & footwear performance
  - Year end active customers increased for the first time in four years, supported by the improved product offer and focused marketing
- **Financial Services**
  - Financial Services revenue reduced by 4% reflecting the smaller debtor book at the start of the financial year
  - Financial Services gross margin was 61.8% in FY22, 15.9ppts higher than FY21, and c.10ppts higher than normalised levels. This was a result of unprecedented conditions within the consumer credit market, with government support during the first part of the Covid-19

pandemic resulting in high repayment rates and low arrears rates and consequently a net reduction in the IFRS 9 bad debt provision compared to the position last year

- **Profit growth and strong balance sheet**
  - Adjusted EBITDA up 11.9% to £95.0m, with the increase in Financial Services margin more than offsetting costs annualising against the initial Covid-19 related reductions, and investment in brand building
  - Operating costs as percentage of Group revenue of 36.0%, lower than equivalent pre-pandemic level (FY20: 39.8%) as efficiencies and cost flexibility retained
  - Strong balance sheet with unsecured net cash of £43.1m. Additional £60.1m accessible cash voluntarily undrawn on the securitisation funding facility at the year end
  - Accounting provision made of £28m in relation to the dispute with Allianz
- **Dividend update**
  - The Board will consider the introduction of a dividend payment in FY23
- **Accelerating strategic investments in brand, product and digital whilst meeting sustainability targets**
  - Increased marketing investment to further develop our strategic brand propositions and awareness; first year of Amanda Holden and Davina McCall as brand ambassadors for JD Williams
  - New in-house studio significantly enhances ability to showcase product through customised content created at an efficient unit cost including film quality photography
  - Solid progress towards roll out of a new front-end platform for our websites, scheduled for FY23 for Simply Be. This will provide a mobile-first experience, removing friction through journey and checkout
  - Increasing proportion of sustainably sourced own brand product, achieved FY22 target of 30%; post year end launch of JD Williams' in-house designed own brand range, Anise
- **Evolving our strategic transformation**
  - Digital Chief Operating Officer appointed to Executive management team
  - Evolved strategy to deliver growth through a simpler and more focused business:
    - Strategic brands reduced to Simply Be, JD Williams and Jacamo, driving growth
    - Other brands consolidated within a "heritage brands" portfolio focused on protecting value, with no further closures planned in near future
  - Further integration of flexible credit offer into our customer journey
  - Elevation of data as a core pillar of the strategy

Steve Johnson, Chief Executive, said:

"I am pleased with our continued progress in transforming N Brown into a more focused digital business, with a distinct and improving offer across our strategic brands. Our strategic brands returned to growth in the year with growing customer numbers. As we move forward, we are evolving our priorities to concentrate our growth focus on Simply Be, JD Williams and Jacamo, where we see the strongest market potential. We're executing on our investment plans to unlock these opportunities including through new websites which will be rolled out progressively over the coming months.

"In what has been another volatile period in the consumer environment, I would like to thank all of my colleagues for their continued commitment to serving customers, and their role in delivering a strong

performance in the year. The work we have done means we are significantly better placed than we were before the pandemic and, although cautious in the short-term due to inflationary impacts and consumer behaviour, we remain confident that over the medium-term our strategy will support the delivery of 7% product revenue growth with a 13% EBITDA margin."

Webcast for analysts and investors:

A webcast presentation of these results will take place at 9am on 18 May 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

Continuing our Strategic Transformation

We have continued to see a challenging backdrop including the impacts of the Covid-19 pandemic and more recent geopolitical events and the economic, logistical, and personal shocks that these create. Despite this, over the past two years we've been able to create a solid foundation that has enabled our colleagues to execute against our strategy, including further development of our product proposition and refinement of our marketing focus. Furthermore, our colleagues continue to represent the values of our organisation by putting our customers first. We, in turn, continue to put our colleagues at the heart of what we do, underlining this through our commitment to ensure all colleagues are paid at least, the national living wage. We recognise that consumer sentiment is not back to pre-Covid levels, particularly given increases in the cost of living, but our business has performed resiliently as we've adapted our trading approach to be flexible in the face of changing customer expectations.

We are really pleased with the significant progress we have made over the last couple of years in building our new trading website, which is currently in test mode, and which will be launched for Simply Be within FY23. This is our first mobile adaptable website, which will bring benefits to both customers and colleagues. Following the Simply Be launch, other brands will roll out once we are satisfied the experience is as we intended.

We have also undertaken a significant amount of exploration in relation to our Financial Services platform in order to understand how to deliver a better and more modern experience for our customers. Whilst it remains in the early stages of development, we are pleased with our progress and will update on developments as we move forward.

We have delivered pleasing growth in product revenue from our strategic brands, which have increased 10%, and adjusted EBITDA is in line with guidance at £95.0m. The total number of active customers has grown year-on-year, closing 4% up at 2.9m (FY21: 2.8m) and which reflects a return to growth for the first time in four years albeit slightly behind our internal bonus targets. Supported by clear brand identities and effective marketing activity, Simply Be and Jacamo closed the year with the biggest active customer files in their histories. We saw Financial Services gross margin at higher than normalised levels due to unprecedented conditions within the consumer credit market driving high repayment and low arrears rates. Our robust balance sheet and continued cash generation positions us well for the future. This provides us with a foundation to execute our strategy, and the Board remains confident in achieving the Group's medium-term objective of delivering sustainable profitable growth.

Looking Back on FY22

Distinct Brands to Attract Broader Ranges of Customers

In June 2020 we set out to simplify our brand portfolio through focused propositions with clear target customers. Having done substantial work in FY21 to simplify the portfolio with the closure of House of Bath, High and Mighty and the integration of Figleaves into Simply Be, the emphasis this year has been on propositional development and awareness building on strategic brands.

Overall, we've made good progress; we now have more than 2 million followers on social media, and across the strategic brands the customer file grew by 6% over the course of the year. We've also invested in our creative infrastructure with a new LED studio environment which produces film quality photography and enables shooting of video to showcase our product to best advantage.

In JD Williams we focused on increasing visibility and relevance with our target customer, through brand ambassador partnerships with Davina McCall and Amanda Holden.

Simply Be's core message is around inclusivity and fit, and our marketing campaigns have showcased this through elevating the importance of product, such as lingerie and denim, where fit is key. Influencers have become an increasingly important part of Simply Be's brand building strategy, and alongside this we were pleased to be a part of Instagram's UK pilot of "Instagram checkout" where customers can purchase directly via Instagram.

On Jacamo, campaign work has been focused on size as a positive, working with influencers like Big Zuu to build the brand's credentials in the market. Home Essentials formed a brand ambassador partnership with Frankie Bridge and Nicki Bamford-Bowes alongside a series of other influencers.

Improved Product to Drive Customer Frequency

We continue to optimise our range breadth across clothing, footwear and beauty, reducing SKUs by 7% to 25k, creating a clearer customer proposition and buying efficiency. As part of our focus on inclusivity, we have extended our core size ranges and now offer 13 sizes across womenswear and 10 sizes across menswear.

To continue to strengthen our product handwriting, we have invested substantially in our design capabilities, and the proportion of unique product designed in house is now 53% from 40% across men's and women's clothing.

We have continued to add aspirational 3rd party brands to extend the "best" element of the range including Nobody's Child and Hope & Ivy on Simply Be, which are uniquely available in our sizing. Selected Femme and Finery have both launched on JD Williams. Through the year, we've also built on our existing strong partnerships with Joe Browns and Monsoon in womenswear and Ralph Lauren and Hugo Boss in menswear. The success of these initiatives has given us the confidence to continue to develop both Jacamo and JD Williams as multi-brand platforms.

From a sourcing perspective, we have continued to rationalise the number of suppliers we work with from 979 to 805 (an 18% reduction) across the year resulting in improved relationships and efficiency.

New Home Offering for Customers to Shop more across Categories

Our existing Home offering enabled us to capitalise on the Homeware boom through the pandemic, with our brands able to pivot towards this category by maximising customer demand. JD Williams, as a multi-category platform, represented the largest share of Home sales for the Group at 39%.

The Home category continues to evolve with the acceleration of own design product which is unique to us. We continue to design, develop, and procure furnishings in key categories across Home and Tech, with 70% of our Home and Furniture offer being own design. The success of the approach is reflected in an 18% year-on-year reduction in returns.

Within the technology category we've secured more premium brands such as LG and Samsung and grown our existing offer in areas that resonate with the customer at key times. Premium brands present our customer with an opportunity to shop more aspirational products, with flexibility around payment options in conjunction with a credit account.

Enhanced Digital Experience to Increase Customer Conversion

We've made significant progress on the continued development and deployment of our new front-end platform for the trading websites, ensuring that the technology is established for release in FY23. Simply Be is the first trading website to be migrated onto the new web platform, with beta testing currently taking place.

In addition to development of the platform, our User Experience team have focused on delivering incremental improvements across the customer journey, developing efficiencies across digital product pages to enable a smooth checkout experience for customers.

Our commitment to digital transformation supported the development of Robotic Process Automation ("RPA"), which focused primarily on Merchandising, replacing repeated manual tasks with automated processes to improve speed, accuracy, and efficiency.

Flexible Credit to Help Customers Shop

Financial Services is an integral part of our customer proposition, and we remain committed to providing great products for our customers and ensuring that we support them in appropriate ways.

Over the course of the year, we completed a detailed design phase for our new Financial Services platform, which will commence build in 2022. We will continue to enhance our existing proposition where possible including a six-month 0% interest campaign for new customers.

We continue to support customers categorised as being in persistent debt, by providing a solution to ensure balance paydown in a reasonable period and prevent any future reoccurrences. This is an integral part of ensuring our customers are protected.

From a regulatory perspective, we've successfully implemented Stronger Customer Authentication ("SCA") as part of the PSD2 regulation, ahead of the deadline, minimising any impact on our customers. Having rolled out the Senior Managers and Certification Regime ("SMCR") from the FCA in 2020, we have now embedded this within the organisation. In addition, we have worked closely with the CBI in the Republic of Ireland, setting up an appropriate Board structure and investing in our technology for improved ID checking and verification.

Sustainable Cost Base

Investment in brand marketing in the year has been the main contributor to an increase in the adjusted operating costs to Group revenue ratio, with the level of 36.0% remaining lower than pre-pandemic. This reflects efficiencies and cost flexibility.

We were able to mitigate the logistical impacts of global shipping and distribution issues through our supply chain by appropriately managing our stock levels in advance, specifically around peak trading. This enabled us to meet customer demand versus competitors and to continue to provide the right products.

The current broader inflationary environment is creating two key themes. The first is a commercial impact directly related to the increased cost of doing business. The second is a customer impact reflecting the increased cost of living and the broader uncertainty leading to lower consumer confidence. We have worked through a series of actions and considerations in order to navigate the uncertainty and opportunities resulting from the current macro-economic environment.

People and Culture

Our colleagues continue to navigate through the impacts of a post-pandemic world with resilience and determination, always looking to put our customers at the forefront of everything we do. Colleagues are our biggest asset, providing flexibility and commitment, and showing that we can adapt our ways of working and keep delivering for our customers.

Data

We have continued to develop data products and tools that create actionable insight to support our business functions. We have supported commercial opportunities, developing an internal tool, PriceTagger, which optimally promotes product using pricing elasticity curves. We also use data insight to support our FS business to assess customer credit risk profiles and offer the appropriate solution for them.

The Group has continued to invest in its people and infrastructure with new key hires across our data function to build out a new data platform and deliver rapid insight to action analytics.

Strategic Update

Evolving our Strategic Roadmap

Over recent years we've undertaken a significant programme of transformation to become a lean, digital organisation. Throughout this, our vision of "becoming the UK's most loved and trusted inclusive retailer" has been central, and it continues to be relevant to our business today.

In Autumn 2021, supported by external consultants, we conducted a review to assess our strategy and define the most expedient way forwards for growth. Much of the strategy set out in June 2020 remains constant, and to accelerate value creation we have further refined our priorities based on the following principles:

- Focus on growth through three strategic brands (JD Williams, Simply Be and Jacamo), which will allow us to boost simplicity and rigour of execution and deliver strong customer propositions and efficiency in our marketing.

- Home will remain an important category for N Brown, but our focus will shift to growing this through the multi category platform of JD Williams alongside a standalone Home brand. This enables us to improve efficiency in our marketing spend, and maximise the cross shopping experiences of our customers.

- Establish the remaining brands as a "heritage" portfolio, focused on stabilisation and value protection rather than growth, with no further brand migrations planned at present. This includes Home Essentials and Ambrose Wilson.

- Full integration of our flexible credit offer into the core of the customer value proposition.

- Elevation of data as an asset at the core of the strategy, driving daily decision making and activating our unique data pool.

