6 June 2023

FULL YEAR RESULTS FOR THE 53 WEEKS ENDED 4 MARCH 2023
Strategic progress in a challenging market

£m	53 weeks to 4 Mar 2023 (FY23)[1]	52 weeks to 26 Feb 2022 (FY22)	Change 53 weeks v 52 weeks
Group revenue	**677.5**	715.7	(5.3)%
Product revenue	***433.4***	*465.6*	*(6.9)%*
Financial Services revenue	***244.1***	*250.1*	*(2.4)%*
Adjusted EBITDA[2]	**57.3**	95.0	(39.7)%
Adjusted EBITDA margin	**8.5%**	13.3%	(4.8)ppts
Adjusted profit before tax[2]	**7.5**	43.1	(82.6)%
Statutory (loss) / profit before tax	**(71.1)**	19.2	N/A
Cash and cash equivalents	**35.5**	43.1	(17.6)%
Adjusted net debt[2]	**(297.4)**	(259.4)	(14.6)%

<u>Highlights</u>

Financial summary

- FY23 Adjusted EBITDA in line with latest Board and market expectations[3]
- Year-on-year Adjusted EBITDA predominantly driven by Financial Services ('FS') Gross Margin normalising
- Group revenue contracted 5.3%, reflecting challenging online market conditions:
  - Product revenue declined 6.9% (8.4% on a 52 week basis), with strategic brands down 5.3% (in line with the broader online non-food market[4])
  - Returns rates, and clothing and home mix returned to pre-pandemic norms by H2 FY23
  - Lower retail sales, net of higher customer credit penetration, led to lower FS revenue, down 2.4% (-4.3% on a 52 week basis)
- Product margin rate continued to improve, up 1.8ppt, benefiting from reduced promotional levels and measured price increases
- As previously guided, FS margin rate normalised after FY22's abnormally low write offs and the release of the FY21 initial Covid-19 bad debt provision. Underlying arrears rates have also normalised
- Operating costs reduced by £2m, with volume related savings more than offsetting £15m of inflationary pressures
- Adjusted Profit before Tax of £7.5m. Statutory loss before tax reflects final Allianz litigation settlement and a non-cash impairment to non-financial assets of £53m
- Cash outflow of £67.7m, reflecting a timing change to part of the annual debt sale, and the £49.5m settlement of Allianz litigation

- Strong balance sheet with significant cash and cash equivalents, and total accessible liquidity of £112.0m at 6 May 2023. RCF and overdraft refinanced to December 2026 and remain undrawn with limits of £75m and £12.5m respectively

A year of strategic and operational progress

- Continued strategic progress including launch of new mobile-first website for Simply Be, enhancing the customer experience through easier site navigation and checkout journey
- Strengthened Board with the appointment of Meg Lustman as an Independent Non-Executive Director, and the appointment of Dominic Appleton as CFO
- Progress against ESG priorities, including reaching over 40% of own brand designed clothing and home textile ranges having sustainable properties (from 0% in 2019) and launching new charity partnerships with Retail Trust and FareShare Greater Manchester
- Well positioned to deliver strategic change with a step-up in investment in FY24, aligned to a number of medium-term transformational priorities:
    - Priorities include new websites for Jacamo and JD Williams, and the delivery of our new FS technology platform

Current trading, outlook and guidance

- The previously guided softer product revenue seen in Q4 FY23, down 17.8% year-on-year, has broadly continued into Q1 FY24 following a strong Q1 FY23 and poor early Spring weather
- Continue to expect challenges of a high inflationary environment and low consumer confidence to remain throughout FY24 and currently expect full year product revenue to decline at a slightly improved rate to that seen in FY23 (-8.4% on a 52 week basis)[5]
- Currently expect FS revenue to decline at a rate slightly adverse to that seen in FY23 of 4.3%[5] and the FS gross margin rate in FY23 of 49.3% is broadly representative of a normalised level
- We continue to focus on managing the ongoing inflationary pressures on our cost base and realising further product margin improvements, with expected Adjusted EBITDA margin around 1ppt lower than FY23 (FY23: 8.2%[5])
- Following the FY23 impairment of non-financial assets, we expect a reduction of around £15m in depreciation and amortisation
- We expect FY24 year end net debt to be slightly better than FY23's closing position. Strategic investment continues to be self-funded through carefully managed cash flows including tight control and right-sizing of stock
- Continued confidence in the strategic direction of the business and in the benefits of the ongoing investment in our digital transformation with a focus on delivering sustainable profitable growth

Steve Johnson, Chief Executive, said:

"We have remained adaptable to the trading environment which became more challenging during the year, as inflation impacted both our customers and our cost base. Although volumes softened, we maintained a disciplined approach to trading, with a particular focus on upholding margin despite a promotional backdrop.

We continued to make strategic progress despite these challenges, increasing investment during the year, and we successfully launched our new mobile-first website for Simply Be. I would like to thank every single one of our colleagues for their role in achieving this progress, through their commitment to serving our customers and supporting our vision of championing inclusion.

We are expecting the weaker consumer confidence to continue weighing on our performance before we see a return to growth and are therefore keeping a tight control of costs. We remain confident in our strategy and are more focused than ever on the transformational priorities which will deliver the biggest benefits, including new websites for Jacamo and JD Williams, and the delivery of our new financial services platform."

Webcast for analysts and investors:

A webcast presentation of these results will take place at 9am on 6 June 2023 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.

[1] *FY23 was the 53 week period ended 4 March 2023. A detailed comparison of the 53 week results to 4 March 2023 and 52 week results to 25 February 2023, for comparability with last year's 52 week period, is set out on page 16.*

[2] *A full reconciliation of statutory to adjusted measures is included in the FY23 Financial Review.*

[3] *The market consensus for FY23 Adjusted EBITDA was £57.5m as at 5 June 2023.*

[4] *BRC total online non-food market for 52 weeks ended 25 February 2023 declined by 8%; BRC total online non-food market for 52 weeks ended 25 February 2023 weighted to N Brown category mix using management analysis declined by 5%.*

[5] *FY24 expectations are stated against the 52 week results to 25 February 2023 as set out in the Financial Review from page 15 (Product revenue of £426.6m; Financial services revenue of £239.4m; Adjusted EBITDA margin of 8.2%).*

PERFORMANCE REVIEW

FY23 has seen significant macro-economic pressures impact consumers and businesses. This has included inflationary pressures weighing on consumer confidence and disposable incomes. In this context, our performance has been resilient. We have remained agile, and balanced softening customer demand with disciplined trading decisions. We saw a 2 ppt rise in the proportion of new customers signing up for our credit proposition. We rebalanced our product mix towards Clothing and Footwear ('C&F'), which saw better category market performance than Home & Gift, whilst achieving increases in Average Item Value of 12%. We also managed our cost base and profit margins tightly, ensuring marketing and supplier spend decisions were taken in a pragmatic manner. Adjusted EBITDA of £57.3m is in line with Board expectations and market consensus, with the reduction over prior year driven by the normalising of consumer trends in our Financial Services business. Our refinancing in April gives us access to liquidity at 6th May 2023 of £112m, through to December 2026, details of which are set out in the Financial Review.

We continued to invest in our strategic transformation which aims to deliver value faster, through a simpler and more focused business. Our work to build clearer, more distinct brand identities is ongoing, and we showcased our progress through engaging and creative campaigns that were representative of our customers and demonstrated why we remain unique. We successfully launched own brand labels and collaborations including our William Hunt and Jacamo formalwear, complemented by exciting third-party new range additions including Whistles, Sosander and Ted Baker. We enhanced the customer experience with the launch of our new mobile-first website for Simply Be, with initial indications showing improvements to load speed and usability. We also invested in new marketing channels to drive more valuable customers to our brands. By developing and launching a new data strategy, we sought opportunities to make margin improvements through better use of our data. We have also set in motion organisational changes which will enable us to move to more agile ways of working.

In an unpredictable market, we are concentrating on elements we can control as a business, ensuring we deliver value for our customers in the most effective way possible. We expect the first half of FY24 to be very challenging, but our balance sheet ensures we are well positioned for investing in the future. It provides a foundation from which we can continue to execute our strategy, and the Board remains confident in achieving the Group's medium-term objective of delivering sustainable profitable growth.

Allianz claim settled

One of the Group's principal subsidiaries, J D Williams & Co Ltd ('JDW'), was involved in a legal dispute with Allianz Insurance plc ('Allianz'). In January 2023 full and final settlement was reached in relation to a claim issued against JDW, and the subsequent JDW counterclaim. The dispute related to significant amounts of redress previously paid to customers by JDW and Allianz in respect of certain historic insurance products, including payment protection insurance. JDW has paid Allianz £49.5m, which has been recognised as an adjusting item across FY22 and FY23. Further details are set out in note 6 to the financial statements. This removes significant uncertainty and distraction for the business.

Executive hires

Alongside our strategic transformation, there were also changes to our Executive Board with Dominic Appleton joining as Chief Financial Officer Designate this year, taking on the role of Chief Financial Officer from June 2023. Dominic brings considerable consumer experience, particularly in digital retail and financial services, following over 10 years at The Very Group (previously Shop Direct). We have also welcomed back

Christian Wells, who was previously with the Group in an interim capacity, as our permanent General Counsel and Company Secretary.