These iterations make N Brown a simpler, more focused business able to allocate colleagues, investment and marketing spend in the most effective manner. The result of this is an evolution in the focus on our strategic pillars:

- **Build a differentiated brand portfolio** - 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)

- **Elevate the fashion and fintech proposition** - Elevate the fashion assortment, integrate the credit offer into the journey and create a credit brand

- **Transform the customer experience -** Transform the customer experience, pre and post purchase, and drive conversion at checkout through a personalised experience

- **Win with our target customer** - Grow our customer base through our existing core customer, high value lapsed customers and a new, younger generation

- **Establish data as an asset to win** - Establish data as an asset to drive top line and margin improvements

1. Build a Differentiated Brand Portfolio

Continuing the momentum built in FY22, our focus is on building awareness and driving growth across the strategic brands of Simply Be, Jacamo and JD Williams.

Simply Be is an inclusive fashion brand for young women, focused primarily on own label design and expertise in fit. We launched a new creative approach with our Spring/Summer campaign, where we are asking women to reject bad fit, joining us in a "fit revolution". We will explicitly shift our focus to include all sizes – welcoming all women to Simply Be through the campaign. We launched with a new media strategy which moved away from traditional TV advertising, focusing on the digital channels where our customer spends her time (digital, social, influencer), as well as high impact channels like out-of-home advertising.

JD Williams is a fashion and lifestyle platform for grown women. As a platform it is multi category (selling clothing and homeware) and includes own label and third-party brands. The Irish brand Oxendales will also transition to being the offer of JD Williams for the Irish market. JD Williams will continue to work with Davina McCall and Amanda Holden as brand ambassadors in FY23, showing how we have a relevant offer for every occasion for our customer, 'a collection for every moment'.

Jacamo is an inclusive fashion platform for all men. Our marketing strategy is evolving to showcase the styles, brands and sizes relevant 'for every man', this will be showcased through the year. Our spring/summer campaign launched in May with a focus on key clothing categories, showing how we have the right offer for all men. By using 'archetypes' of different men and their style, we showcased the breadth of our offer to convey relevant sizes, brands and styles. This went live across digital video, out-of-home, and social channels in mid-May. For Autumn we are developing a new long-term creative approach, and looking at media and third-party partnerships to land this with significant impact.

2. **Elevate the Fashion and Fintech Proposition**

Through FY23 we will continue to strengthen our overall offer by reducing our range depth across clothing footwear and beauty by 7% to create clarity, and keeping our emphasis on quality and fit.

We will continue to grow the mix of own designed product to build our handwriting and uniqueness and next year will focus on utilising our 3D Design software across the ranges. This creates efficiencies in sampling costs and quicker decision-making, as well as building out our fit expertise.

On own designed clothing, we have launched Anise as a relaxed, casual collection which features premium sustainable fabrics. We are relaunching Dannimac which is an historic label we own, modernised for the contemporary consumer, and Snowdonia, a true outdoors brand. Within the JD Williams home offer, we are launching a series of homeware labels with Julipa, Osborne and Gray and Anise, complementing the clothing ranges.

New third-party brands for JD Williams include Whistles, Mango, Sosandar, with Joe Browns, Monsoon, Phase 8 and Finery all building on last year's successes.

On Simply Be, we continue to build on the strengths of existing partnerships by broadening the offer available with brands such as Nobody's Child, Hope & Ivy and Joe Browns which are all available exclusively to us in our sizing. We will also use collaborations to develop unique designs in key categories, such as "Flourish" which is a partnership with local florists' for occasionwear.

Within Jacamo we will continue to build momentum in our premium labels including Hugo Boss and Ralph Lauren and will build on the success of men's formalwear by introducing a product collaboration with William Hunt, a Savile Row Tailor, which is a key category for 2022.

We will continue to rationalise the supply base and increase the proportion of clothing & footwear suppliers that are closer to home whilst reducing the supply base in China.

Bringing closer connection between our retail and credit journeys is a key focus for the year ahead. This means enhancements to our current proposition with offers such as 0% finance and improved eligibility search, but also evolution to our digital shopping journeys which will help the customer understand the total offer available to them across both retail and credit product. We will also start to talk about our credit offering more prominently in both above and below the line marketing.

3. **Transform the Customer Experience**

We are making significant investments in upgrading our technology estate in order to transform our customer experience and give us the flexibility for future innovation.

Our new front-end platform, which delivers a new trading website has been in development and we anticipate a customer launch later this year on Simply Be, to be followed by our other brands. The website is designed as a mobile first experience, reflecting the increasing amount of shopping done via mobile devices. The experience is designed based on reachability and enables easy navigation and frictionless checkout, creating the rich experience you get on a mobile app but through the ease of shopping on the web.

Given the centrality of fit to our proposition, we are implementing a new Product Information Management system ("PIM"). This will give customers better information and insight on our products such as more detail about sizing and fabric. This will create a consistent customer experience and lower returns rate by distributing accurate and complete content across all channels as well as creating efficiency through the removal of manual, repetitive processes.

We are commencing work on the build of a new Financial Services technology platform that will enable further propositional innovation and allow us to develop into a fintech organisation. This will provide flexibility, better service, and a wider range of products to benefit our customers for the future.

4. Win with our Target Customer

One of our key focuses for the next financial year is to grow our customer base, with a particular emphasis on better engagement with existing customers and bringing back former customers who have lapsed. Through the integration of credit through the customer journey, improved product story telling in our trading stories and accelerated use of first-party data we'll create a more compelling relationship with our customers.

This approach will drive better engagement, increase re-trade rates within our customer file and most importantly, improve the loyalty of our customers to our strategic brands. To facilitate this, we are developing our approach to CRM. The intent is to create an ecosystem of relevant, personalised communications on a customer-by-customer journey, that is delivered at the right time for the customer. This year will be focused on developing the people, process and data requirements and foundations in place to start delivering more personalised, relevant content to the customer.

Being clearer on who our target customer is allows us to refine our proposition tailored to their needs. It also allows us to be more effective with our marketing strategy. This will give us a sharper view of our target customer, designing our creative and media approaches around them. The content we create will reflect this, with a storytelling approach and a choice of models that resonates with each audience, underpinning our drive for greater inclusivity and delivering more engaging content formats.

5. Establish Data as an Asset to Win

Data was already an enabler to our strategy, and we have elevated it to be a core part as we move forward. We want to use our data to help better decision making in the business to enable teams to be empowered and move at pace.

Last year, we saw huge success with the build of our internal tool PriceTagger, which helps us optimally promote product using pricing elasticity curves. Alongside developing our core data platform we will focus on driving margin improvement through the following areas: dynamic pricing and promotions to adjust pricing within season, markdown optimisation which defines optimal timing and size of end-of-season markdowns, customer centric buying which is making in-season buying adjustments based on early detection of sales performance and online traffic movements, and in-session personalisation to help show the right customers to the right products based on their personal profile.

Key Performance Indications (KPIs)[1]

As a digital retailer committed to accelerating our strategy and navigating a post-pandemic environment, we continue to report various digital customer metrics, which provide operational measures of how our strategy is progressing. The disclosure below reflects our performance in FY22.

	FY22	**FY21**	**Change**
Total website sessions	244m	232m	5.2%
Conversion	3.8%	3.8%	-
Total Orders[2]	10.2m	10.0m	2.0%
AOV	£71.1	£69.0	3.0%
Items per order	2.8	2.8	-
AIV	£25.2	£25.0	0.8%
Total active customers	2.9m	2.8m	3.6%
FS arrears	8.4%	7.9%	50bps
NPS	60	63	(3)

1 KPIs are defined on page 23

2 Total orders includes online and offline orders

Total website sessions during the period increased by 5% due to expanded marketing spend across our strategic brands, particularly in brand advertising to drive awareness. Conversion was flat against FY21 at 3.8%, with the 10.2m orders in FY22 reflecting customer demand and included a significant pivot back to Clothing and Footwear, as the UK was able to socialise again.

Average order value ("AOV") improved by 3.0% and we achieved a 0.8% increase in average item value ("AIV"). These were each driven by a mix back towards higher priced dresses and outer clothing from more casual clothing sold during the onset of the Covid-19 pandemic with items per order remaining in line with prior year.

Total active customers increased in the year driven by acquisition in our strategic brands, representing a return to growth in full year active customers for the first time in four years, albeit behind the internal target included within bonus metrics. This included some attrition through a cohort of customers who bought one off home products during lockdown periods not returning to shop.

FS arrears showed a small increase following some normalisation in payment rates as a result of an unusually high propensity of credit customers paying down balances in FY21. However, arrears rates have yet to return to FY20 levels.

NPS stepped back from FY21 performance, behind the internal target included within bonus metrics. This was driven by supply chain disruption, and in particular a lack of delivery drivers during peak trading due to Covid-19.

FY23 Outlook

Our expectation for FY23 Adjusted EBITDA remains unchanged from our year end trading statement issued on 3 March 2022. This reflected Adjusted EBITDA at a level similar to that reported in FY21 before growing again as the Group's strategy is executed.

We are confident in continued revenue growth from strategic brands and see the managed decline in revenues from heritage brands moderating as we no longer cycle against the drag from the Figleaves website closure. The trading environment has become more challenging since the start of FY23, with inflation impacting consumer confidence and resulting in a slightly softer level of volumes and revenue growth than previously anticipated. As a result of our continued focus on product margin, its improved trajectory in the second half of FY22 and volume variable cost savings, we expect this to be mitigated.

We expect product mix to further normalise, with clothing driving demand and a continued shift back into categories such as dresses and formalwear. The previously reported softer conditions in the online home market have continued into FY23 and we do not anticipate these abating in the short-term.

We remain confident in the resilience of our business model and in our strategic direction. 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.

Financial Services revenue is expected to decline albeit at a lower rate than in prior years, and Financial Services gross margin to normalise to a low to mid 50s per cent range.

We anticipate a net increase in the adjusted operating costs to Group revenue ratio in FY23 as a result of inflationary pressures. This is inclusive of continuing our strategic investments in areas such as brand marketing. Operating costs will also increase due to a higher level of project spend included within operating expenses. Management actions are planned across all areas to mitigate the effect of these pressures.

The business is well positioned to continue delivering strategic change through FY23 and beyond. At the end of FY23, we expect the Group to maintain a strong unsecured net cash position and for net debt to be broadly in line with FY22's closing position.

The Board remains confident that over the medium term our strategy will support the delivery of 7% product revenue growth with a 13% EBITDA margin.

Summary

FY22 was a year of continued progress. The business is in a much stronger position relative to the start of the pandemic as a result of the hard work of the team over the last two years. We made strategic progress during the year, including strengthening and refining the product offering and marketing approach and have achieved a return to growth in customer numbers.

We remain a double-digit EBITDA margin rate business, with a strong balance sheet and are cash generative. Our improved retail proposition and our credit offer sets us up well to support customers as they look to spread the cost of their purchases and manage their monthly budgets. We will continue to invest in our strategy and remain confident of achieving our medium-term objectives, however, we remain cautious in the short-term given the inflationary pressures businesses and customers are experiencing as we do not see these pressures abating this year.

Environment, Social and Governance

In FY22, we have continued to build momentum in our Environmental, Social and Governance strategy. Our sustainability plan, SUSTAIN, continues to fully align our ethical policies with our commercial activities and our commitment to Our People and Our Planet.

A key pillar of SUSTAIN is our commitment to responsibly source own-brand product, and we have hit our exit run rate target for FY22 of 30% own brand designed Clothing and Home textile ranges with sustainable attributes (from 0% in 2019). We are targeting growing this to 50% in FY23 and 100% by FY30.

We have successfully achieved the 2030 target of the British Retail Consortium Climate Action Roadmap for the second year running with all electricity purchased from renewable sources.

Our Greenhouse Gas Emissions per item shipped are 49% lower compared to the base line and which finished ahead of the 42% reduction targeted for the year.

FY22 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.

	FY22	FY21[2]	Change
Product revenue	£465.6m	£468.4m	(0.6)%
Adjusted EBITDA[1,2]	£95.0m	£84.9m	11.9%
Adjusted EBITDA margin[1,2]	13.3%	11.6%	1.7ppts
Adjusted operating costs to Group revenue[1,2]	36.0%	32.7%	(3.3)ppts
Unsecured net cash[1,3]	£43.1m	£80.8m	(46.7)%
Adjusted EPS[1]	7.69p	7.76p	(0.9)%
Statutory profit before tax	£19.2m	£9.2m	108.7%

[1]A full glossary of Alternative Performance Measures and their definitions is included on page 26..

[2]Refer to change in accounting policy prior year adjustment note 19

[3]During FY22 we agreed with our banks that the securitisation facility does not need to be fully drawn and that surplus cash can be used to repay drawings from time to time. FY22 excludes accessible amounts voluntarily undrawn against the securitisation facility of £60.1m.

Reconciliation of Statutory financial results to adjusted results

The Annual Report and Accounts 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 6.

A full glossary of Alternative Performance Measures and their definitions is included on page 26.

Reconciliation of Income Statement Measures

	FY22 Statutory	**FY22 Exceptional Items**	**FY22 Adjusted**	FY21 Statutory *Restated [1]*	FY21 Exceptional Items	FY21 Adjusted *Restated [1]*
Product Revenue	**465.6**		**465.6**	468.4		468.4
Financial services Revenue	**250.1**		**250.1**	260.4		260.4
Group Revenue	**715.7**		**715.7**	728.8		728.8
Product Cost of sales	**(267.3)**		**(267.3)**	(265.4)	1.1	(264.3)
Financial services Cost of sales	**(95.5)**		**(95.5)**	(141.0)		(141.0)
Group Cost of sales	**(362.8)**		**(362.8)**	(406.4)	1.1	(405.3)
Gross profit	**352.9**		**352.9**	322.4	1.1	323.5
Gross profit margin – Group	***49.3%***		***49.3%***	*44.4%*		*44.4%*
Gross profit margin - Product	***42.6%***		***42.6%***	*43.3%*		*43.6%*
Gross profit margin - Financial Services	***61.8%***		***61.8%***	*45.9%*		*45.9%*
Warehouse & fulfilment	**(67.9)**		**(67.9)**	(64.8)		(64.8)
Marketing & production	**(73.1)**		**(73.1)**	(60.3)		(60.3)
Other admin & payroll	**(145.6)**	**28.7**	**(116.9)**	(124.0)	10.5	(113.5)
Operating Costs	**(286.6)**	**28.7**	**(257.9)**	(249.1)	10.5	(238.6)
Adjusted operating costs to group revenue ratio			***36.0%***			*32.7%*
Adjusted EBITDA			**95.0**			84.9
Adjusted EBITDA margin			**13.3%**			11.6%
Depreciation & amortisation	**(38.1)**		**(38.1)**	(38.9)		(38.9)
Operating Profit	**28.2**	**28.7**	**56.9**	**34.4**	**11.6**	**46.0**
Finance costs	**(13.8)**		**(13.8)**	(16.6)		(16.6)
Profit before taxation and fair value adjustment to financial instruments	**14.4**	**28.7**	**43.1**	**17.8**	**11.6**	**29.4**
Fair value adjustments to financial instruments	**4.8**		**4.8**	(8.6)	(1.4)	(10.0)
Profit before taxation	**19.2**	**28.7**	**47.9**	9.2	10.2	19.4
Taxation	(3.0)	(5.7)	(8.7)	(1.3)	(1.7)	(3.0)
Profit for the year	**16.2**	**23.0**	**39.2**	**7.9**	**8.5**	**16.4**
Earnings per share	**3.53p**		**7.69p**	**2.50p**		**7.76p**

[1] FY21 restated to reflect the impact of accounting policy change in relation to Software as a Service including minor reductions against the reported level of each of Adjusted and Statutory PBT (£0.7m) and to Adjusted EBITDA (£1.6m) (refer to note 19).

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

£m	FY22	FY21
Cash and cash equivalents	43.1	94.9
Bank overdrafts	-	(14.1)
Unsecured debt	-	-
Unsecured Net Cash	**43.1**	**80.8**
Bank loans	(302.5)	(381.9)
Adjusted Net Debt	**(259.4)**	**(301.1)**

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

£m	FY22	FY21
Net (decrease) / increase in cash and cash equivalents and bank overdraft	(37.7)	33.3
Voluntary flexible repayment of securitisation loan	60.1	-
Repayment of unsecured loans	-	125.0
Proceeds on issue of share capital	-	(99.6)
Transaction costs relating to the issue of share capital	-	6.1
Net Cash generation	**22.4**	**64.9**

Overview

We have benefitted from our flexible business model, responding to the continued market volatility and delivering a return to growth in strategic brands product revenue, adjusted EBITDA of £95.0m in line with narrowed guidance, and statutory profit before tax of £19.2m.

This was in the context of a year of low levels of consumer credit default, as our customers transitioned through the pandemic.

Our continued cash generation and robust balance sheet means we are well positioned to execute on our strategy.

Revenue

£m	FY22	FY21 *(Re-presented)*[1]	Change
Revenue			
Strategic brands[1,2]	381.2	347.0	9.9%
Other brands[1,3]	84.4	121.4	(30.5)%
Total product revenue	465.6	468.4	(0.6)%
Financial services revenue	250.1	260.4	(4.0)%
Group revenue	**715.7**	**728.8**	**(1.8)%**

[1]FY21 split between Strategic and Other brands has been re-presented to correctly allocate bad debt relief. There is no impact on Total product revenue or Group revenue.

[2]JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.
[3]Other brands are Fashion World, Marisota, Oxendales and Premier Man. High & Mighty, House of Bath and Figleaves were closed in FY21.

Group revenue declined 1.8% to £715.7m, as a result of a 0.6% decline in total Product revenue and a 4.0% decline in Financial Services revenue, each reflecting an improvement in trajectory over prior year.

Excluding the impact from the closure of Figleaves, underlying product revenue grew by 4% with the growth in strategic brands offset by the managed decline of other brands. Looking ahead, the Figleaves closure will no longer cause a drag on revenue.

The return to growth in strategic brands' product revenue, up 9.9% against last year, has been supported by our strategic changes including in the quality of our product proposition, our return to targeted marketing investment, and the flexibility of the business model. This has allowed us to cater for a resurgence in demand for Clothing and Footwear whilst we have seen a tempering in pandemic-driven demand for Home and Gift. Strong stock and range planning allowed customer needs to be met, including during peak trading, despite the ongoing supply chain challenges.

The Group's total active customers are now in year-on-year growth for the first time in four years, closing up 4% at 2.9m as more people discover the N Brown brands. This positions us well for the future whilst we remain cognisant of the inflationary driven headwinds on consumer spending.

Clothing and Footwear mix increased during the year from 59% of product revenue in FY21 to 66% in FY22. With the pivot back into Clothing and Footwear, customer returns rates increased by 4.5ppts against the prior year. Returns rates were 4.3ppts below pre-pandemic levels, inclusive of both mix and underlying like for like improvement. We expect to see further normalisation of returns in H1 FY23 due to product mix.

We have continued to see over 80% of product revenue coming from credit accounts. The customer gross receivables book opened the year 8% down on prior year following lower retail sales in FY21. It ended the year 4.7% down on prior year as new sales and low write off levels more than offset higher than normal repayment rates. This resulted in a 4% reduction in Financial Services revenue, an improving trajectory versus prior year.

Adjusted Gross profit[1]

£m	FY22	FY21	Change
Product gross profit	198.3	204.1	(2.8)%
Product gross margin %	*42.6%*	*43.6%*	*(1.0)ppts*
Financial services gross profit	154.6	119.4	*29.5%*
Financial services gross margin %	*61.8%*	*45.9%*	*15.9ppts*
Adjusted Group gross profit[1]	**352.9**	**323.5**	**9.1%**
Adjusted Group gross profit margin	***49.3%***	***44.4%***	***4.9ppts***

[1] *A reconciliation of statutory measures to adjusted measures is included on page 15. A full glossary of Alternative Performance Measures and their definitions is included on page 26.*

The Group's adjusted gross profit margin was higher at 49.3%, compared to 44.4% in FY21.

Product gross margin declined 1.0ppts to 42.6% primarily as a result of inflationary pressures in freight rates and a high level of discounting due to the competitive and promotional environment. The pressures on Product gross margin were partially offset by growth in the higher margin Clothing and Footwear category and price increases which were made to partially mitigate the impact of freight rates. We also entered into FX contracts to hedge against US Dollar spend as described in Note 7.

Financial Services gross margin was 61.8% in FY22, 15.9ppts higher than FY21, and c10ppts higher than normalised levels. This was a result of unprecedented conditions within the consumer credit market, with government support during the first part of the Covid-19 pandemic resulting in high repayment rates, low arrears rates, and consequently a net reduction in the IFRS 9 bad debt provision compared to the position last year.

At the end of FY21, the forward macroeconomic indicators were suggesting an increase in the level of customer defaults compared to the decrease we have subsequently experienced. Of the £15.4m additional IFRS 9 provision made at the end of FY21, £13.7m was released in the year. During the year we have seen abnormally low write off levels, net of recoveries, £14.2m lower than prior year. At the end of FY22, in assessing future expected credit losses considering the macro inflationary risk on consumers, we have set aside an additional provision of £5.8m. We expect Financial Services gross margin to normalise to a low to mid 50s percent range.

Adjusted operating costs[1]

£m	FY22	FY21[2]	Change
Warehouse & fulfilment costs	(67.9)	(64.8)	(4.8)%
Marketing & production costs	(73.1)	(60.3)	(21.2)%
Admin & payroll costs	(116.9)	(113.5)	(3.0)%
Adjusted operating costs[1]	**(257.9)**	**(238.6)**	**(8.1)%**
Adjusted operating costs as a % of Group Revenue	***36.0%***	***32.7%***	***(3.3)ppts***

[1] A reconciliation of statutory measures to adjusted measures is included on page 15. A full glossary of Alternative Performance Measures and their definitions is included on page 26.
[2] Refer to change in accounting policy prior year adjustment note 19.

At the start of the pandemic in early FY21, we took rapid action to significantly reduce costs. Marketing expenditure was reduced through both efficiencies and a temporary reduction in brand marketing. Conversely, in FY22, we saw increases in the cost base as we invested in targeted marketing to support our strategic brands and reach a broader set of customers. As a result we have seen an increase in adjusted operating costs of 8.1% against the prior year. Statutory operating costs including exceptional items increased by 15.1%.

Marketing costs increased by 21.2% year on year to £73.1m reflecting a return to investing in this area, following the immediate and sharp reduction in marketing spend in FY21. The FY22 spend includes a £6m increase in above-the-line activity to drive brand awareness on strategic brands. Our new in-house photographic studio, which drives improvements in how our brands are presented, has also driven cost efficiencies in the year. FY22 marketing costs were 46.3% below the pre Covid-19 pandemic level in FY20 of £136.0m.

Across warehouse and fulfilment, and admin and payroll, we have annualised against an FY21 credit of c.£3.8m in furlough support from the Government which allowed us to preserve a significant number of jobs for our colleagues and work through the challenges that Covid-19 presented for our business.

Warehouse and fulfilment costs were 4.8% higher year on year, due to 6% growth in items shipped to drive product revenue of -1% including through an increase in returns rates.

Admin and payroll costs increased by 3.0%, driven predominantly by annualising against the Covid-19 actions taken in the prior year. As accounting standards and delivery methods develop a proportionally higher levels of investment spend is being expensed rather than capitalised. We have continued to seek further cost efficiencies, including achieving savings within our contact centre approach and property estate during the year.

Overall, adjusted operating costs as a percentage of Group revenue increased from 32.7% in FY21 to 36.0% in FY22, but remains significantly below pre Covid-19 pandemic levels. We expect this ratio to increase in FY23 through inflationary increases in the cost base and maintaining strategic brand investment. We will action pricing increases in response to the higher cost environment.

Exceptional items

The Group is involved in a legal dispute with Allianz. More details of the Allianz claim and the JDW counterclaims and defence are set out in note 6. The eventual financial outcome of the dispute is highly uncertain for both parties. We believe that it remains in the best interest for the parties to settle the dispute and an accounting provision of £28m has been made to cover settlement, or award at trial, plus future legal costs.

The Group has now reached agreement with HMRC over a number of historical VAT and other tax matters, and the release of £1.2m in the period relates to opening provisions that are no longer required.

£m	FY22	FY21
Allianz litigation	29.8	1.1
Tax matters	(1.2)	1.0
Other	0.2	0.2
Items charged to profit before tax	**28.7**	**10.2**

Profit and earnings per share

Driven by the growth in gross profit, adjusted EBITDA increased by £10.1m to £95.0m and adjusted EBITDA margin increased by 1.7ppts to 13.3%.

Depreciation and amortisation was £38.1m, slightly below the £38.9m in the prior year. The prior year has been restated to reflect the non-cash impact of accounting policy changes in relation to Software as a Service (see Note 19).

Statutory operating profit decreased by £6.2m over prior year to £28.2m reflecting the increase in Adjusted EBITDA and the higher exceptional items.

Net finance costs were £13.8m, a decrease of £2.8m compared to last year primarily driven by the lower net debt and enabled by the newly introduced flexibility to voluntarily under-draw on the securitisation facility. The Group has also limited its exposure to interest rate movements through entering into interest rate hedging, as described in Note 7.