FY23 – A resilient performance against significant headwinds

As an organisation, we exist to serve the underserved. Our strategy is framed by our vision that "By championing inclusion, we'll become the most loved and trusted fashion retailer". Inclusivity is an incredibly important part of what we stand for as an organisation. We have built up this expertise over generations and it continues to be a key opportunity for differentiation in the market. We create clothes that fit, and that make our customers look and feel amazing, enabling them to live the lifestyle they aspire to, something we have always championed as accessible to all. This is what makes N Brown special, both in the culture it creates internally and in what we can deliver for customers.

An update against our five strategic pillars is provided below.

1. **Build a Differentiated Brand Portfolio**

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

A considerable amount of work has been undertaken this year to build stronger identities and points of differentiation for the strategic brands in our portfolio. We have immersed colleagues further in the identity of each of our strategic brands, to allow them to better execute against their individual strategies.

For Simply Be, we launched a new creative campaign, "The Fit Revolution", which was delivered via a new media approach which saw us move away from traditional TV advertising, and switch to digital video, social, out of home and influencers.

We also launched our JD Williams "Collections" campaign, and supported this with specific activity showcasing how our financial services offer makes our collections accessible to our customer. We launched the Collections campaign with an updated media approach in Spring Summer ('SS') working alongside our brand ambassadors, Davina McCall and Amanda Holden, and evolved this approach further in the Autumn/Winter season.

With Jacamo, we continued to champion inclusivity through the launch of our "Every Man" creative campaign for SS. Accompanied by a new media approach where we aligned our ongoing communications and storytelling with the "Every Man" creative.

Our heritage brand portfolio is focused on the retention and retrade of existing customers and, in particular, loyal credit customers. These brands are now managed by a dedicated team to create operational focus and clarity, distinct from the strategic brands which we are seeking to accelerate.

2. **Elevate the fashion and fintech proposition**

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

We rebalanced our core offer to align with a normalisation in the clothing and footwear market post pandemic. We achieved this by buying into growth categories such as occasionwear and formalwear, whilst protecting the categories our customers consistently love – lingerie, dresses, denim, and footwear. In line with our vision of inclusivity, we have extended the size range across our product portfolio, introducing smaller sizes, ensuring accessibility of our fantastic product to all.

We have taken a customer-centric approach to enhancing our design capability, responding to customer feedback, particularly within our Womenswear own label proposition. Our teams have reduced the historic syndication across strategic brands, replacing it with own label product that is designed and bought specifically for Simply Be, JD Williams and Jacamo. This product is distinct and bespoke to each brand, strengthening our unique, brand-aligned proposition across our product offering.

We welcomed some fantastic third-party brands across our strategic brands during the year, chosen selectively to complement our own product offering. Within Womenswear, our branded offer sales have increased by 49% against prior year through partnerships with Nobody's Child, Mango, Monsoon and Whistles. Our Men's branded offering continues to see growth, up 8% against prior year, with good performance from our premium brands including Polo Ralph Lauren and Boss.

Our Financial Services proposition evolved in the year, enhancing the customer offer. In parallel, work has begun on a new technology platform, with a dedicated team now in place to drive delivery. Progress during the year has included commencing the build of the first component of the platform, mapping customer journeys and selecting platforms for further components to be built. We have improved the integration of our existing Financial Services proposition into the customer journey, developing better credit messaging displays and optimising the user experience. We rebranded our JD Williams credit offer "JDW Pay", which was communicated through direct mail campaigns and attracted over 20,000 new credit customers. Building on lessons learnt from this, we later rebranded our Simply Be credit offer as "Pay Simply Be". We have also launched 0% interest for new and existing customers.

3. Transform the customer experience

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

We have evolved our digital customer ecosystem, building a mobile-first, customer-centric website which was launched this year for Simply Be. The platform aims to deliver a seamless customer experience, so shoppers are able to navigate the site, have a frictionless checkout experience and receive the same rich mobile application experience across any device. It is already 18% faster than any of our other websites and has also gained external credibility for its performance, with its Google Lighthouse score increasing, a measure based on a combination of performance, accessibility, Search Engine Optimisation ('SEO'), and best practice criteria. Jacamo will be the next brand to benefit and is expected to go live in the first half of FY24, followed later by JD Williams.

Native checkout, which allows customers to pay directly through our app, rather than being redirected to the website, was launched for mobile users across Android and iOS. Native checkout creates a faster and smoother user experience, with fewer errors and abandoned carts at point of payment.

4. Win with our Target Customer

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

We have invested in new marketing channels in order to attract our target customers. We built a customer bidding algorithm to target prospective customers interested in purchasing our products through credit with branded display advertisements. Of the new customers that were recruited through this channel, 80% went on to purchase using our credit proposition. We continually sought new ways to test and innovate acquisition of target audiences, driving app installations across paid media channels including Google, Apple, and Facebook.

We also evolved our approach to customer retention. We introduced a new credit welcome programme to influence payment behaviour by educating our customers on how to manage their credit responsibly. This initiative led to a 34% reduction in customers falling into arrears within testing. We intend to capitalise on this insight to pursue other ways of influencing more regular payments and activation of customer demand through better use of data and analytics.

We also rebuilt our Customer Lifetime Value Model to give us more accurate data, so that we can better understand our customer base and improve targeting and personalisation.

5. **Establish Data as an Asset to Win**

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

Last year we designed and launched our new Data Strategy. Leveraging better insight from our unique Retail and FS data requires us to evolve our operating model, and foster the appropriate data culture.

We have largely achieved our target operating model by establishing a Group Data function, plugging capability gaps with key hires, and aligning with the organisation's agile ways of working. Our data culture will empower our colleagues to meaningfully engage with data to identify and leverage analytical opportunities.

We continue to invest in data-driven use-cases in the Pricing Optimisation and Customer Value space. One of our data products, PriceTagger, (an in-house tool which helps us optimally promote product using pricing elasticity curves), has been rolled out to all clothing and footwear promotions. We have also released an improved mailing selections model to optimise our offline marketing spend and embedded our new customer cohort models into our forecasting and planning processes. We expanded our Machine Learning ('ML') capabilities by creating 'Luna', a framework for building, deploying, and tracking scalable ML models by leveraging the power of cloud platforms. This reduces ML deployment time from months to minutes, allowing us to be more agile.

Key Enablers

The five pillars are underpinned by two enablers, the foundations to our strategy: A sustainable and efficient operating model, and our People and Talent.

We have worked hard to develop an agile operating model by evolving our organisational design. We are moving to organisational structures that are better aligned to our brands, journeys and systems to enable better customer outcomes and deliver value faster and more effectively for the organisation. We have been testing how to embed this as part of our culture and learning throughout the year through an iterative process, implementing it across areas of the business where value can be realised fastest.

To ensure that we have the right environment for our people and talent to adapt to this evolved way of working, we are committed to building both a diverse workforce and creating an inclusive environment which values equality for all. This is why we launched our Equity, Diversity and Inclusion Strategy, "EMBRACE" during the year. EMBRACE is a fundamental enabler to our success as an organisation. Alongside this, we have launched our Apprenticeship, Graduate and High Potential programmes, welcoming the first cohort of our graduate scheme in October, as we continue to attract, acquire, and develop capabilities for the future.

Protecting our customers

We have taken a proactive approach to looking after our customers, continuing to offer flexible payment options and payment holidays, where appropriate, to help them manage their finances. In addition, we have updated our help and support pages online, providing financial education to help our customers make informed decisions and manage their finances more effectively. As we move forward, we will continue to work hard to provide help and support for our customers.

FY24 strategic priorities

Good progress has been made across all our key strategic pillars during the last financial year, reinforcing confidence in our strategy, despite market conditions. We anticipate market conditions to remain difficult for the next 12-18 months and expect the first half of FY24 to be particularly challenging, before inflationary pressures slowly subside and the impacts of UK economic policy flow through into consumer markets. During this period, we will upweight our focus on internal cash generation to enable investment in our strategy.

We will continue to invest in our strategic transformation, the key to unlocking sustainable growth when market conditions improve. In order to better prioritise and execute activity that will transform the business in the medium term, we have made the decision to focus our resources on fewer things, so that we can deliver value faster.

Investment is centred on **five transformational priorities**:

- **New websites for all strategic brands** – roll out our new mobile-first website experience and continuously iterate launches with new features.
- **A technology platform to support our Financial Services proposition** – the platform will enhance the ways in which customers can choose to pay for our amazing product and will be supported by the launch of a new FS brand.
- **Data culture** – further empower our colleagues to engage with data to identify and leverage analytical opportunities.
- **A Product Information Management ('PIM') system** – providing a single place to collect, manage and enrich product data, to provide a better experience for customers and a more efficient process for colleagues.
- **A fully embedded agile operating model** – evolving our organisational design so that all relevant colleagues will have moved to an agile way of working.

An overview of **focus areas by strategic pillar** is provided below:

1. **Build a Differentiated Brand Portfolio**

Our focus for FY24 is to further develop the identities of our strategic brands. This will be executed through elevated communications and storytelling that resonates with our target audiences, delivered through channels which reflect where they spend their time.

Simply Be will continue to emphasise inclusive fashion for all body shapes, presenting itself as a brand that grasps this territory better than others in the industry, enhancing our approach to influencer marketing.

For JD Williams, we've started the year with an exciting media partnership with ITV and Global, featuring our brand ambassadors Davina McCall and Amanda Holden. Our summer campaign will follow this and will launch a new creative approach. Building on the 'Collections' narrative, it will create an even stronger emotional connection with our customer. We will continue to use our content to raise the visibility of our credit proposition.