Adjusted profit before tax was £43.1m, up £13.7m year on year (FY21 restated: £29.4m) as a result of higher gross profit, and reduced depreciation and amortisation.

Statutory profit before tax was £19.2m, up £10.0m year on year (FY21 restated: £9.2m) which includes a £13.4m improvement in fair value adjustments to financial instruments. In FY21 sterling weakened through the year resulting in a mark to market loss on our US $ hedges of £10.0m, we also proactively settled certain derivatives that were no longer required due to the sharp decline in product purchases at the onset of the pandemic, realising an exceptional gain of £1.4m. In FY22, conversely, sterling strengthened resulting in a mark to market gain of £4.8m.

The taxation charge for the period is based on the underlying estimated effective tax rate for the full year of 16%. The effective taxation charge for the year is lower than the corporation tax rate of 19% as the Group expects to take advantage of the Super Deductions on qualifying fixed assets, the benefit of which is partially offset by the effects of an increase in deferred tax to 25%. Further tax analysis is contained in note 8.

Statutory earnings per share increased to 3.53p (FY21 restated: 2.50p). Adjusted earnings per share decreased to 7.69p (FY21 restated: 7.76p). This reduction is inclusive of the 46% increase in the weighted average number of shares following the equity raise in December 2020. Further details can be found in note 9.

Financial services customer receivables and impairment

Gross customer trade receivables at year end reduced by 4.7% to £577.2m, with the level of contraction reducing through the year. This reflected a combination of current year credit sales and low levels of write offs, offset by higher than normal levels of customer repayments.

As covered in the gross margin commentary, we saw unprecedented conditions within the consumer credit market, resulting in low levels of arrears, particularly in H1, then a degree of normalisation through H2, with year end arrears increasing by 0.5ppts to 8.4% as the Government pandemic support was removed.

The IFRS9 bad debt provision to gross receivable balance ratio has reduced to 11.9% from 14.1% in FY21. The FY21 level was inclusive of £15.4m (2.5ppts) to cover future Covid-19 default risks. Of this, £1.6m was utilised and £13.7m was not required and released in the year. The FY22 provision ratio includes a £5.8m (1.0ppts) provision for the new macro risk of inflationary pressures. The FY22 ratio of 11.9% therefore remains above the pre Covid-19 level reported in FY20 (10.9%).

£m	**FY22**	**FY21**	**Change**
Gross customer loan balances	577.2	605.8	(4.7)%
IFRS 9 provision	(68.7)	(85.2)	(19.3)%
Normal account provisions	*(58.1)*	*(60.9)*	*0.0ppts*
Payment arrangement provisions	*(4.8)*	*(8.8)*	*+0.6ppts*
Inflationary / Covid-19 impacts	*(5.8)*	*(15.4)*	*+1.5ppts*
IFRS 9 provision / loan book ratio	**11.9%**	**14.1%**	**+2.2ppts**
Net customer loan balances	**508.5**	**520.6**	**(2.4)%**

The profit and loss net impairment charge for FY22 was £94.4m, £44.7m lower than last year due to the benefit from annualising against the Covid-19 model overlay, the release of Covid-19 provisions not utilised or required in the year and lower write-offs in FY22, as shown below.

£m	
FY21 net impairment charge	**139.1**
Under IFRS 9, in FY21 we provided an extra £15.4m for expected future credit losses as a result of the economic impacts of Covid-19	(15.4)
Release of FY21 provisions not required	(13.7)
Under IFRS 9, in FY22 we have provided an extra £5.8m for expected future credit losses driven by inflationary pressures	5.8
Lower write-offs net of recoveries than prior year	(14.2)
Lower customer receivables	(4.3)
Model refinements and other adjustments	(2.9)
FY22 net impairment charge	**94.4**

Funding and total accessible liquidity ("TAL")

During the year, we right-sized the securitisation facility to £400m to better reflect the size of the debtor book and reduce ongoing fees, and introduced flexibility in the levels of drawdown to deliver greater balance sheet efficiency and interest savings. We now have the following arrangements in place with our lenders:

- A £400m securitisation facility (FY21: £500m) committed until December 2024, extended from December 2023 during the year, drawings on which are linked to prevailing levels of eligible receivables but with flexibility around the level which the Company chooses to draw;
- A RCF of £100m committed until December 2023, which was fully undrawn at the year end; and
- An overdraft facility of £12.5m which is subject to an annual review every July, which was fully undrawn at the year end.

At the end of FY22 the Group had TAL of £212.1m (FY21: £184.8m), comprising £43.1m of cash, net of restricted cash of £3.6m, £60.1m voluntarily undrawn against the securitisation facility, the fully undrawn RCF of £100m and overdraft facility of £12.5m.

Net Cash Generation

£m	FY22	FY21 (Restated)[1]
Adjusted EBITDA	**95.0**	**84.9**
Inventory working capital movement	(9.6)	17.0
Other working capital and operating cash flows	(5.3)	2.5
Customer loan book IFRS 9 provision movement	(16.5)	13.5
Cash flow adjusted for working capital	**63.6**	**117.9**
Exceptional items	(9.8)	(16.4)
Capital investing activities	(19.8)	(18.4)
Non-operating tax & treasury	(7.2)	(12.4)
Interest paid	(13.8)	(19.0)
Non-operational cash outflows	**(50.6)**	**(66.2)**
Gross customer loan book repayment	28.6	51.0
Decrease in securitisation debt in line with customer loan book	(19.4)	(37.8)
Net cash inflow from the customer loan book	**9.4**	**13.2**
Net cash generation	**22.4**	**64.9**

[1]FY21 restated to reflect the impact of accounting policy change in relation to Software as a Service including minor reductions against the reported level of each of Adjusted and Statutory PBT (£0.7m) and to Adjusted EBITDA (£1.6m) (refer to note 19).

Net cash decreased in the year by £37.7m compared to an increase of £158.4m in the prior year. Excluding voluntary repayment of the securitisation facility of £60.1m this year and the £93.5m equity raise net proceeds in the prior year, net cash generated from operations was £22.4m (FY21: £64.9m). This represents continued strong cash generation in the year, annualising against the onset of Covid-19, when cash was particularly tightly managed.

Capital expenditure of £19.8m (FY21: £18.4m) was consistent with last year's level and we expect strategic investment to step-up in FY23.

Net inventory levels at the year end were up 12.4%, to £87.3m (FY21: £77.7m). This reflects normalisation following the significant reduction which took place in the prior year as well as the significant increase in freight rates which increased the landed cost of our stock. We have entered FY23 with what we consider to be an appropriate level of inventory, with the product mix focused on new season stock which has increased by approximately £17m, whilst last and previous season stock has reduced by approximately £9m.

Adjusted net debt

Following a significant reduction in net debt in the prior year, this was further reduced during the year through cash generation and the reduction in the debtor book.

Unsecured net cash / (debt), which is defined as the amount drawn on the Group's unsecured borrowing facilities less cash balances, closed the year with unsecured net cash of £43.1m (FY21: unsecured net cash £80.8m). The reduction over the prior year reflects the voluntary repayment of £60.1m on the securitisation funding facility to deliver greater balance sheet efficiency and interest savings.

Adjusted net debt decreased by £41.7m in the year, to £259.4m (FY21: £301.1m). This is the net amount of £43.1m of cash and £302.5m of debt drawn against the securitisation funding facility which is backed by eligible customer receivables. The £508.5m net customer loan book significantly exceeds this adjusted net debt figure.

Dividend and capital allocation

We have a clear set of investment plans and a number of competing demands on our cash resources. Nevertheless, the Directors recognise that dividends are an important part of shareholders' returns and the Board will consider the reintroduction of a dividend in FY23.

Pension scheme

The Group's defined benefit pension scheme had a surplus of £37.4m at year end, which ha increased over the prior year (FY21: £25.5m). This reflects an actuarial gain on the scheme liabilities due to an increase in both the discount rate, reflecting higher corporate bond yields, and an increase in future inflation assumptions. The assets have increased due to the continued payment of the employer contributions and improved investment returns.

Financial risk management and processes

We continue to make progress on our Financial Risk Management capability through our Finance Risk Management Committee. During the year, we also improved our financial processes and controls. Due to the longstanding legacy systems and processes across the Group, we are targeting further improvements in documentation, clarity on specific key controls, and overall process level controls to reduce the reliance on detective management level controls. This feeds into the Audit and Risk Committee focus on improving controls. Examples of improvements already deployed include the introduction of an interest rate hedging policy which has significantly reduced our exposure to future interest rate changes, as well as practical enhancements to our supplier statement reconciliations.

With the updated IFRIC guidance issued on accounting for SAAS, we performed an in-depth review of our historic technology investment spend. This resulted in a prior year adjustment due to the change in accounting policy as disclosed in note 19. This change in accounting policy combined with our increasing use of agile technology development is likely to result in a greater proportion of our investment spend being charged to operating expenses versus historically what would have been capitalised as an intangible asset.

During the year we welcomed a letter from the Corporate Reporting Review team of the FRC in relation to the Group's FY21 Annual Report and Accounts, referenced in full in the Audit and Risk Committee report on p70. This provided helpful feedback. No substantial issues were identified and recommendations on improvements in disclosures have been incorporated in this Annual Report.

KPI DEFINITIONS

Measure	Definition
Total website sessions	Total number of sessions across N Brown apps, mobile and desktop websites in the 12 month period
Total active customers	Customers who placed an accepted order in the 12 month period 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.

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

APM GLOSSARY

The Preliminary Results statement includes alternative performance measures ("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 amortization 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	Profit before tax, excluding exceptional items and fair value movement on financial instruments expressed as a percentage of Group Revenue.
Net Cash generation	Net cash generated from the Group's underlying operating activities.
Adjusted Operating costs	Operating costs less depreciation, amortization and exceptional items.
Adjusted Operating costs to revenue ratio	Operating costs less depreciation, amortization and exceptional items 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 include in the Financial Review report on page 15.

Consolidated income statement
for the 52 weeks ended 26 February 2022

	Notes	52 weeks to 26 February 2022 Before exceptional items £m	Exceptional items (Note 6) £m	Total £m	52 weeks to 27 February 2021 (Restated)[1] Before exceptional items £m	Exceptional items (Note 6) £m	Total £m
Revenue		**487.0**	**-**	**487.0**	489.3	-	489.3
Credit account interest		**228.7**	**-**	**228.7**	239.5	-	239.5
Group Revenue	5	**715.7**	**-**	**715.7**	728.8	-	728.8
Cost of sales	5	**(268.4)**	**-**	**(268.4)**	(266.2)	(1.1)	(267.3)
Impairment losses on customer receivables	12	**(94.4)**	**-**	**(94.4)**	(139.1)	-	(139.1)
Gross profit /(loss)	5	**352.9**	**-**	**352.9**	323.5	(1.1)	322.4
Operating profit /(loss)	5	**56.9**	**(28.7)**	**28.2**	46.0	(11.6)	34.4
Finance costs		**(13.8)**	**-**	**(13.8)**	(16.6)	-	(16.6)
Profit /(loss) before taxation and fair value adjustments to financial instruments		**43.1**	**(28.7)**	**14.4**	29.4	(11.6)	17.8
Fair value adjustments to financial instruments		**4.8**	**-**	**4.8**	(10.0)	1.4	(8.6)
Profit before taxation		**47.9**	**(28.7)**	**19.2**	19.4	(10.2)	9.2
Taxation	18	**(8.7)**	**5.7**	**(3.0)**	(3.0)	1.7	(1.3)
Profit /(loss) for the period		**39.2**	**(23.0)**	**16.2**	16.4	(8.5)	7.9

[1]Refer to change in accounting policy prior year adjustment note 19 and presentational adjustment in note 5

Earnings per share from continuing operations

	Notes	2022	2021
Basic	11	**3.53**	2.50
Diluted	11	**3.51**	2.50

Consolidated statement of comprehensive income
for the 52 weeks ended 26 February 2022

	52 weeks to 26 February 2022	52 weeks to 27 February 2021 (Restated)[1]
	£m	£m
Profit for the period	**16.2**	7.9
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/(loss) on defined benefit pension schemes	**10.5**	(1.9)
Tax relating to items not reclassified	**(3.7)**	0.7
Net other comprehensive income / (loss) that will not be reclassified to profit or loss	**6.8**	(1.2)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**0.6**	(2.6)
Fair value movements of cash flow hedges	**7.2**	-
Amounts reclassified from other comprehensive income to profit & loss	**0.6**	-
Tax relating to these items	**(1.8)**	-
Net other comprehensive income/ (loss) that may be reclassified to profit or loss	**6.6**	(2.6)
Other comprehensive income / (loss) for the period	**13.4**	(3.8)
Total comprehensive income for the period attributable to equity holders of the parent	**29.6**	4.1

[1]Refer to change in accounting policy prior year adjustment note 19

Consolidated balance sheet
As at 26 February 2022

	Note	As at 26 February 2022 £m	As at 27 February 2021 (Restated)[1] £m	As at 29 February 2020 (Restated)[1] £m
Non-current assets				
Intangible assets	10	113.0	128.1	147.2
Property, plant and equipment	11	58.5	60.9	62.6
Right-of-use assets		1.1	3.6	5.6
Retirement benefit surplus		37.4	25.5	26.3
Derivative financial instruments		5.1	-	1.3
Deferred tax assets		11.5	13.6	13.8
		226.6	231.7	256.8
Current assets				
Inventories		87.3	77.7	94.9
Trade and other receivables	12	533.1	549.0	614.4
Derivative financial instruments		1.7	0.4	4.0
Current tax asset		1.0	-	-
Cash and cash equivalents	14	43.1	94.9	161.7
		666.2	722.0	875.0
Total assets		**892.8**	953.7	1,131.8
Current liabilities				
Bank overdrafts		-	(14.1)	(114.2)
Provisions		(30.9)	(4.7)	(11.1)
Trade and other payables	13	(94.7)	(110.6)	(110.5)
Lease liability		(0.9)	(1.8)	(2.2)
Derivative financial instruments		(0.4)	(6.2)	(1.3)
Current tax liability	8	-	(4.5)	(13.8)
		(126.9)	(141.9)	(253.1)
Net current assets		**539.3**	580.1	621.9
Non-current liabilities				
Bank loans	15	(302.5)	(381.9)	(544.6)
Lease liability		(0.4)	(3.1)	(4.7)
Derivative financial instruments		-	(1.3)	(0.9)
Deferred tax liabilities		(20.7)	(13.2)	(14.6)
		(323.6)	(399.5)	(564.8)
Total liabilities		**(450.5)**	(541.4)	(817.9)
Net assets		**442.3**	412.3	313.9
Equity attributable to equity holders of the parent				
Share capital	17	50.9	50.9	31.4
Share premium account		85.0	85.0	11.0
Own shares		(0.2)	(0.3)	(0.3)
Cash flow hedge reserve		5.5	-	-
Foreign currency translation reserve		1.0	0.4	3.0
Retained earnings		300.1	276.3	268.8
Total equity		**442.3**	412.3	313.9

[1]Refer to change in accounting policy prior year adjustment note 19

Consolidated cash flow statement
For the 52 weeks ended 26 February 2022

	52 weeks to 26 February 2022	52 weeks to 27 February 2021 (Restated)[1]
	£m	£m
Net cash inflow from operating activities	**78.7**	142.2
Investing activities		
Purchases of property, plant and equipment	**(3.4)**	(1.4)
Purchases of intangible assets	**(16.4)**	(17.0)
Net cash used in investing activities	**(19.8)**	(18.4)
Financing activities		
Interest paid	**(13.8)**	(19.0)
Dividends paid	**-**	-
Decrease in bank loans	**(79.3)**	(162.8)
Principal elements of lease payments	**(1.8)**	(1.7)
Foreign exchange forward contracts	**(1.3)**	-
Proceeds on issue of share capital	**-**	99.6
Transaction costs relating to the issue of share capital	**-**	(6.1)
Net cash (outflow) from financing activities	**(96.2)**	(90.0)
Net foreign exchange difference	**(0.4)**	(0.5)
Net (decrease)/increase in cash and cash equivalents and bank overdraft	**(37.7)**	33.3
Cash and cash equivalents and bank overdraft at beginning of period	**80.8**	47.5
Cash and cash equivalents and bank overdraft at end of period	**43.1**	80.8

Reconciliation of operating profit to net cash from operating activities

	52 weeks to 26 February 2022	52 weeks to 27 February 2021 (Restated)[1]
	£m	£m
Profit for the period	**16.2**	7.9
Adjustments for:		
Taxation charge	**3.0**	1.3
Fair value adjustments to financial instruments	**(4.8)**	10.0
Net foreign exchange gain	**0.4**	0.8
Finance costs	**13.8**	16.6
Depreciation of right-of-use assets	**1.2**	1.6
Depreciation of property, plant and equipment	**4.4**	3.3
Gain on disposal of right of use assets	**(0.5)**	-
Impairment of intangible assets	**-**	1.9
Amortisation of intangible assets	**32.5**	34.0
Share option charge	**0.8**	0.8
Operating cash flows before movements in working capital	**67.0**	78.2
(Increase)/Decrease in inventories	**(9.6)**	17.0
Decrease in trade and other receivables	**15.9**	64.4
(Increase)/Decrease in trade and other payables	**(13.5)**	0.7
Increase/(Decrease) in provisions	**26.1**	(6.2)
Pension obligation adjustment	**(0.9)**	(0.8)
Cash generated by operations	**85.0**	153.3
Taxation paid	**(6.3)**	(11.1)
Net cash inflow from operating activities	**78.7**	142.2

Changes in liabilities from financing activities	52 weeks to 26 February 2022	52 weeks to 27 February 2021
	£m	£m
Loans and borrowings		
Balance at 27 February 2021	**386.8**	551.5
Changes from financing cash flows		
Net repayment from loans and borrowings[1]	**(79.2)**	(161.7)
Lease payments in the period	**(1.8)**	(2.0)
Lease disposals in the period	**(1.8)**	-
Decrease in loans and borrowings due to change in interest rates	**(0.2)**	(1.0)
Decrease in loans and borrowings	**(83.0)**	(164.7)
Balance at 26 February 2022	**303.8**	386.8

[1]Repayments relating to the Group's Securitisation facility and are re-presented net of cash receipts in respect of the customer book collections. The Directors consider that the net representation more accurately reflects the way the Securitisation cashflows are managed.

Consolidated statement of changes in equity
for the 52 weeks ended 26 February 2022

	Share capital	Share premium	Own shares	Cash Flow Hedge reserve	Foreign currency translation reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m	£m
As previously reported at 29 February 2020	31.4	11.0	(0.3)	-	3.0	272.4	317.5
Prior year adjustment[1]	-	-	-	-	-	(3.6)	(3.6)
Balance at 29 February 2020 (Restated)[1]	31.4	11.0	(0.3)	-	3.0	268.8	313.9
Comprehensive income for the period							
Profit for the period (Restated)[1]	-	-	-	-	-	7.9	7.9
Other items of comprehensive income for the period	-	-	-	-	(2.6)	(1.2)	(3.8)
Total comprehensive gain for the period	-	-	-	-	(2.6)	6.7	4.1
Transactions with owners recorded directly in equity							
Issue of shares	19.5	74.0	-	-	-	-	93.5
Share option charge	-	-	-	-	-	0.8	0.8
Total contributions by and distributions to owners	19.5	74.0	-	-	-	0.8	94.3
Balance at 27 February 2021 (Restated)[1]	50.9	85.0	(0.3)	-	0.4	276.3	412.3
As previously reported at 27 February 2021	50.9	85.0	(0.3)	-	0.4	280.3	416.3
Prior year adjustment[1]	-	-	-	-	-	(4.0)	(4.0)
Balance at 27 February 2021 (Restated)[1]	50.9	85.0	(0.3)	-	0.4	276.3	412.3
Comprehensive income for the period							
Profit for the period	-	-	-	-	-	16.2	**16.2**
Other items of comprehensive income for the period	-	-	-	6.0	0.6	6.8	**13.4**
Total comprehensive income for the period	-	-	-	6.0	0.6	23.0	**29.6**
Hedging gains & losses transferred to the cost of inventory purchased in the year	-	-	-	(0.5)	-	-	**(0.5)**
Transactions with owners recorded directly in equity							
Issue of own shares by ESOT	-	-	0.1	-	-	-	**0.1**
Share option charge	-	-	-	-	-	0.8	**0.8**
Total contributions by and distributions to owners	-	-	0.1	-	-	0.8	**0.9**
Balance at 26 February 2022	**50.9**	**85.0**	**(0.2)**	**5.5**	**1.0**	**300.1**	**442.3**

[1]Refer to changes in accounting policy prior year adjustment note 19

Notes to the consolidated financial statements
For the 52 weeks ended 26 February 2022

1. Basis of preparation

The Group's financial statements for the 52 weeks ended 26 February 2022 will be prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. As such, these financial statements do not constitute the Group's statutory accounts and the Group expects to publish full financial statements that comply with IFRS in May 2021.

The financial information set out in this document does not constitute the Company's statutory accounts for the 52 weeks ended 26 February 2022 or the 52 weeks ended 27 February 2021.
Statutory accounts for the period of 52 weeks ended 27 February 2021 have been delivered to the registrar of companies, and those for the period of 52 weeks ended 26 February 2022 will be delivered in due course.

The comparative figures for the year ended 27 February 2021 are extracted from the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.
After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of these financial statements. This is explained in further detail in note 4.

The accounting policies and presentation adopted in the preparation of these consolidated financial statements are consistent with those disclosed in the published annual report & accounts for the 52 weeks ended 27 February 2021 other than the recognition of a prior year adjustment required to align to the IFRS Interpretations Committee ("IFRIC") guidance over the accounting treatment of configuration and customisation costs of a software application in a Software as a Service ("SaaS") arrangement, and the adoption of hedge accounting.

2. Critical Judgements and key sources of estimation uncertainty

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

Impairment of customer receivables

Critical Judgement and Estimation Uncertainty

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

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

- Determining which receivables have suffered from a significant increase in credit risk;
- Determining the appropriate PD to apply to the receivables;
- Determining the recovery price of any receivables sold to third parties; and
- Determining the impact of forward looking macroeconomic uncertainties on ECL including cost of living increases.

The change in behavioural risk score for which the SICR threshold is set is based on applicable back tested data that reflects the current risk to our credit customers.

Where the change in risk score since origination exceeds the threshold, the asset will be deemed to have experienced a significant increase in credit risk.

Due to the Financial Services debtor book starting FY22 at artificially high-performance levels, in management's judgement, the most appropriate time period to evaluate probability of default is to reflect observed default rates as at the end of FY22, omitting pandemic impacted performance. This is considered to provide a more representative view of defaults.

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

Significant uncertainty exists over the forward looking view on inflation (CPI) and subsequent impacts on real wages. In management's view, the full impact of these have yet to materialise. A post model adjustment has been applied to reflect inflationary pressures build.

Sensitivities of Estimation Uncertainties

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

- a 10% increase or decrease in PDs would lead to a £2.2m (2021: £1.5m) increase or decrease in the ECL;
- An increase or decrease in peak CPI of 1 percentage point would lead to a £1.3m increase or £1m decrease to the ECL respectively, which reflects the non-linear impacts of economic forecasts to ECL.

Software and Development costs

Critical Judgement

Included within intangible assets are significant software and development project costs in respect of the Group's technological development programme. Included in the year are development costs for the production of new or substantially improved processes or systems; development of the new website and other internal development of software and technology infrastructure.

Initial capitalisation of costs is based on management's judgement that technological feasibility is confirmed, the project will be successfully completed and that future economic benefits are expected to be generated by the project. If these criteria are not subsequently met, the asset would be subject to a future impairment charge which would impact the Group's results.

During the year the Group has reviewed its accounting policies in line with the IFRIC guidance in regards to the treatment of configuration, customisation and implementation costs associated with Software as a Service ("SaaS") contracts. As a result the Group has revisited spend incurred in previous financial years to align with IFRIC guidance, resulting in a change in accounting policy prior year adjustment as detailed in note 19. Significant judgement is required in determining whether the Group has control over the software, and if not whether any spend incurred in the implementation of the software results in the creation of an asset in its own right which the Group controls and satisfies the criteria of IAS 38.

Estimation uncertainty

The estimated useful lives and residual values are based on management's best estimate of the period the asset will be able to generate economic benefits for the Group and are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis from the date at which a change in life is determined to be triggered. Sensitivity of the estimation uncertainty is disclosed in note 10.

Impairment of non-financial assets

Critical Judgement and estimation uncertainty

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

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

Allianz litigation

Critical Judgement and estimation uncertainty

During the current year, the group has recorded a charge in the year for legal costs of £1.8m and a provision of £28.0m, in relation to the ongoing legal dispute with Allianz Insurance plc, as an estimate for accounting purposes of the potential costs of settlement or award and future legal costs.

The Group 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 Group is also of the view that the

net basis would apply in any negotiated settlement. Accordingly, the Group's assessment of the present obligation has been determined on a net basis.

Given the nature of the issues in dispute, the Court will have considerable discretion in reaching its conclusions relating to, amongst other things, which sums should be brought into account and what proportions of the liabilities each party should have to bear. Accordingly, the range of potential outcomes, in either direction, could be many times materiality and involves a significant level of estimation.
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.