For Jacamo, we will design a new creative approach, to build on the foundations of 'Every Man', broadening its appeal to all men, not just 'Plus Size'. We have partnered with social media community LADbible to create highly engaging content, based around our customers' passion points. This will bring our product to life and demonstrate the credibility in our story, championing inclusion and providing access to the brands he is looking for.

2. Elevate the Fashion & Fintech Proposition

We will continue to evolve our own-label Womenswear proposition to become unique to each of our brands. This will provide us with exclusivity and credibility, and we will support our efforts with the right third-party brands, offering a curated and balanced offer. Our FS proposition will continue to evolve through the transformational activity being delivered.

As the market continues to evolve, we will also look to further refine the balance of fashion and home within our range architecture. We have built a great home proposition to include some of the world's leading brands and will continue to delight our customers with a curated offer through the coming year.

Remaining mindful of the external market and the pressures our customers face, we are committed to ensuring our offer delivers great value for money, including great fit as standard, a wider range of sizes, and most importantly, great fashion. This plays into our financial services proposition, giving our customers access to great products and making them more affordable.

Our FS transformation journey is in flight and we have listened carefully to what our existing and prospective customers want. We will develop our new FS proposition, by building and testing our new FS Platform ready to launch to customers. The underlying technology is the enabler that will help us to innovate our product offering, as well as create the flexibility we require to best support our customers. This means giving customers the flexibility of revolving credit, combined with the certainty of instalment credit, all tailored to individual needs. We will be launching this new proposition under a new FS brand which has the customer at its heart and removes barriers, by putting flexible payment options into the hands of more people.

3. Transform the Customer Experience

Throughout the year our new websites will form an integral part of our transformation activity. The launch of Simply Be provided us with a blueprint, allowing us to replicate processes for the launches of Jacamo, and then JD Williams. Jacamo has begun its staged launch to customers. Our approach to our website technology is not just about the websites going live, but rather an iterative process where we constantly build new features to complement the entire ecosystem. Our development is customer centric, with the user experience fed by continuous customer feedback. The aim is to constantly refine the end-to-end customer journey, allowing for seamless interaction with our technology.

We will also deploy a Product Information Management ('PIM') system to provide our customers with better information and insight on our products, including offering more detail about sizing and fabric. This will create a consistent customer experience and seeks to lower the returns rate by distributing accurate and complete content across all channels.

4. Win with our Target Customer

Whilst seeking to resonate with our target audiences, we are further integrating our Retail and FS businesses to encourage the acquisition of credit customers. Supported by our Finance and Data teams, this will facilitate a more holistic approach to find the best business solutions to support our credit propositions. Ahead of our FS brand launch, this will be achieved through clearer credit identities across all of our brands in our portfolio and greater integration of FS messaging across our channels.

To ensure these identities are showcased in the most effective way, we will reallocate our marketing spend towards Direct Mail and Display, with FS becoming a fully embedded part of the overall marketing plan. We will also be using combined Retail and FS data to positively impact business decision making, through clearer consideration of the combined contribution.

Whilst we continue to invest in new ways to acquire target customers, we will also consider the evolution of how we define loyalty, the behaviours we want to encourage, and the mechanisms that need to be implemented in order to create a better value exchange between our brands and our customers.

5. Establish Data as an Asset to Win

We will continue to invest in data-driven use cases in pricing optimisation and the customer value space by utilising our unique datasets and expertise to land high value data-driven use cases. PriceTagger will gain seasonality intelligence, and expand to cover the Home, Technology and Leisure categories. Our new Customer Lifetime Value model will improve the allocation of our marketing spend, and we will create data-enabled propositions that leverage our unique, combined FS and Retail business model. Lastly, we will continue our digital analytics work to provide a consistent view of customer activity across devices (app and web) and platforms (existing and new websites).

Enablers

Our ambition is that by the end of 2024, we will have fully embedded our new ways of working across the organisation. This means some colleagues will be fully immersed in this way of working and some will adopt agile principles as needed, depending on what they are working on and who they are working with. We believe it will be a better way for us to focus on delivering our strategy at pace. It will allow us to be adaptable, sensing and responding to changes in the market as soon as they happen and satisfying our customers' expectations faster than ever.

We will continue to ensure our business delivers key projects to allow us to trade effectively, safeguarding our colleagues and our customers. These include the upcoming changes to regulation on Consumer Duty and core technology programmes such as infrastructure contract renewals and investment in our cyber security.

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 FY23.

	52 weeks to 25 Feb 2023	**52 weeks to 26 Feb 2022**	**Change**
Total website sessions[2]	217m	241m	(10.0)%
Conversion	3.8%	3.9%	(10)bps
Total Orders[3]	8.7m	10.2m	(14.7)%
AOV	£79.2	£71.1	11.4%
Items per order	2.8	2.8	-
AIV	£28.3	£25.2	12.3%
Total active customers	2.6m	2.9m	(10.3)%
FS arrears	9.1%	8.4%	70bps
NPS	57	60	(3)

1 KPIs are defined on page 60. KPIs shown above on a 52 week basis for FY23 other than Financial Services Arrears, which reflects a 4 March 2023 balance sheet date.

2 FY22 sessions and conversion restated to match definition post roll-out of new Simply Be website. The restatement is estimated based on metrics from before and after the Simply Be roll-out. Estimations to be replaced with actuals as new websites roll-out to other brands.

3 Total orders includes online and offline orders.

A number of our KPIs reflect the impact of the tougher consumer environment on the business seen during the year. Total website sessions declined by 10%[2], reflecting a combination of more cautious consumer behaviour, consistent with the softer online market in the year, and significant cost inflation in paid search, reducing the number of sessions obtained from the same spend. The conversion rate is down 0.1ppts[2] against last year, a reflection of a more cautious approach from consumers whilst browsing sites.

The reduction in orders has been offset by an increase in Average Item Value ('AIV') as we have mitigated a more subdued backdrop with a focus on promotional discipline, implementing measured price increases supported by data tools to help offset inflationary impacts and have seen more intentional behaviour from customers, which has included buying into more premium ranges.

The total number of active customers is lower than the prior year, reflecting the more difficult trading environment and includes our Heritage portfolio of brands where the focus is on stabilisation and value protection rather than growth. We have seen a 2ppt increase in the proportion of new accounts opened as credit accounts.

The Financial Services arrears rate increased over the prior year and returned to pre-pandemic levels in the second half of the year. This was driven by macro-economic pressures, particularly over the cost-of-living. We continue to support our customers through these pressures, and customers utilised our payment plans at a greater rate than previous years.

Our Net Promoter Score ('NPS') declined from our FY22 position as we manage issues around delivery speed, which have been a challenge across the industry. The FY23 exit run rate for NPS has now returned to historic norms.

FY24 Outlook

We continue to expect the macro-economic challenges of a high inflationary environment and low consumer confidence, to persist throughout FY24.

Given this backdrop, we have commenced FY24 with lower active customers and our performance at the start of FY24 has been impacted by poor early Spring weather, reducing demand for our summers ranges. Q1 FY24 annualises against the strongest quarterly performance experienced in FY23, before the more significant impact of cost-of-living pressures on customers' spend was felt. As a result, product revenue momentum in Q4 FY23 (17.8%) has broadly continued into Q1 FY24.

The uncertain macro-economic conditions make visibility on revenue trends difficult. We currently expect full year product revenue for FY24 to decline at a slightly improved rate to that seen in FY23 (-8.4%[1]).

We expect to drive product margin improvements through mix by moving further into clothing, and a greater proportion of full price sales, supported by optimised pricing strategies which also utilise our improving data usage. We are well hedged against our US Dollar purchases for FY24.

The customer loan book opened the year lower than prior year. Combined with our expectations for product revenue, we currently expect Financial Services revenue to decline at a rate slightly adverse to that seen in FY23 of 4.3%[1]. The Financial Services gross margin broadly normalised in FY23 at circa 49%.

We anticipate a further increase in the adjusted operating costs to Group revenue ratio in FY24, as a result of inflationary pressures continuing from FY23, particularly in Admin & Payroll costs, and lower Group revenue. Management actions are planned across all areas to mitigate the effect of these pressures where possible.

Across the combination of gross margin improvements and the headwinds in adjusted operating costs, we currently expect a reduction in FY24 of around 1ppt in EBITDA margin over FY23's level (8.2%[1]).

We expect to see a reduction of around £15m against the previous level of depreciation and amortisation following the £53m impairment of non-financial assets in FY23, whilst holding finance costs in line with FY23.

The business continues to be well positioned to invest in and deliver strategic change and we will step-up investment in FY24, aligned to our transformational priorities. We will continue to self-fund investment through carefully managed cash flows including tight control and right-sizing of stock. At the end of FY24, we expect net debt to be slightly better than FY23's closing position. We remain confident in our strategic direction and our digital transformation as we focus on driving sustainable profitable growth.

1. FY23 was a 53 week financial year. FY24 expectations are stated against the 52 week results to 25 February 2023 as set out on page 16. (Product revenue of £426.6m; Financial services revenue of £239.8m; EBITDA margin of 8.2%).

Summary

FY23 was a year of pragmatism and flexibility. The business balanced its short-term trading requirements with its need to deliver longer-term transformation against our strategic agenda. We have been continuously tested by fluctuations in the market since the Covid-19 pandemic and have managed to effectively navigate our way through each year. In the face of this adversity, we have become a more resilient business, by challenging our colleagues to put the customer at the centre of everything we do, and by executing our strategic transformation at pace to realise value faster.

We have clear brand identities that resonate with their target audiences, with a product offer that continues to drive inclusion through our expertise in fit. We have continued to foster collaboration between our Retail and Financial Services businesses to provide better outcomes for our customers and see this adding further value as we expand this approach into FY24.

We expect the market for UK discretionary goods to remain soft in FY24. However, during the year we will balance disciplined trading of the business, maintaining balance sheet strength and moving forward with our strategic transformation. By the end of 2024 we expect the output of our five transformational activities to provide the platform for the organisation to seize market opportunities so that we can begin to deliver sustainable profitable growth. Supporting our customers throughout this period is paramount, because despite cost-of-living pressures, our customers still want to look and feel amazing, and it is our responsibility, and opportunity to make sure they do.

Environment, Social and Governance

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

A key pillar of SUSTAIN is our commitment to responsibly source own-brand product, and we have reached 41% of own brand designed Clothing and Home textile ranges with sustainable properties (from 0% in 2019) as we target growing this to 100% by FY30 in line with our Textiles 2030 commitment.

Our science based target submission has been made to the Science Based Targets initiative (SBTi) and we are awaiting target validation in October 2023. Our proposed target is to reduce our Scope 1, 2 and 3 emissions by 42% by FY30 against an FY22 base year, which is aligned with the 1.5°C pathway of the Paris Agreement. In addition to this, we are also committing to sourcing 100% renewable electricity across our direct operations by FY30.

Our charity partnership with Maggie’s came to an end in the year raising over £180,000 across the four years. We have now launched new partnerships with two charities – the Retail Trust, to align with our industry and strategic vision, and FareShare Greater Manchester, nominated by our colleagues to allow us to continue to support a charity in our immediate community. Our focus for FY24 will be to engage colleagues with our two new charity partners through a series of fundraising and engagement events throughout the year.

We have implemented a more integrated Diversity, Equity and Inclusion policy “EMBRACE” which sets out our ambition to build a truly diverse workforce, where our colleagues have equal opportunity to succeed, fulfil their potential at work and feel empowered by a true sense of belonging.

FY23 FINANCIAL REVIEW

Financial KPIs

Our non-financial KPIs are contained in the Chief Executive Officer's statement. We also use a number of financial KPIs to manage the business. These are shown below and will continue to be reported going forwards. All Financial KPIs below relate to our 53 week financial period ended 4 March 2023.

	53 weeks to 4 March 2023[1]	52 weeks to 26 Feb 2022	Change
Product revenue	£433.4m	£465.6m	(6.9)%
Adjusted EBITDA	£57.3m	£95.0m	(39.7)%
Adjusted EBITDA margin[2]	8.5%	13.3%	(4.8)ppts
Adjusted operating costs to balaGroup revenue[2]	37.7%	36.0%	(1.7)ppts
Cash and cash equivalents[3,4]	£35.5m	£43.1m	(17.6)%
Total Accessible Liquidity[2,4]	£143.9m	£212.1m	(32.2)%
Statutory profit before tax	£(71.1)m	£19.2m	N/A
Adjusted EPS[2]	1.81p	7.69p	(76.5)%

1 FY23 is a 53 week period, ended 4 March 2023. Results for the 52 weeks to 25 February 2023, which exclude the 53rd week, are set out on page 16.

2 A full glossary of Alternative Performance Measures and their definitions is included on page 61.

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. There were no amounts voluntarily undrawn against the securitisation facility at the FY23 year end.

4 Total Accessible Liquidity of £143.9m and cash and cash equivalents of £35.5m are as at the balance sheet date, 4 March 2023. Subsequent to the balance sheet date, the Group refinanced its borrowings and extended their maturities to December 2026. As at 6 May 2023 and following the refinancing and extended maturity dates, Total Accessible Liquidity was £112.0m.

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 adjusting items. These are items of income and expenditure which are one-off in nature, and material to the current financial year, or represent true ups to items presented as adjusting in prior periods. These are detailed in note 6.

A full glossary of Alternative Performance Measures and their definitions is included on page 61.

Reconciliation of Income Statement Measures

£m	53 weeks to 4 March 2023 Statutory	Adjusting items	Adjusted	52 weeks to 25 Feb 2023 53rd week impact	52 weeks Adjusted	52 weeks to 26 Feb 2022 Statutory	Adjusting items	Adjusted
Group Revenue	**677.5**		**677.5**	**(11.5)**	**666.0**	715.7		715.7
Group cost of sales	**(364.7)**		**(364.7)**	**6.7**	**(358.0)**	(362.8)		(362.8)
Gross Profit	**312.8**		**312.8**	**(4.8)**	**308.0**	352.9		352.9
Gross profit margin	***46.2%***		***46.2%***		***46.2%***	*49.3%*		*49.3%*
Operating costs	**(290.0)**	**34.5**	**(255.5)**	**1.9**	**(253.6)**	(286.6)	28.7	(257.9)
Adjusted operating costs to Group revenue ratio			***37.7%***		***38.1%***			*36.0%*
Adjusted EBITDA			**57.3**	**(2.9)**	**54.4**			95.0
Adjusted EBITDA margin			***8.5%***		***8.2%***			*13.3%*
Depreciation & amortisation	**(35.7)**		**(35.7)**	**-**	**(35.7)**	(38.1)		(38.1)
Impairment of non-financial assets	**(53.0)**	**53.0**	**-**	**-**	**-**	-		-
Operating / (loss) profit	**(65.9)**	**87.5**	**21.6**	**(2.9)**	**18.7**	28.2	28.7	56.9
Finance costs	**(14.1)**		**(14.1)**	**0.3**	**(13.8)**	(13.8)		(13.8)
(Loss) / Profit before taxation and fair value adjustment to financial instruments	**(80.0)**	**87.5**	**7.5**	**(2.6)**	**4.9**	14.4	28.7	43.1
Fair value adjustments to financial instruments	**8.9**		**8.9**	**-**	**8.9**	4.8		4.8
(Loss) / Profit before taxation	**(71.1)**	**87.5**	**16.4**	**(2.6)**	**13.8**	19.2	28.7	47.9
Taxation credit / (charge)	**19.7**	**(20.6)**	**(0.9)**	**-**	**(0.9)**	(3.0)	(5.7)	(8.7)
(Loss) / Profit for the year	**(51.4)**	**66.9**	**15.5**	**(2.6)**	**12.9**	16.2	23.0	39.2
(Loss) / Earnings per share	**(11.19)p**		**1.81p**		**N/A**	3.53p		7.69p

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

£m	4 March 2023	26 Feb 2022
Cash and cash equivalents	35.5	43.1
Unsecured debt and bank overdrafts	-	-
Unsecured Net Cash / (Debt)	**35.5**	**43.1**
Secured debt facility linked to eligible receivables	(332.9)	(302.5)
Adjusted Net Debt	**(297.4)**	**(259.4)**

Reconciliation of Net movement in Cash and cash equivalents and bank overdrafts to Net Cash (utilisation) / generation

£m	53 weeks to 4 March 2023	52 weeks to 26 Feb 2022
Net decrease in cash and cash equivalents and bank overdraft	(7.6)	(37.7)
Voluntary flexible (drawdown) / repayment of securitisation loan	(60.1)	60.1
Net Cash (utilisation) / generation	**(67.7)**	**22.4**

Overview

For both our customers and N Brown, FY23 was a year of normalising post-pandemic and facing into the new challenge of a high inflation environment.

The Group delivered Adjusted EBITDA of £57.3m and Adjusted Profit before Tax of £7.5m. Adjusting items totalled £87.5m, including the Allianz litigation settlement, and a non-cash impairment to non-financial assets of £53.0m to reduce the balance sheet asset value to match lower value in use forecasts driven by the current macro-economic conditions. These adjusting items resulted in a statutory loss before tax of (£71.1m). Net cash utilisation was (£67.7m), reflecting underlying cash generation offset by adjusting items of £55.4m including a partial deferral of the annual debt sale to achieve a better outcome for customers and the business, and settlement of the Allianz litigation. Cash and cash equivalents amounted to £35.5m. Net of a low level of restricted cash, combined with the fully undrawn RCF of £100.0m and overdraft of £12.5m, provides Total Accessible Liquidity of £143.9m at the balance sheet date.

Core customer dynamics, including product mix, returns rates and credit arrears rates broadly returned to pre-pandemic norms. However, progressively through the year the impact of the high inflation environment became apparent. This was experienced through significant pressure on input costs and customers being more cautious in their shopping behaviours combined with an increase in their use of credit. We have remained adaptable in recognition of, and with the intention to mitigate, these pressures, focusing the teams on what we can control.

The softer market dynamics, combined with an active strategy to prioritise profitability as opposed to growth, led to product revenue down 6.9% or £32.2m. This was substantially offset by the 1.8ppt improvement in product gross margin rates as well as volume cost savings through operating costs, resulting in a relatively small retail impact on the Group Adjusted EBITDA versus prior year. The more material driver of the movement year-on-year in Adjusted EBITDA and Adjusted Profit before Tax came from Financial Services ('FS') with the normalisation of FS gross margin rate compared with the abnormally high result in the prior year, combined with lower retail sales leading to a 3.8% reduction in the customer receivables debtor book. Adjusted Operating costs were slightly lower with material cost inflation of £15m being offset by savings through volumes. Interest costs and adjusted amortisation were also broadly flat, benefiting from the interest rate hedge.