Details on the background to the dispute and the basis of the provision established in the year are set out in note 18.

Defined Benefit plan

Estimation Uncertainty

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

3. Key risks and uncertainties

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

As part of the refinement of the RMF the Group has started to consolidate the Principal Risk Categories, with the risks from the process category being mapped within the other 13.
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

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

Supply Chain Continuity; Inflationary Pressure, and other key areas of focus

Whilst the Group has successfully navigated the impacts and restrictions of the Covid-19 pandemic within the UK, there continue to be ongoing disruptions to our supply chain. Recent outbreaks in Asia continue to create risks to continuity and timeliness of supply. The Group continues to use incident management and scenario planning to understand the potential impacts and will explore alternative sourcing strategies as necessary to ensure continuity of product.

Upwards pressure on costs has the potential to impact several areas of the business. Increased cost of goods and higher freight charges are being experienced within the supply chain. The Group continues to proactively track movements within the market to enable us to provide compelling offers to customers.

The increase to prices within the UK creates both volatility in our customer demand and the potential to create affordability challenges for our credit customers. The Group regularly tracks consumer reaction to our brands and products to ensure our strategic direction is valid. Leading indicators are tracked to enable the Group to react to changes in the lending market. We ensure that appropriate forbearance options are in place to ensure good customer outcomes for those impacted by these issues.

The current geopolitical environment, as well as contributing to some of the cost pressures noted above, is creating increased external risk within Information Security. The Group has strengthened the cybersecurity team during the year, who continue to enhance controls in this area.

The Group is also focussed on several Regulatory enhancements. ESG processes continue to be integrated and strengthened through a programme of work integrated into business activities. The FCA are in the process of finalising their guidelines on the consumer duty, and work has been initiated within the Group's Financial Services division to assess the potential changes needed to demonstrate compliance. The Group continues to monitor the potential for the introduction of a UK Sox requirement and will start to plan our approach later in 2022.

4. Going Concern

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

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

a) The Group's cash flow forecasts and revenue projections for the 12 months from the date of signing these results (the "Base Case"), reflecting, amongst other things the following assumptions:

- The business continues to be fully operational in the event of any potential further developments associated with the Covid-19 pandemic, as has been the case since the outset;
- Product gross margin growth is expected year on year and will be achieved through changes to product mix and, planned price increases. It is recognised that we will continue to face a highly promotional retail market, inflationary pressures and industry wide increases in freight rates and supply chain challenges;
- Financial Services revenue reduces marginally as the average size of the loan book is smaller as a function of lower product sales during the pandemic;
- FS gross margin reduces as the abnormally low levels of arrears and write offs stabilise following the end of Covid-19 government support and the customer expected credit loss behaviour experiences a level of stress from the inflationary pressures on our customers; and

- Increases to operating costs reflecting inflationary cost base pressures and the continuation of strategic above the line brand investment, net of mitigating actions.

b) The impact on trading performance of severe but plausible downside scenarios (the “Downside Case”), including:

- adverse macroeconomic conditions impacting customer behaviour;
- current inflationary pressures, supply chain pressures and unusually high freight rates having more material impact on gross margins than the base case;
- Covid-19 related absences requiring the use of contractors to fill staff shortages;
- business interruptions reducing product revenue, for example from a denial of service caused by a cyber attack, or delivery delays caused by driver shortages;
- exceptional cash outflow higher than the accounting provisions with regards to the ongoing legal claim with Allianz.
- The Downside Case also includes additional sensitivities to product revenue, customer bad debt write off, customer account payment collection rates and the cost base.
- The Downside Case represents the compounded impact of all the scenarios with the sensitivities layered on top. Material total accessible liquidity headroom exists of >£100m throughout the Downside assessment.

c) The committed facilities available to the Group and the covenants thereon. Details of the Group’s committed facilities are set out in 15, the main components of which are:

- A £400m securitisation facility committed until December 2024, drawings on which are linked to prevailing levels of eligible receivables (£305.5m drawn against an accessible £365.6m based on the maximum of eligible customer receivables at 26 February 2022);

- An RCF of £100m committed until December 2023, which is fully undrawn; and

- An overdraft facility of £12.5m which is subject to an annual review every July (undrawn as at date of signing of these accounts).

d) That there are no forecast breaches of any covenants in either the Base Case or Downside Case. Material headroom exists within the banking covenants and EBITDA within the base case and the downside. EBITDA would have to more than halve against the downside in FY23 to breach conditions.

e) The Group’s robust policy towards liquidity and cash flow management. As at 30 April 2022, the Group had cash of £31.8m, net restricted cash of £3.6m and undrawn secured facilities of £69.3m. In addition, the Group had £112.5m of unsecured facilities that were not drawn. This gives rise to total accessible liquidity (“TAL”) of £210.0m (FY22: £212.1m) reflecting positive cash generation in the current financial year.

f) The Group’s clear capital allocation policy that prioritises meeting its’ liabilities for day to day operations of the business over investment in the delivering the strategy or distributions to shareholders.

g) The Group management’s ability to successfully manage the principal risks and uncertainties outlined on p37 to 38 during periods of uncertain economic outlook and challenging macro-economic conditions.

5. Business Segment

The Group has identified two operating segments in accordance with IFRS 8 – Operating segments, Product and Financial Services ("FS"). The Board receives regular financial information at this level and uses this information to monitor the performance of the Group, allocate resources and make operational decisions. Internal reporting focuses and tracks revenue, cost of sales and gross margin performance across these two segments separately, however operating costs or any other income statement items are reviewed and tracked at a group level.

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 £16.0m (2021: £18.0m) as a consequence of customer debt write off, with the write off presented in FS cost of sales. During the current year, amounts relating to deceased customer accounts debt write off of £4.2m has been re-presented 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.

Analysis of revenue	**52 weeks to 26 February 2022 £m**	52 weeks to 27 February 2021 (Restated[1]) £m
Analysis of revenue:		
Sale of goods	445.8	449.8
Postage and packaging	19.8	18.6
Product – total revenue	**465.6**	468.4
Other financial services revenue	21.4	20.9
Credit account interest	228.7	239.5
Financial Services – total revenue	**250.1**	260.4
Total Group Revenue	**715.7**	728.8
Analysis of cost of sales:		
Product – total cost of sales	**(267.3)**	(264.3)
Impairment losses on customer receivables	(94.4)	(139.1)
Other financial services cost of sales	(1.1)	(1.9)
Financial Services – total cost of sales	**(95.5)**	(141.0)
Cost of sales	**(362.8)**	(405.3)
Gross profit	**352.9**	323.5
Gross profit margin	49.3%	44.4%
Gross margin – Product	42.6%	43.6%
Gross margin – Financial Services	61.8%	45.9%
Warehouse and fulfilment	(67.9)	(64.8)
Marketing and production	(73.1)	(60.3)
Other administration and payroll	(116.9)	(113.5)
Adjusted operating costs before exceptional items	**(257.9)**	(238.6)
Adjusted EBITDA	**95.0**	84.9
Adjusted EBITDA margin	13.3%	11.6%
Depreciation and amortisation	(38.1)	(38.9)
Exceptional items charged to operating profit (note 6)	(28.7)	(10.2)
Operating profit	**28.2**	35.8
Finance costs	(13.8)	(16.6)
Fair value adjustments to financial instruments including exceptional fair value gain	4.8	(10.0)
Profit before taxation	**19.2**	9.2

[1]Refer to change in accounting policy prior year adjustment note 19

	52 weeks to 26 February 2022	52 weeks to 27 February 2021 (Re-presented)[1]
	£m	£m
Analysis of Product revenue:		
Strategic brands[2]	**381.2**	347.0
Other brands[3]	**84.4**	121.4
Total Product revenue	**465.6**	468.4
Financial Services revenue	**250.1**	260.4
Total Group revenue	**715.7**	728.8

[1]FY21 split between Strategic and Other brands has been re-presented to correctly allocate the VAT bad debt relief. There is no impact on Total product revenue or Group revenue.
[2]Strategic brands include JD Williams, Simply Be, Ambrose Wilson, Jacamo and Home Essentials.
[3]Other brands are Fashion World, Marisota, Oxendales and Premier Man. High & Mighty, House of Bath, and Figleaves were closed in FY21.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from Ireland amounted to £21.0m (2021: £27.6m). Operating results from international markets amounted to £3.7m profit (2021: £6.2m profit).

All segment assets are located in the UK and Ireland. All non-current assets are located in the UK with the exception of £0.1m of right of use assets located in Ireland.

For the purposes of monitoring segment performance, assets and liabilities are not measured separately for the two reportable segments of the Group and therefore are disclosed together below. Impairments of tangible and intangible assets in the current period were £nil (2021: £2.0m).

6. Exceptional items

	52 weeks to 26 February 2022	52 weeks to 27 February 2021
	£m	£m
Allianz Litigation	**29.8**	1.1
Historical Tax matters	**(1.2)**	1.0
Strategic change	**(0.1)**	7.9
Other legacy matters	**0.2**	0.2
Items charged to profit before tax	**28.7**	10.2

ALLIANZ LITIGATION

During the current year, the Group has recorded a charge for legal costs of £1.8m and a provision of £28.0m, as an estimate for accounting purposes of the potential costs of settlement or award and future legal costs, in relation to the ongoing legal dispute with Allianz Insurance Plc. Details of the legal case and estimation uncertainty involved in the amount recognised is disclosed in note 18. The provision outstanding at February 2022 was £28.0m.

HISTORICAL TAX MATTERS

The Group has now reached agreement with HMRC over a number of historical VAT and other tax matters, and the release of £1.2m in the period relates to opening provisions no longer required .

STRATEGIC CHANGE

In line with the Board’s strategic reviews and multi-year transformation of the business, a material level of cost reduction programs have been completed as well as an increased focus and refinement of the Group’s five strategic brands. The one off costs relating to this transformation were substantially complete in the prior year with all payments completed within FY22. During the prior year, total redundancy costs of £5.2m were incurred across the Group including Figleaves, in order to align the Group’s people costs to deliver an organisational design that supports the revised strategy. A further £2.7m was incurred on the restructure and the transfer of the Figleaves business under the Simply Be brand, including stock write down of £1.1m and onerous contract provisions of £0.8m.

The £0.1m release in the period relates to opening provisions no longer required.

OTHER LEGACY MATTERS

During the year the Group incurred an additional charge of £0.2m representing a true up to items presented as exceptional in prior periods. The £0.2m charge in the prior year primarily relates to £1.7m of Impairment charge over tangible and intangible assets, offset by a gain achieved on the early settlement of foreign currency derivatives that were no longer required following the decline in product purchased at the initial months of the pandemic.

7. Derivative financial instruments

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

	52 weeks to 26 February 2022	52 weeks to 27 February 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 currency forwards)	**138.4**	-
Notional amount -sterling contract value (FVPL -Foreign currency forwards)	**38.0**	211.2
Total notional amount	**426.4**	211.2
Fair value of asset /(liability) recognised	**6.4**	(7.1)

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 £4.8m (2021: charge of £10.0m before exceptional items), recognised through the Income statement in the period.
Changes in the fair value of derivatives designated for hedging purposes amounted to £7.2m 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 (2021: 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 29th August 2021, and from this point fair value movements on the designated financial instruments were taken to a hedge reserve. The Group's hedge reserve relates to the following hedging instruments and movements:

	FX forwards	Cost of hedging	Interest rate swaps	Total
	£m	£m	£m	£m
Opening balance at 27 February 2021	**-**	-	-	-
Changes in fair value of hedging instruments recognised in OCI	**3.2**	(0.4)	4.4	7.2
Reclassified to cost of inventory (not included in OCI)	**(0.5)**	-	-	(0.5)
Reclassified from OCI to profit and loss	**-**	-	0.6	0.6
Deferred tax	**(0.7)**	0.1	(1.2)	(1.8)
Closing balance at 26 February 2022	**2.0**	**(0.3)**	**3.8**	**5.5**

8. Tax

Tax recognised in the Income statement	**52 weeks to 26 February 2022** **£m**	52 weeks to 27 February 2021 (Restated)[1] £m
Current tax		
Charge for the period	-	**2.0**
Adjustments in respect of previous periods	**(1.0)**	**(0.2)**
	(1.0)	**1.8**
Deferred tax		
Origination and reversal of temporary timing differences	**2.7**	**(0.7)**
Adjustments in respect of previous periods	**1.3**	**0.2**
	4.0	**(0.5)**
Total tax expense	**3.0**	**1.3**

[1]*Refer to change in accounting policy prior year adjustment note 19*

UK Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.
In the 3 March 2021 Budget it was announced that the UK tax rate will remain at the current 19% and increase to 25% from 1 April 2023. Accordingly, the UK deferred tax asset/(liability) as at 26 February 2022 has been calculated based on the enacted rate as at the balance sheet date of 25% with the exception of the retirement benefit scheme where deferred tax has been provided at the rate of 35%. The effective tax rate is lower than the statutory UK tax rate of 19% due to the effect of the super deduction introduced by the government on fixed asset expenditure in the year.