Our balance sheet remains strong with Total Accessible Liquidity of £112.0m at 6 May 2023, following recommitment of the RCF and overdraft facilities to December 2026, and we remain well hedged on foreign exchange and interest rates. This strong financial position allows us to take a measured and well-managed approach to capital investment. We are continuing to make strategic progress including the launch of new customer facing websites, with Simply Be being the first to be deployed, and moving to the "build" stage in the development of our strategically critical new Financial Services platform.

Looking ahead, the Board reflected on the current cost-of-living crisis and challenges in consumer confidence, and reduced the financial forecasts to reflect the lower exit run rate from FY23, as announced in the trading update published in January 2023. The accounting standard (IAS 36) requires us to look at our financial forecasts and compare their value to our net assets. The discounted value of the latest financial forecasts is lower than our net assets resulting in an accounting impairment of £53.0m which has been recorded against our intangible and plant and equipment assets. This is an accounting assessment under IAS36 and is not a market valuation of the business. These assets remain in use and whilst having to take account of the change in forecasts, the Board remain confident in the strategy referenced on p 8, and will continue to keep under review the forward forecasts for the latest macro-economic environment and strategic execution.

Revenue

£m	53 weeks to 4 Mar 2023[1]	52 weeks to 26 Feb 2022[2]	Change 53 weeks to 52 weeks	52 weeks to 25 Feb 2023[1]	Change 52 weeks to 52 weeks
Revenue					
Strategic brands[3]	**311.8**	323.9	(3.7)%	**306.8**	(5.3)%
Heritage brands[4]	**121.6**	141.7	(14.2)%	**119.8**	(15.5)%
Total product revenue	**433.4**	465.6	(6.9)%	**426.6**	(8.4)%
Financial services revenue	**244.1**	250.1	(2.4)%	**239.4**	(4.3)%
Group revenue	**677.5**	**715.7**	**(5.3)%**	**666.0**	**(6.9)%**

1 FY23 is a 53 week period, ending 4 March 2023. Revenue has also been presented on a 52 week basis, excluding the 53rd week for comparability with last year's 52 week period. A detailed comparison of the 53 weeks and 52 weeks results is set out on page 16.

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

3 JD Williams, Simply Be, Jacamo.

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

Group revenue declined 5.3% to £677.5m reflecting a 6.9% decline in Product revenue and a 2.4% decline in FS revenue. For the comparable 52-week period the Group revenue declined 6.9%.

Product revenue reflected the challenging online market conditions which developed throughout the year, including channel shift back into stores and omni-channel retailers. Across FY23, the total online market declined by c.8%[1], and c.5%[2] when weighted for our category mix. Against this market backdrop, our strategic brands saw a decline of 5%, in line with the market for the comparable 52-week period. Our heritage brands, which are managed for contribution as opposed to growth, saw product revenue down 15% for the comparable 52-week period. The product revenue trend developed through the year with Q1 down 0.6%, Q2 and Q3 similar at -9.4% and -9.2% respectively, and Q4 at -17.8% in part due to deliberate actions to manage for profitability rather than sales at this softer time of year.

The impact of cost-of-living pressures has been evident in our customers' buying behaviour, particularly since the summer, with customers becoming more intentional in their spend, buying what they need or what they love, with a greater focus towards either the value or premium end of our ranges. Order levels were down 15% year-on-year reflecting this caution, partially offset by an increase in average order value of 11% driven by a combination of price increases in response to cost inflation, and the more disciplined approach to discounting. By Peak trading in Q3 the previous pandemic effect on returns rates and mix of clothing versus home had normalised and from H2 was no longer a year-on-year drag.

The reduced level of product sales from this fiscal year and prior years, net of a slight improvement in credit penetration, resulted in a smaller customer receivables loanbook, down 3.8% at year end. This in turn drove lower FS income with revenue down 4.3% on a comparable 52 week basis.

Our responsible and flexible credit offering remains an integral part of our customer proposition, particularly in the current macro-economic environment.

1 BRC total online non-food market.

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

Adjusted Gross profit[1]

£m	53 weeks to 4 Mar 2023[2]	52 weeks to 26 Feb 2022	Change 53 weeks to 52 weeks	52 weeks to 25 Feb 2023[2]	Change 52 weeks to 52 weeks
Product gross profit	**192.5**	198.3	(2.9)%	**189.6**	(4.4)%
Product gross margin %	***44.4%***	42.6%	1.8ppts	***44.4%***	*1.8ppts*
Financial services gross profit	**120.3**	154.6	(22.2)%	**118.4**	*23.4%*
Financial services gross margin %	***49.3%***	61.8%	(12.5)ppts	***49.5%***	*12.3ppts*
Adjusted Group gross profit[1]	**312.8**	**352.9**	**(11.4)%**	**308.0**	**(12.7)%**
Adjusted Group gross profit margin	***46.2%***	**49.3%**	**(3.1)ppts**	***46.2%***	***(3.1)ppts***

[1] *A reconciliation of statutory measures to adjusted measures is included on page 16. A full glossary of Alternative Performance Measures and their definitions is included on page 61.*

[2] *FY23 is a 53 week period, ended 4 March 2023. Gross profit has also been presented on a 52 week basis, excluding the 53rd week for comparability with last year's 52 week period. A detailed comparison of the 53 weeks and 52 weeks results is set out on page 16.*

Adjusted gross profit margin reduced 3.1ppts year-on-year to 46.2%, returning to a more normal level post the pandemic impacted prior year. The material driver of this reduction was the FS margin normalising as expected.

FS gross margin reduced 12.5ppts to 49.3% in FY23, compared to the abnormally high FY22 gross margin of 61.8%. The unprecedented conditions within the consumer credit market across FY21 and FY22, with government support during the first part of the Covid-19 pandemic, resulted in high repayment rates, low arrears rates and low cash write-offs. Consequently, this led to low write off charges in FY22 and the release of the original FY21 expected credit loss provision which anticipated an adverse Covid-19 impact that was then not required. This generated the high FY22 FS margin rate, with the current year reflective of more normal levels. FY23 is still inclusive of a forward looking additional expected credit loss provision to reflect caution in the future macro-economic conditions, reducing FS margin by c. (0.8)ppt.

Product gross margin improved 1.8ppts to 44.4% benefiting from management actions taken to mitigate the impact of input cost inflation. Actions included reduced discounting through disciplined trading, measured price increases supported by data, and optimising our approach to wholesaling our stock to third parties, which combined, benefitted margin rate by c. 2ppts. We saw c. 1ppt of margin rate benefit from higher VAT bad debt relief due to the normalising level of financial services write-offs[1]. Partially offsetting this was a negative impact of c. 0.5ppts from higher freight rates. The impact from foreign exchange was minimal with hedging fully mitigating the c. 2ppts drag from Sterling weakening against the US $. A higher year end stock provision is also in place, which reduced margin by c. 1ppt. The proportion of current stock versus prior season has improved year on year, with the additional provision covering the year end stock being higher than normal for the forward level of sales.

The FX contracts used to hedge US $ spend are described in Note 7 to the financial statements and we remain well hedged throughout FY24 with c. 90% of the US $ cash spend hedged.

[1] Included in product gross margin as they are only recoverable as we are a combined retail and financial services business, and they would not be recoverable as a standalone credit business.

Adjusted operating costs[1]

£m	53 weeks to 4 Mar 2023[2]	52 weeks to 26 Feb 2022	Change 53 weeks to 52 weeks	52 weeks to 25 Feb 2023[2]	Change 52 weeks to 52 weeks
Warehouse & fulfilment costs	**(63.2)**	(67.9)	6.9%	**(62.2)**	8.4%
Marketing & production costs	**(70.0)**	(73.1)	4.2%	**(69.4)**	5.1%
Admin & payroll costs	**(122.3)**	(116.9)	(4.6)%	**(122.0)**	(4.4)%
Adjusted operating costs[1]	**(255.5)**	**(257.9)**	**0.9%**	**(253.6)**	**1.7%**
Adjusted operating costs as a % of Group Revenue	***37.7%***	***36.0%***	***1.7ppts***	***38.1%***	***2.1ppts***

[1] A reconciliation of statutory measures to adjusted measures is included on page 16. A full glossary of Alternative Performance Measures and their definitions is included on page 61.

[2] FY23 is a 53 week period, ended 4 March 2023. Adjusted operating costs have also been presented on a 52 week basis, excluding the 53rd week for comparability with last year's 52 week period. A detailed comparison of the 53 weeks and 52 weeks results is set out on page 16.

Total operating costs excluding adjusting items reduced £2.4m to £255.5m. This included the headwind of c. £15m price inflation being offset by volume savings, and expensed project costs being offset by cost saving initiatives. Adjusted operating costs as a percentage of Group revenue increased 1.7ppt to 37.7% reflecting the negative operational gearing on fixed costs, but remained below the pre-pandemic level of c. 40%.

Warehouse and fulfilment costs were £4.7m or 6.9% lower than prior year, benefiting from the flexible cost base with c. £12m of savings from lower core volumes. This was partially offset by higher returns in H1 which drove a c. £2m increase over prior year, and a headwind of c. £6m across fuel surcharge and inflationary price impacts on carrier and resource costs.

Marketing and production costs were £3.1m or 4.2% lower than prior year reflecting the impact of lower order volumes on performance marketing, more than offsetting cost inflation of c. £4m, with brand marketing similar year-on-year. In H1 FY23, costs increased £3m year-on-year and in H2 costs reduced £6m due to a combination of the volume profile in year, and the phasing of brand spend in the prior year.

Admin and payroll costs increased by £5.4m or 4.6%, driven predominantly by inflationary price increases of c. £5m including utilities, technology contracts, pay awards and National Insurance. Expensed project costs have been funded through net underlying savings.

Across all areas of the cost base, the inflationary pressure increased in H2 FY23 vs H1 FY23 as expected, for both supplier costs and internal pay awards. This will flow through and annualise into FY24.

Statutory operating costs including adjusting items increased by 1.2%.

Depreciation and amortisation

Depreciation and amortisation was £35.7m, down £2.4m versus the £38.1m in the prior year as a result of older assets now being fully amortised following the acceleration of useful economic lives post the review at the end of FY21, and the change in accounting policy adopted in FY22 relating to software as a service, which results in a greater proportion of one off investment spend expensed.

Finance costs

Net finance costs of £14.1m, were broadly in line with the £13.8m in the prior year despite the increase in external interest rates. The Group has limited its exposure to interest rate movements through interest rate hedging which it continues to have in place, as described in Note 7, which provided a cash benefit of approximately £4m during FY23.

Adjusting items – excluding impairment of non-financial assets

During the year, the Group reached full and final settlement in respect of the legal dispute with Allianz Insurance plc. Under the negotiated settlement, which was made without admission of liability, the Group paid the sum of £49.5m. The current year charge of £26.1m represents the additional amount required to cover the settlement and legal costs to completion. Further details are disclosed in Note 6 to the financial statements.

During the year the Group made a provision of £5.5m as an estimate of litigation costs. This is principally committed external legal costs associated with legacy customer claims. This is not a new area of exposure, and in prior years the Group has handled such claims on a case-by-case basis, and costs incurred have not been material. The Group will continue to defend such claims and the Board supports a strategy to robustly defend any past and future claims. The Group has engaged external counsel which is reflected in the provision recorded.

During the current year, the Group performed a restructuring exercise to assess headcount and payroll overhead, following the contraction in revenues during the Pandemic and the more recent macro-economic conditions. Total redundancy costs of £2.4m were incurred in the year.

Adjusting items – impairment of non-financial assets

During Q4 FY23, the Board reflected on the current cost-of-living crisis and challenges in consumer confidence, and reduced its financial forecasts to reflect a lower exit run rate from FY23, as announced in the trading update published in January 2023. Accounting standard (IAS 36) requires us to look at our financial forecasts and compare their value to our net assets. The discounted value of the latest financial forecasts is lower than our net assets, resulting in an accounting impairment of £53.0m which has been recorded against our intangible and plant and equipment assets. This is an accounting assessment and is not a market valuation of the business. The assets in question remain in use and whilst having to take account of the changes to forecasts, the Board remains confident in the strategy referenced on p 8, and will continue to keep its forecasts under review.

£m	**53 weeks to 4 March 2023**	**52 weeks to 26 Feb 2022**
Non-cash impairment of non-financial assets	53.0	-
Settlement of Allianz litigation	26.1	29.8
Other	8.4	(1.1)
Items charged to profit before tax	**87.5**	**28.7**

Profit and earnings per share

Driven by the elevated FS gross margin rate in the prior year, and the softer trading environment this year, Adjusted EBITDA decreased by £37.7m to £57.3m and Adjusted EBITDA margin decreased by 4.8ppts to 8.5%.

Statutory operating (loss) / profit decreased by £94.1m over prior year to a loss of £65.9m reflecting the reduction in Adjusted EBITDA and a higher level of adjusting items charged to operating profit.

Statutory (loss) / profit before tax was £(71.1)m, down £90.3m year on year (FY22: £19.2m), reflecting the reduction in statutory operating (loss) / profit, stable interest costs, and an increased fair value gain on financial instruments as a result of foreign exchange and interest rate hedging mark to market gains.

The taxation credit for the year is based on the underlying estimated effective tax rate for the full year of 28%, and reflects adjusted costs and movement in deferred tax in the year, partially offset by prior year adjustments. Further tax analysis is contained in note 8 on p45.

Statutory earnings per share decreased to a loss of 11.19p (FY22: 3.53p). Adjusted earnings per share decreased to 1.81p (FY22: 7.69p).

Financial services customer receivables and impairment charge on customer receivables

Gross customer trade receivables at year end reduced by 3.8% to £555.2m, driven by the reduced level of prior and current year product sales net of an increase in credit penetration.

Arrears rates increased to 9.1% (FY22: 8.4%), normalising from the prior year's low level. Macro conditions have resulted in pressure on customers, which is being carefully monitored. We have continued to support our customers during this time and in FY23 saw indications of customers staying up to date or proactively moving onto payment arrangements.

This year, as part of the annual payment arrangements debt sale, further analysis was undertaken to segment the balances and predict future probable outcomes. This led to a change of strategy with only part of the balance being sold, with the remainder being retained to either enable customers to return to trade, or a better net outcome to be achieved selling later inclusive of VAT recovery. As a result of the different strategy, an additional c. £35m of gross debtor balances are included in the year end balance and £14.3m of cash generation is being temporarily deferred.

The change in debt sale strategy is also the main driver behind the expected credit loss ('ECL') provision ratio increasing to 13.4% from 11.9% in FY22 as these payment arrangement balances are provided for at a higher rate than the receivables not on a payment arrangement.

£m	4 March 2023	26 Feb 2022	Change
Gross customer loan balances	555.2	577.2	(3.8)%
ECL provision	(74.6)	(68.7)	8.6%
Normal account provisions	*(56.3)*	*(58.1)*	*+0.1ppts*
Payment arrangement provisions	*(16.5)*	*(4.8)*	*(2.1)ppts*
Inflationary impacts	*(1.8)*	*(5.8)*	*+0.7ppts*
ECL provision ratio	**13.4%**	**11.9%**	**(1.5)ppts**
Net customer loan balances	**480.6**	**508.5**	**(5.5)%**

The profit and loss net impairment charge on customer receivables for FY23 was £122.3m, £27.9m higher than last year driven by annualising against the unusually low write-offs and the release of Covid-19 provisioning in FY22.

£m	
52 weeks to 26 Feb 2022 impairment charge on customer receivables	**94.4**
Covid-19 provisioning which was not required	13.7
Normalised write-offs	9.4
Macro-economic and inflationary overlay	2.5
Week 53	2.3
53 weeks to 4 March 2023 net impairment charge on customer receivables	**122.3**

Funding and total accessible liquidity ('TAL')

The Group has the following arrangements in place:

A £400m securitisation facility (FY22: £400m) committed until December 2024, drawings on which are linked to prevailing levels of eligible receivables but with flexibility around the level which the Group chooses to draw. In February 2023, the Group chose to proactively reduce the lender commitment from £400m to £340m to reflect the accessible funding level and reduce ongoing fees;

As at the balance sheet date, a RCF of £100m, and an overdraft facility of £12.5m, both fully undrawn at 4 March 2023. These facilities were refinanced following the year end to a maximum limit of £75m and £12.5m respectively, remain undrawn and are both now committed to December 2026.

Following the refinancing of the RCF facility, at 6 May 2023 Group TAL was £112.0m, comprising of £28.3m including restricted cash of £3.8m, the fully undrawn RCF of £75.0m and overdraft of £12.5m.

At the end of FY23 the Group had TAL of £143.9m (FY22: £212.1m), comprising £35.5m of cash, net of restricted cash of £4.1m and the fully undrawn RCF of £100m and overdraft facility of £12.5m.

Net Cash (Outflow) / Generation

£m	**53 weeks to 4 March 2023**	**52 weeks to 26 Feb 2022**
Adjusted EBITDA	**57.3**	**95.0**
Inventory working capital movement	(6.7)	(9.6)
Other working capital, operating cash flows and provision movement[1]	(14.7)	(21.8)
Cash flow adjusted for working capital[1]	**35.9**	**63.6**
Adjusting items	(55.4)	(9.8)
Capital investing activities	(25.6)	(19.8)
Non-operating tax & treasury	0.2	(7.2)
Interest paid	(15.0)	(13.8)
Non-operational cash outflows	**(95.8)**	**(50.6)**
Gross customer loan book repayment	21.9	28.6
Decrease in securitisation debt in line with customer loan book[2]	(29.7)	(19.3)
Net cash inflow from the customer loan book[2]	**(7.8)**	**9.4**
Net cash (outflow) / generation[1,2]	**(67.7)**	**22.4**

[1] Includes impact from 53rd week.

[2] Includes impact of debt sale strategy.

Net cash utilisation was £67.7m in the year, funded by £60.1m from the return to the normal procedure of fully drawing the financial services securitisation facility relative to the eligible receivables, and a reduction of £7.6m in the cash and cash equivalents. The year closed with a positive position of £35.5m net unsecured cash.

The utilisation of cash in the year was majority driven by cash outflows related to adjusting items totalling £55.4m including the full and final settlement paid to Allianz, and the £14.3m impact of the partial deferral of the debt sale. Timing differences due to the inclusion of a 53rd week in FY23 have also resulted in an additional month's payroll and other cash payments of c. £9.0m as adverse working capital. Excluding these non-comparable items, cash of £11.0m was generated in the year.

Capital expenditure of £25.6m (FY22: £19.8m) reflects a planned step-up in spend to deliver the ongoing digital transformation of the business. We expect a further increase in capital investment in FY24 as part of the continued transformation of the business.