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

	52 weeks to 26 February 2022 **£m**	52 weeks to 27 February 2021 (Restated)[1] £m
Profit before tax	**19.2**	**9.2**
Tax at the UK corporation tax rate of 19% (2021: 19%)	**3.6**	**1.8**
Effect of change in deferred tax rate	**(1.1)**	**(0.8)**
Tax effect of expenses that are not deductible in determining taxable profit	**0.2**	**0.6**
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	**(0.3)**
Tax effect of adjustments in respect of previous periods	**0.3**	-
Tax expense for the period	**3.0**	**1.3**

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

	52 weeks to 26 February 2022	52 weeks to 27 February 2021
Tax recognised in other comprehensive income	**£m**	£m
Deferred tax – remeasurement of retirement benefit obligations	**3.7**	**(0.7)**
Deferred tax – fair value movement on cashflow hedge reserve	**1.8**	**-**
Tax charge/(Income) in the statement of comprehensive income	**5.5**	**(0.7)**

[1]*Refer to changes in accounting policy prior year adjustment note 19*

In respect of Corporation tax, as at 26 February 2022 the Group has provided a total of £nil (2021: £2.8m) for potential future tax charges based upon the Group's best estimate and their discussions with HMRC. The Group has now resolved its historical open corporation tax positions with the closing FY21 provision settled in March 2022.

9. Earnings per share

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

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

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

	52 weeks to 26 February 2022	52 weeks to 27 February 2021 (Restated)[1]
Earnings	**£m**	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity of the parent	**16.2**	7.9

	52 weeks to 26 February 2022	52 weeks to 27 February 2021
Number of shares ('000s)	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**458,825**	315,633
Effect of dilutive potential ordinary shares:		
Share options	**3,235**	194
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**462,060**	315,827

	52 weeks to 26 February 2022	52 weeks to 27 February 2021
Earnings from continuing operations	**£m**	£m
Total net profit attributable to equity holders of the parent for the purpose of basic earnings per share	**16.2**	7.9
Fair value adjustment to financial instruments (net of tax)	**(3.9)**	8.1
Exceptional items (net of tax)	**23.0**	8.5
Adjusted earnings for the purposes of adjusted earnings per share	**35.3**	24.5

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

Adjusted earnings per share	**52 weeks to 26 February 2022 Pence**	52 weeks to 27 February 2021 Pence
Basic	**7.69**	7.76
Diluted	**7.64**	7.76

Earnings per share	**52 weeks to 26 February 2022 Pence**	52 weeks to 27 February 2021 Pence
Basic	**3.53**	2.50
Diluted	**3.51**	2.50

[1]*Refer to changes in accounting policy prior year adjustment note 19*

In December 2020, the Group completed an equity raise for £93.5m net proceeds, which were used to eliminate unsecured debt and accelerate the Group's strategic investment. As part of the equity raise, a total number of 174,666,053 ordinary shares were issued, which has subsequently led to an increase in the weighted average number of shares used in the calculation of both the basic and diluted earnings per share, and therefore a reduction in both against the prior year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

10. Intangible assets

	Brands £m	**Software £m**	**Customer Database £m**	**Total £m**
Cost				
At 29 February 2020 (Restated)[1]	16.9	353.1	1.9	371.9
Additions	-	16.8	-	16.8
At 27 February 2021 (Restated)[1]	16.9	369.9	1.9	388.7
Additions	-	16.3	-	16.3
Transfer from tangible assets	-	1.5	-	1.5
Disposals	-	(14.4)	-	(14.4)
At 26 February 2022	**16.9**	**373.3**	**1.9**	**392.1**
Accumulated amortisation and impairment				
At 29 February 2020 (Restated)[1]	16.9	205.9	1.9	224.7
Charge for the period	-	33.6	-	33.6
Impairment	-	1.9	-	1.9
Transfer from tangible assets	-	0.4	-	0.4
At 27 February 2021 (Restated)[1]	16.9	241.8	1.9	260.6
Charge for the period	-	32.5	-	32.5
Transfer from tangible assets	-	0.4	-	0.4
Disposals	-	(14.4)	-	(14.4)
At 26 February 2022	**16.9**	**260.3**	**1.9**	**279.1**
Carrying amount				
At 26 February 2022	**-**	**113.0**	**-**	**113.0**
At 27 February 2021 (Restated)[1]	-	128.1	-	128.1
At 29 February 2020 (Restated)[1]	-	147.2	-	147.2

[1]***Refer to changes in accounting policy prior year adjustment note 19***

Assets in the course of development included in intangible assets at the year end total £13.4m (2021: £9.8m). No amortisation is charged on these assets. Borrowing costs of £nil (2021: £0.3m) have been capitalised in the period.

Additions in the year of £12.4m relate to internal development costs (2021: £12.1m).

As at 26 February 2022, the Group had entered into contractual commitments for the further development of intangible assets of £7.5m (2021: £6.2m) of which £7.4m (2021: £5.2m) is due to be paid within one year. Research costs of £1.1m were incurred in the year (2021: £0.4m).

Disposals during the year related to fully amortised assets which were no longer in use, predominantly those identified and accelerated through the review of useful economic lives in prior year as detailed below.

CHANGE IN ACCOUNTING POLICY

The Group has reviewed its accounting policy following the IFRIC agenda decision in respect of the configuration and customisation costs previously capitalised in respect of its SaaS implementations. Following this review cumulative costs previously capitalised as additions in the brought forward cost at 29 February 2020 of £5.1m have now been expensed and brought forward cumulative amortisation charge at 29 February 2020 of £0.9m has been reversed. Further additions of £1.5m capitalised in the year ended 27 February 2021 have been expensed, and an amortisation charge of £0.9m in the year ended 27 February 2021 has been reversed. See note 19 for further details of this change in accounting policy prior year adjustment.

SENSITIVITY OF ESTIMATION UNCERTAINTY

Whilst management consider the useful economic lives to represent the best estimate at the reporting date, to indicate the level of sensitivity in relation to the estimation of the useful economic lives, we have assessed the impact of reducing or increasing the UELs of all assets by 12 months:

A reduction in the revised UEL of all assets by 12 months would increase the expected amortisation charge for the following financial year by £12.4m;

An increase in the UEL of all assets of a further 12 months would decrease the expected amortisation charge for the following financial year by £7.1m.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Group performed its impairment review as at 26 February 2022. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. At the balance sheet date, the market capitalisation of the Group was lower than the Group's net assets. As this represents an indicator for impairment, management is required to test for impairment over the Group's total assets, with the recoverable amount being determined from value in use calculations. In addition, included within intangibles assets are ongoing projects that are not yet available for use and therefore not being amortised. Where intangible assets are not being amortised management is required to test for impairment.

The value in use assessment has been performed over the Group's total assets under one CGU, being the smallest group of assets which generate independent cash inflows. The Group's results, assets, performance and viability is assessed for the Group as a whole. In line with IAS 36, management therefore considered the assessment on a single CGU basis as appropriate.

The value in use calculations use Board-approved forecasts covering a three-year period as the basis for its cashflow projections, with accounting adjustments taken to comply with specific requirements of IAS 36. The

Board approved forecasts include an average compound annual product revenue growth of 10%, average annual total revenue growth of 7% and an average adjusted EBITDA margin of 13%.
These forecasts had regard to historic performance and knowledge of the current market, together with management's views on the future achievable growth and impact of technological developments. After the first three-year cash flows, a terminal value was calculated based upon the long-term growth rate and the Group's risk-adjusted pre-tax discount rate. The Group's three-year cash flow projections were based upon the Group's Board-approved three-year plan as at 26 February 2022.

The key assumptions in the value in use calculations are considered to be the determination of years 1-3 cashflows, incorporating expected product revenue growth not attributed to future capital expenditure, the risk-adjusted pre-tax discount rate, and the level of capital expenditure cashflows considered to be of replacement in nature. The key assumptions on revenue growth reflect historic experience, the expected recovery in demand post Covid-19 and the anticipated benefits of product, marketing and other initiatives.

The long-term growth rate of 1.4% is determined with reference to International Monetary Fund forecast GDP growth which management believe is a reasonable indicator of expected growth rate available at 26 February 2022, however the value in use is relatively insensitive to this assumption and is therefore not considered to be a key assumption.

The long-term growth rate of 1.4% used is purely for the impairment testing of intangible assets under IAS 36 "Impairment of Assets" and does not reflect long-term planning assumptions used by the Group for investment proposals or for any other assessments. The pre-tax discount rate for use in the IAS 36 impairment assessment as at 26 February 2022 was calculated using the Capital Asset Pricing Model and observable market inputs, to which specific company and market-related premium adjustments are made.

In developing the impairment assessment, management has considered the potential impacts of climate and other ESG related risks, as set out in the "Sustain" section of the Group's annual report. The short to medium term risks were not considered to be material to the analysis, but the Group recognise this as an emerging risk area and are monitoring and managing this accordingly as outlined in the "Risk Management" section of the annual report.

The key assumptions are as follows:

a) Years 1 to 3 expected product revenue and EBITDA growth;
b) Replacement Capital expenditure of £30m per year in years 1-3 and £20m in the terminal year; and
c) Pre-tax discount rate: 18.6% (2021: 13.1%).

The impairment review performed over the Group's CGU has indicated that no impairment is required over the remaining assets of the Group. The recoverable amount exceeds its carrying amount by £57m.
The following sensitivities have been performed within the value in use calculation, and do not therefore include any management action or mitigation:
a) Within years 1-3 expected cashflows, if product revenue were to decrease by more than 4.2% on average per annum with a respective decrease in FS revenue for loss of credit sales, the value in use would indicate an impairment;
b) An increase to replacement capital expenditure cashflows by greater than £11.0m in the terminal year (55% increase) would indicate an impairment; and
c) An increase to the discount rate of more than 1.8% would indicate an impairment.
It is reasonably possible that the Revenue and EBITDA growth assumptions may not be realised in full or in the timescale envisaged. The value in use would indicate an impairment if, all other things being equal, Group EBITDA per annum was on average 10% lower than forecast.

11. Property, plant and equipment

	Land and buildings £m	Fixtures and Fittings £m	Plant and Machinery £m	Total £m
Cost				
At 29 February 2020	59.1	22.5	57.5	139.1
Additions	-	0.8	0.9	1.7
At 27 February 2021	59.1	23.3	58.4	140.8
Additions	-	1.3	1.8	3.1
Transfer to intangible assets	-	-	(1.5)	(1.5)
Disposals	-	-	(4.9)	(4.9)
At 26 February 2022	**59.1**	**24.6**	**53.8**	**137.5**
Accumulated depreciation and impairment				
At 29 February 2020	17.8	20.1	38.6	76.5
Charge for the period	0.9	0.4	2.4	3.7
Impairment	-	-	0.1	0.1
Transfer to intangible assets	-	-	(0.4)	(0.4)
At 27 February 2021	18.7	20.5	40.7	79.9
Charge for the period	1.2	0.5	2.7	4.4
Transfer to intangible assets	-	-	(0.4)	(0.4)
Disposal	-	-	(4.9)	(4.9)
At 26 February 2022	**19.9**	**21.0**	**38.1**	**79.0**
Carrying amount				
At 26 February 2022	**39.2**	**3.6**	**15.7**	**58.5**
At 27 February 2021	40.4	2.8	17.7	60.9
At 29 February 2020	41.3	2.4	18.9	62.6

Assets in the course of development included in fixtures and fittings and plant and machinery at 26 February 2022 total £2.5m (2021: £0.7m), and in land and buildings total £nil (2021: £nil). No depreciation has been charged on these assets.

At 26 February 2022, the Group had entered into contractual commitments of £1.0m for the acquisition of property, plant and equipment (2021: £nil).

Disposals during the year relate to fully amortised or previously impaired assets which are no longer in use.

12. Trade and other receivables

	52 weeks to 26 February 2022 £m	52 weeks to 27 February 2021 £m
Amount receivable for the sale of goods and services	**577.2**	605.8
Allowance for expected credit losses	**(68.7)**	(85.2)
Net trade receivables	**508.5**	520.6
Other debtors and prepayments	**24.6**	28.4
Trade and other receivables	**533.1**	549.0

Included in Amount receivable for the sale of goods and services is a provision for outstanding customer returns of £6.1m (2021: £4.8m).

Other debtors include a balance of £2.5m (2021: £3.0m) relating to amounts due from wholesale partners.