Net inventory levels at the year end were up 7.8%, at £94.1m (FY22: £87.3m), driving a net drag in working capital. This inventory level is inclusive of the impact of cost inflation on both input costs and freight rates, with the underlying unit volume similar year on year. The proportion of current stock versus prior season is an improved position year-on-year. Given an expectation of softness in consumer markets in FY24, we have plans in place to carefully manage inventory intake and reduce stock holding in FY24 and have also provided at year end for a higher level of stock write offs.

Adjusted net debt

Unsecured net cash / (debt), which is defined as the amount drawn on the Group's unsecured borrowing facilities less cash balances, closed the year in a positive position with unsecured net cash of £35.5m (FY22: unsecured net cash £43.1m plus additional £60.1m which was voluntarily underdrawn on the securitisation funding facility to optimise interest costs).

Adjusted net debt increased by £38.0m in the year, to £297.4m (FY22: £259.4m). This is the net amount of £35.5m of cash and £332.9m of debt drawn against the securitisation funding facility which is backed by eligible customer receivables. The £480.6m net customer loan book significantly exceeds this adjusted net debt figure. The increase in net debt over the prior year reflects the net cash utilisation described above partially offset by the lower securitised borrowings.

Dividend and capital allocation

The Board suspended dividend payments in FY21, following the impact of Covid-19 on the business and wider economy. We recognise dividends are an important part of shareholders' returns and have considered the re-introduction of a dividend this year. However, in light of the current macro environment, our clear set of investment plans and the number of competing demands on our cash resources, the Board have decided not to do so in the current year or FY24. We believe this decision to be in the best interests of our shareholders.

Pension scheme

The Group's defined benefit pension scheme had a surplus of £20.0m at year end, which has reduced over the prior year (FY22: £37.4m) driven by lower returns on the scheme assets, offset partly by the increase in corporate yields and reduced long-term inflation expectations.

Financial risk management and processes

Controls over financial reporting is an area of continuous improvement and remains a key priority for the Group. Due to the legacy systems and processes across the Group, we continue to target improvements in documentation, clarity on 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 as described on p36 and will form a sound basis for any potential UK SOx attestation requirements as that proposed guidance is formalised. Examples of improvements deployed during the year are the refinements to our FX monitoring and hedging processes which have significantly reduced our exposure to FX volatility and higher interest rates during the recent macro-economic environment.

Consolidated income statement
for the 53 weeks ended 4 March 2023

		53 weeks ended 4 March 2023			52 weeks ended 26 February 2022		
	Note	**Before adjusted items £m**	**Adjusted items (note 6) £m**	**Total £m**	Before adjusted items £m	**Adjusted items (note 6) £m**	Total £m
Revenue		**455.6**	**-**	**455.6**	487.0	-	487.0
Credit account interest		**221.9**	**-**	**221.9**	228.7	-	228.7
Group revenue	5	**677.5**	**-**	**677.5**	715.7	-	715.7
Cost of sales	5	**(242.4)**	**-**	**(242.4)**	(268.4)	-	(268.4)
Impairment losses on customer receivables		**(122.3)**	**-**	**(122.3)**	(94.4)	-	(94.4)
Gross profit	5	**312.8**	**-**	**312.8**	352.9		352.9
Impairment of non-financial assets	10	**-**	**(53.0)**	**(53.0)**	-	-	-
Operating profit/(loss)		**21.6**	**(87.5)**	**(65.9)**	56.9	(28.7)	28.2
Finance costs		**(14.1)**	**-**	**(14.1)**	(13.8)		(13.8)
Profit/(loss) before taxation and fair value adjustments to financial instruments		**7.5**	**(87.5)**	**(80.0)**	43.1	(28.7)	14.4
Fair value adjustments to financial instruments	7	**8.9**	**-**	**8.9**	4.8	-	4.8
Profit/(loss) before taxation		**16.4**	**(87.5)**	**(71.1)**	47.9	(28.7)	19.2
Taxation	8	**(0.9)**	**20.6**	**19.7**	(8.7)	5.7	(3.0)
Profit/(loss) for the period		**15.5**	**(66.9)**	**(51.4)**	39.2	(23.0)	16.2

(Loss)/earnings per share from continuing operations			
Basic	9	**(11.19)**	3.53
Diluted	9	**N/A**	3.51

Consolidated statement of comprehensive income
for the 53 weeks ended 4 March 2023

	Note	**53 weeks ended 4 March 2023 £m**	52 weeks ended 26 February 2022 £m
(Loss)/profit for the period		**(51.4)**	16.2
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gains on defined benefit pension schemes		**(19.4)**	10.5
Tax relating to items not reclassified	8	**6.7**	(3.7)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**0.8**	0.6
Fair value movements of cash flow hedges		**30.5**	7.2
Amounts reclassified from other comprehensive income to profit and loss		**(6.6)**	0.6
Tax relating to these items		**(6.0)**	(1.8)
Other comprehensive income for the period		**6.0**	13.4
Total comprehensive (loss)/income for the period attributable to equity holders of the parent		**(45.4)**	29.6

Consolidated balance sheet
As at 4 March 2023

	Note	**As at 4 March 2023 £m**	As at 26 February 2022 £m
Non-current assets			
Property, plant and equipment	11	**50.9**	58.5
Intangible assets	10	**58.3**	113.0
Right-of-use assets		**0.5**	1.1
Retirement benefit surplus		**20.0**	37.4
Derivative financial instruments	7	**7.6**	5.1
Deferred tax assets	8	**29.2**	11.5
		166.5	226.6
Current assets			
Inventories		**94.1**	87.3
Trade and other receivables	12	**504.7**	533.1
Derivative financial instruments	7	**19.1**	1.7
Current tax asset	8	**0.1**	1.0
Cash and cash equivalents	14	**35.5**	43.1
		653.5	666.2
Total assets		**820.0**	892.8
Current liabilities			
Trade and other payables	13	**(72.5)**	(94.7)
Lease Liability		**(0.3)**	(0.9)
Provisions	18	**(10.1)**	(30.9)
Derivative financial instruments	7	**(0.1)**	(0.4)
		(83.0)	(126.9)
Net current assets		**568.7**	539.3
Non-current liabilities			
Bank loans	15	**(332.9)**	(302.5)
Lease liability		**(0.2)**	(0.4)
Deferred tax liabilities	8	**(13.2)**	(20.7)
		(346.3)	(323.6)
Total liabilities		**(429.3)**	(450.5)
Net assets		**390.7**	442.3
Equity attributable to equity holders of the parent			
Share capital	17	**50.9**	50.9
Share premium account		**85.7**	85.0
Own shares		**(0.2)**	(0.2)
Cash flow hedge reserve		**15.7**	5.5
Foreign currency translation reserve		**1.8**	1.0
Retained earnings		**236.8**	300.1
Total equity		**390.7**	442.3

Consolidated cash flow statement
For the 53 weeks ended 4 March 2023

	Note	**For the 53 weeks ended 4 March 2023 £m**	For the 52 weeks ended 26 February 2022 £m
Net cash inflow from operating activities		**5.8**	78.7
Investing activities			
Purchases of property, plant and equipment		**(5.8)**	(3.4)
Purchases of intangible assets		**(19.8)**	(16.4)
Net cash used in investing activities		**(25.6)**	(19.8)
Financing activities			
Interest paid[1]		**(15.0)**	(13.8)
Increase/(Decrease) in bank loans		**30.4**	(79.3)
Principal elements of lease payments		**(1.0)**	(1.8)
Foreign exchange forward contracts		**(1.2)**	(1.3)
Net cash inflow/(outflow) from financing activities		**13.2**	(96.2)
Net foreign exchange difference		**(1.0)**	(0.4)
Net decrease in cash and cash equivalents and bank overdraft		**(7.6)**	(37.7)
Cash and cash equivalents and bank overdraft at beginning of period		**43.1**	80.8
Cash and cash equivalents and bank overdraft at end of period	14	**35.5**	43.1

[1] Included within Interest paid is £13.0m relating to interest incurred on the Group's securitisation facility, drawings on which are linked to prevailing levels of eligible receivables

Reconciliation of operating (loss)/profit to net cash flow from operating activities

	For the 53 weeks ended 4 March 2023 £m	For the 52 weeks ended 26 February 2022 £m
(Loss)/profit for the period	**(51.4)**	16.2
Adjustments for:		
Taxation (credit)/charge	**(19.7)**	3.0
Fair value adjustments to financial instruments	**(8.9)**	(4.8)
Net foreign exchange gain	**1.0**	0.4
Finance costs	**14.1**	13.8
Depreciation of right-of-use assets	**0.8**	1.2
Depreciation of property, plant and equipment	**4.3**	4.4
Loss on disposal of intangible assets	**0.8**	-
Gain on disposal of right-of-use assets	**-**	(0.5)
Impairment of non-financial assets	**53.0**	-
Amortisation of intangible assets	**30.6**	32.5
Share option charge	**1.5**	0.8
Operating cash flows before movements in working capital	**26.1**	67.0
Increase in inventories	**(6.7)**	(9.6)
Decrease in trade and other receivables	**28.3**	15.9
Decrease in trade and other payables	**(22.3)**	(13.5)
(Decrease)/Increase in provisions	**(20.9)**	26.1
Pension obligation adjustment	**(1.0)**	(0.9)
Cash generated by operations	**3.5**	85.0
Taxation received/(paid)	**2.3**	(6.3)
Net cash inflow from operating activities	**5.8**	78.7

Changes in liabilities from financing activities

	53 weeks to 4 March 2023 £m	52 weeks to 26 February 2022 £m
Loans and borrowings		
Balance at 26 February 2022	**303.8**	386.8
Changes from financing cash flows		
Net proceeds/(repayment) from loans and borrowings[1]	**27.9**	(79.2)
Lease principal payments in the period	**(0.8)**	(1.8)
Lease disposals in the period	**-**	(1.8)
Increase/(Decrease) in loans and borrowings due to changes in interest rates	**2.5**	(0.2)
Increase/(Decrease) in loans and borrowings	**29.6**	(83.0)
Balance at 4 March 2023	**333.4**	303.8

[1] Repayments relating to the Group's securitisation facility are represented 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 cash flows are managed.