The weighted average Annual Percentage Rate ("APR") across the trade receivables portfolio is 58.1% (2021: 58.2%). For customers who find themselves in financial difficulties, the Group may offer revised payment terms (payment arrangements) to support customer rehabilitation. These revised terms may also include suspension of interest for a period of time.

The gross trade receivables whose terms have been renegotiated (payment arrangements), but would otherwise be past due, totalled £11.5m at 26 February 2022 (2021: £13.4m). Interest income recognised on trade receivables which were credit impaired as at 26 February 2022 was £14.4m (2021: £13.5m).

The amounts written off in the period of £144.9m (2021: £154.1m re-presented) include the sale of impaired assets with a net book value of £64.1m (2021: £59.7m). The proceeds from derecognised portfolio sales exceeded the net book value by £1.0m (2021: £5.0m).

During the year there were £36.8m of proceeds recognised in respect of accounts that had previously been written-off or derecognised (2021: £38.1m).

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 26 February 2022.

	52 weeks to 26 February 2022			52 weeks to 27 February 2021		
Ageing of trade receivables	**Trade receivables**	**Trade receivables on payment arrangements**	**Total trade receivables**	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Current – not past due	497.3	11.5	508.8	522.8	13.4	536.2
28 days – past due	18.4	1.3	19.7	20.5	1.1	21.6
56 days – past due	13.5	0.4	13.9	12.3	0.2	12.5
84 days – past due	11.5	0.2	11.7	9.9	0.2	10.1
112 days – past due	8.5	0.2	8.7	7.4	0.1	7.5
Over 112 days – past due	14.1	0.3	14.4	17.8	0.1	17.9
Gross trade receivables	563.3	13.9	577.2	590.7	15.1	605.8
Allowance for expected credit losses	(63.9)	(4.8)	(68.7)	(76.4)	(8.8)	(85.2)
Net trade receivables	499.4	9.1	508.5	514.3	6.3	520.6

Allowance for expected credit losses				**52 weeks to 26 February 2022**	52 weeks to 27 February 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Opening balance	16.3	31.1	37.8	85.2	71.7
Impairment	38.9	6.3	19.1	64.3	108.0
Utilised during the period	(46.8)	(13.3)	(20.7)	(80.8)	(94.5)
Closing balance	8.4	24.1	36.2	68.7	85.2
Movements in provisions	(7.9)	(7.0)	(1.6)	(16.5)	13.5

	52 weeks to 26 February 2022 £m	52 weeks to 27 February 2021 £m *(Re-presented)*
Provision movements	**(16.5)**	13.5
Gross write -offs	**144.9**	154.1
Recoveries	**(36.8)**	(31.8)
Other items	**2.8**	3.3
Net Impairment charge	**94.4**	139.1

13. Trade and other payables

	52 weeks to 26 February 2022 £m	52 weeks to 27 February 2021 £m
Trade payables	**47.5**	46.7
Other payables	**11.0**	4.7
Accruals and deferred income	**36.2**	59.2
Trade and other payables	**94.7**	**110.6**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases, based on invoice date, is 53 days (2021: 55 days) (based on invoice creation date FY22: 42 days, FY21: 41 days).

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

The Group continues to have a supplier financing arrangement which is facilitated by HSBC. The principal purpose of this arrangement is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms of suppliers participating in the programme are similar to those suppliers that are not participating.

The maximum facility limit as at 26 February 2022 was £15m (2021: £10m). At 26 February 2022, total of £6.7m (2021: £8.0m) had been funded under the programme. The scheme is based around the principle of reverse factoring whereby the bank purchases from the suppliers approved trade debts owed by the Group.

Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard Group payment terms; the Group is not party to this contract. The scheme has no cost to the Group as the fees are paid by the supplier directly to the bank. The bank have no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group. There is no fixed expiry date on this facility.

14. Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less, from point of acquisition. Included in the amount below is £1.0m (2021: £0.5m) of restricted cash which is held in respect of the Group's customer redress programmes and £2.6m (2021: £3.0m) in respect of our securitisation reserve account. This cash is available to access by the Group for restricted purposes. In addition £2.8m (2021: £1.9m) was held at the balance sheet date in relation to amounts to be repaid against the Group's securitisation facility.

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

	52 weeks to 26 February 2022 £m	52 weeks to 27 February 2021 £m
Sterling	**31.3**	69.1
Euro	**5.1**	6.2
US dollar	**6.7**	5.5
Net cash and cash equivalents and bank overdrafts	**43.1**	80.8
Made up of:		
Cash and cash equivalents	**43.1**	94.9
Bank overdrafts	-	(14.1)

The Group operates a notional pooling and net overdraft facility whereby cash and overdraft balances held with the same bank have a legal right of offset. In line with 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.

15. Bank borrowings

	52 weeks to 26 February 2022 £m	52 weeks to 27 February 2021 £m
Bank loans	**(302.5)**	**(381.9)**
Net overdraft facility	-	-
The borrowings are repayable as follows:		
Within one year	-	-
In the second year	-	-
In the third to fifth year	**(302.5)**	**(381.9)**
Amounts due for settlement after 12 months	**(302.5)**	**(381.9)**
The bank overdrafts are repayable on demand.		
All borrowings are held in sterling.		

	52 weeks to 26 February 2022 %	52 weeks to 27 February 2021 %
The weighted average interest rates paid were as follows:		
Net overdraft facility	**1.7**	**1.6**
Bank loans	**2.5**	**2.5**

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

The Group operates a notional pooling and net overdraft facility whereby cash and overdraft balances held with the same bank have a legal right of offset. The net overdraft facility limit is £12.5m (2021: £7.5m), of which £nil was drawn down at 26 February 2022 (2021: £nil). The overdraft is repayable on demand, unsecured and bears interest at a margin over bank base rates.

In line with the requirements of IAS 32, gross balance sheet presentation is required where there is no intention to settle any amounts net. The net balance has therefore been separated between overdrafts and cash balances

The Group has a bank loan of £302.5m (2021: £381.9m) secured by a charge over certain "eligible" trade debtors (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility was refinanced in November 2021 reducing the facility limit from £500m to £400m and maturity extended to December 2024. An assessment was undertaken as required under IFRS 9 as to whether the refinancing had resulted in a substantial modification. It was concluded that the modification of the agreement did not substantially modify the liability on either a quantitative or qualitative basis, and therefore no derecognition of the existing liability was required. Unamortised fees relating to this facility of £3.0m are offset against the carrying amount of the loan.

The Group also has unsecured bank loans of £nil (2021: £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 1.7 below the 1.5 requirement, and interest cover retained headroom of at least 66.8 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.

16. Dividends

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

17. Share Capital

	2022 Number	2021 Number	**2022 £m**	2021 £m
Allotted, called-up and fully paid ordinary shares of 11 1/19p each				
Opening as at 27 February 2021 (29 February 2020)	**460,483,231**	285,817,178	**50.9**	31.4
Issued in the year	-	174,666,053	-	19.5
At 26 February 2022 (27 February 2021)	**460,483,231**	460,483,231	**50.9**	50.9

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

In December 2020, the Group completed an equity raise where a total number of 174,666,053 ordinary shares was issued at an offer price of 57 pence per share. Net proceeds, after accounting for direct transaction costs, amounted to £93.5m. The nominal value of the shares issued of £19.5m has been accounted for within share capital with the remaining £74m accounted for within share premium.

18. Provisions

	Customer Redress	Strategic Change	Allianz Litigation	Other	Total
	£m	£m	£m	£m	£m
Balance as at 27 February 2021	1.6	2.8	-	0.3	**4.7**
Reclass from Accruals as at 28 February 2021	-	0.2	1.6	-	**1.8**
Provisions made during the period	0.5	0.1	29.8	-	**30.3**
Provisions used during the period	(0.3)	(2.3)	(3.4)	-	**(5.9)**
Balance as at 26 February 2022	1.8	0..8	28.0	0.3	**30.9**
Non-current	-	-	-	-	**-**
Current	1.8	0.8	28.0	0.3	**30.9**
Balance as at 26 February 2022	**1.8**	**0.8**	**28.0**	**0.3**	30.9

ALLIANZ LITIGATION

During the current year, 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.

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 (see critical judgements in note 2), the Group has recorded a charge in the year for legal costs of £1.8m and a provision of £28.0m, as an estimate for accounting purposes of the potential costs of settlement or award and future legal costs. The Allianz dispute was recognised and disclosed as a Contingent Liability at February 2021.

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 the prior year and as at 26 February 2022 the Group holds a provision of £1.8m (2021: £1.6m), which will be paid in the next 12 months.

STRATEGIC CHANGE

In line with the Board's strategic reviews and multi-year transformation of the business, a material level of cost reduction programs have been completed as well as an increased focus and refinement of the Group's five strategic brands. The one off costs relating to this transformation were substantially complete in the prior year. During the prior year, total redundancy costs of £5.2m were incurred across the Group including Figleaves, in order to align the Group's people costs to deliver an organisational design that supports the revised strategy. A further £2.7m was incurred on the restructure and the transfer of the Figleaves business under the Simply Be brand, including stock write down of £1.1m and onerous contract provisions of £0.8m. The remaining provision of £0.8m as at 26 February 2022 will be paid in the next 12 months.

OTHER

The provision held at 27 February 2021 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.

19. Prior Year Adjustment

During the financial year, the IFRS Interpretations Committee ('IFRIC') published an agenda decision providing clarification on the accounting treatment of configuring or customisation costs of a software application in a Software as a Service ('SaaS') arrangement and related implementation costs. The IFRIC guides that the configuration and customisation costs incurred in implementing SaaS would rarely give rise to an asset controlled by the entity and that is distinct from the software itself which is generally not controlled by the acquirer and does not in itself give rise to an intangible asset. In these circumstances, configuration and customisation costs incurred should be expensed as the services are received. In some limited instances, where for example code is created that is controlled by the entity, the costs could give rise to an identifiable intangible asset.

Due to the nature of the agenda decision, and the significant level of spend incurred by the Group on its Capital investment and transformation programmes, the Group's accounting policies have been reviewed and aligned with the IFRIC guidance issued. The revision to the accounting policy has been accounted for retrospectively resulting in a prior year restatement. The restatement represents a non-cash adjustment.

The Group identified £6.7m of additions made in the years ended 27 February 2021 and 29 February 2020, that should have been expensed under the IFRIC guidance. £5.1m of these costs should have been expensed in the year ended 29 February 2020 and a further £1.6m in the year ended 27 February 2021 after taking consideration of the newly published guidance. This is offset by a reversal of the amortisation charged in each of the years ended 27 February 2021 and 29 February 2020. The costs expensed give rise to deferred tax asset at 27 February 2021 of £0.9m and at 29 February 2020 of £0.6m.

The affected Balance Sheet line items are as follows:

Balance sheet (extract)	27 February 2021 £m	Adjustment £m	27 February 2021 (Restated) £m
Non-current assets			
Intangible Assets	133.0	(4.9)	128.1
Deferred Tax Assets	12.7	0.9	13.6
Total Assets	**957.7**	**(4.0)**	**953.7**
Net assets	**416.3**	**(4.0)**	**412.3**
Retained Earnings	280.3	(4.0)	276.3
Total Equity	416.3	(4.0)	412.3

Similarly, a third balance sheet has been presented in accordance with IAS 1 to illustrate the impact on the opening balance sheet for the prior financial year:

Balance sheet (extract)	29 February 2020 £m	Adjustment £m	29 February 2020 (Restated) £m
Non-current assets			
Intangible Assets	151.4	(4.2)	147.2
Deferred Tax Assets	13.2	0.6	13.8
Total Assets	1,135.4	(3.6)	1,131.8
Net assets	317.5	(3.6)	313.9
Retained Earnings	272.4	(3.6)	268.8
Total Equity	317.5	(3.6)	313.9

The impact on the prior period Income Statement is as follows:

Income Statement (extract)	27 February 2021 £m	Adjustment £m	27 February 2021 (Restated) £m
Other administration & Payroll	(111.9)	(1.6)	(113.5)
Depreciation & Amortisation	(39.8)	0.9	(38.9)
Operating profit	**35.1**	**(0.7)**	**34.4**
Tax	(1.6)	0.3	(1.3)
Profit for the period	**8.3**	**(0.4)**	**7.9**

Earnings per Share from continuing operations			
Basic	2.63p	(0.13p)	2.50p
Diluted	2.63p	(0.13p)	2.50p

Cashflow Statement (extract)	27 February 2021 £m	Adjustment £m	27 February 2021 (Restated) £m
Cash generated by operations	154.9	(1.6)	153.3
Net cash inflow from operating activities	143.8	(1.6)	142.2
Purchases of intangible assets	(18.6)	1.6	(17.0)
Net Cash used in investing activities	(20.0)	1.6	(18.4)

This report was approved by the Board of Directors on 18 May 2022.