Consolidated statement of changes in equity
for the 53 weeks ended 4 March 2023

	Share capital (note 17) £m	Share premium £m	Own Shares £m	Cash flow hedge Reserve (note 7) £m	Foreign currency translation reserve (note 7) £m	Retained earnings £m	Total £m
Balance at 27 February 2021	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 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	0.4
Balance at 26 February 2022	50.9	85.0	(0.2)	5.5	1.0	300.1	442.3
Comprehensive income for the period							
Loss for the period	-	-	-	-	-	(51.4)	(51.4)
Other items of comprehensive income/(loss) for the period	-	-	-	17.9	0.8	(12.7)	8.6
Total comprehensive income/(loss) for the period	-	-	-	17.9	0.8	(64.1)	(42.8)
Hedging gains & losses transferred to the cost of inventory purchased in the year	-	-	-	(7.7)	-	-	(7.7)
Transactions with owners recorded directly in equity							
Issue of own shares by ESOT	-	-	0.3	-	-	-	0.3
Adjustment to equity for share payments	-	-	-	-	-	(0.3)	(0.3)
Historic adjustment to equity for share payments	-	0.7	(0.3)	-	-	(0.4)	-
Share option charges	-	-	-	-	-	1.5	1.5
Total contributions by and distributions to owners	-	0.7	-	-	-	0.8	(8.8)
Balance at 4 March 2023	**50.9**	**85.7**	**(0.2)**	**15.7**	**1.8**	**236.8**	**390.7**

Notes to the consolidated financial statements
For the 53 weeks ended 4 March 2023

1. Basis of preparation

The Group's financial statements for the 53 weeks ended 4 March 2023 will be prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. As such, these financial statements do not constitute the Group's statutory accounts and the Group expects to publish full financial statements that comply with IFRS in June 2023.

The financial information set out in this document does not constitute the Group's statutory accounts for the 53 weeks ended 4 March 2023 or the 52 weeks ended 26 February 2022. Statutory accounts for the period of 52 weeks ended 26 February 2022 have been delivered to the registrar of companies, and those for the period of 53 weeks ended 4 March 2023 will be delivered in due course.

The comparative figures for the year ended 26 February 2022 are extracted from the Group’s statutory accounts for that financial year. Those accounts have been reported on by the Group’s auditor and their 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 26 February 2022.

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.

Where these key judgements result in a post model adjustment, these are disclosed in note 12.

The change in behavioural risk score for which the significant increase in credit risk ('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.

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 expectations of achievable prices which includes latest sale history over the last two years, recent bids, and existing sale contracts depending on the type of debt sale.

Uncertainty exists over the forward looking view on macro-economics including inflation (CPI) and subsequent impacts on affordability and defaults. Whilst the impacts of macro-economics and inflation are reflected in growing arrears in FY23, in management's view, the full impact of these have yet to fully feed through. A post model adjustment has been applied to reflect the expected deterioration in customer defaults from this.

Sensitivity analysis is disclosed and further explained in note 12.

Impairment of non-financial assets

Critical Judgement and estimation uncertainty

Impairment exists when the carrying value of an asset or cash generating unit exceeds ('CGU') its recoverable amount, which is the higher of its fair value less costs of disposal or 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 five-year forecasts, taken into perpetuity, and are adjusted to exclude 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, including capex, and the long-term growth rate used in perpetuity. The key assumptions used to determine the recoverable amount for the Group's non-financial assets, including a sensitivity analysis, are disclosed and further explained in note 10.

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.

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.

Other Litigation

Critical Judgement and estimation uncertainty

Provisions are recognised at the value of management's best estimate of the expenditure required to settle the obligation (legal or constructive) at the reporting date. Litigation provisions involve significant levels of estimation and judgement.

The provision recognised at the balance sheet date in respect of legacy customer claims, represents the best estimate of the future committed legal costs and associated redress costs in respect of the legal obligation existent at the balance sheet date and based on information available at signing date, taking into account factors including risk and uncertainty. Sensitivities performed on key assumptions are disclosed 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.

The following sensitivities have been performed on the key assumptions:

- A reduction of 0.50% in the discount rate used would decrease the defined benefit obligation by £6.3m (2022: £12.7m);
- An increase of 0.50% in the inflation assumption would increase the defined benefit obligation by £3.5m (2022: £7.7m);
- An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £2.1m (2022: £5.0m).

3. Key risks and uncertainties

The Group continues to invest and improve its risk management capabilities. As part of the ongoing refinement of the Risk Management Framework ('RMF') the Group has further consolidated the Principal Risk Categories, combining several of the technology risks within one category.

Principal risks with the potential to impact on performance and the delivery of our strategic objectives in year or through the planning cycle are defined as:

1. Strategic and Change
2. Information, Technology and Cybersecurity
3. Conduct and Customer
4. Financial Crime
5. Business Resilience
6. Financial
7. Legal and Regulatory
8. Credit
9. People
10. 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 a comprehensive overview of risks and as such incorporates assessments of risks that have the potential to create ESG exposures; these are reported through the governance framework and managed accordingly.

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

The Macro-economic Environment, and other key areas of focus

The current operating and economic environment is extremely challenging. Significant increases in energy and other prices, combined with interest rate increases continues to put pressure on household budgets and adversely impact consumer confidence. The cost-of-living crisis is adversely impacting all elements of peoples' lives including their decisions in relation to spending on non-essential items.

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

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

The Group is also focused on several Regulatory enhancements. ESG processes continue to be integrated and strengthened through a programme of work integrated into business activities. Our programme of activity geared around the FCA Consumer Duty is progressing well. The Group continues to plan for the BEIS enhancements (UK SOx) and has commenced a gap analysis.

4. Going Concern

In determining the appropriate basis of preparation of the financial statements for the period ending 4 March 2023, the Directors are required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of the financial statements.

The Board has set a going concern period of 12 months from the date of approval of these financial statements. The Group is delivering on a multi-year transformation programme that will create a platform to deliver sustainable medium term growth in financial performance. The Board has reflected on this plan and the headwinds from the economic challenges that have led to the cost-of-living crises and how they impact N Brown's input costs and customer base.

To support the going concern assumption, Management prepared a robust analysis for the Board to consider, stress testing the forecasts for several assumptions that are set out below. The output confirmed the resilience of the Group with no liquidity concerns or non-compliance with the Group's debt covenants, on a distressed scenario, over the going concern period.

The Company renewed its revolving credit facility ('RCF') at £75m and extended to the end of 2026, together with a committed overdraft facility of £12.5m. Both facilities were undrawn at the year end and the Group also had available cash / cash equivalents of £35.5m at the balance sheet date.

The distressed scenario model prepared by Management provided a robust assessment, which the Audit & Risk Committee reviewed in support of the Board's evaluation. The stress test prepared by Management is challenging and considers the cumulative impact of various downsides and additional stress sensitivities on the Group's forecasts. This therefore supports the Board's consideration of a 'severe but plausible' downside. The distressed scenario modelled is more severe than the sensitivities assumed for the impairment test, purposely to allow the Board to assess the resilience of the Group.

Reflecting the Board's confidence in the transformation programme together with the understanding of the ongoing economic challenges, the Directors concluded that the Group will continue to have adequate financial resources to discharge its liabilities as they fall due over the going concern assessment period.

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

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

- The business continues to be fully operational as has been the case throughout the Covid-19 pandemic;
- The UK cost of living crisis;
- Progress against the strategic growth programme;

- Product gross margin improvement achieved through changes to product mix, planned price increases and a reduction in freight rates. It is also recognised that we will continue to face a highly promotional retail market as a result of cautious customer sentiment;
- Financial Services revenue reduces in the short term as the average size of the loan book is smaller as a function of FY23 and FY24 lower product sales;
- Customer eligibility and arrears rates normalising to pre pandemic levels.
- Operating costs reflecting inflationary and macroeconomic cost base pressures.

The Base Case has material total accessible liquidity headroom of £85m over the next twelve months and all bank covenant conditions are met. Adjusted EBITDA would have to reduce by more than 38% against the Base Case low point in FY24 to breach covenants.

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

- Business interruptions reducing product revenue, for example from a denial of service caused by a cyber-attack as well as delivery delays caused by supply chain challenges;
- Further adverse macroeconomic conditions impacting customer behaviour, bad debt write-offs and customer account payment collection rates;
- Additional sensitivities to product revenue.

The Downside is the compounded cumulative impact of all scenarios with the sensitivities layered on top. Material total accessible liquidity headroom of £60m exists throughout the Downside assessment and all bank covenant conditions are met. Adjusted EBITDA would have to reduce by more than 14% against the Downside low point in FY24 to breach covenants.

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

- A £400m securitisation facility until December 2024. During the year the maximum commitment was reduced at the Group's request from £400m to £340m to reflect the prevailing levels of encumbered eligible receivables and drawings of notes thereon (£334.5m drawn against the maximum of eligible customer receivable);

- An RCF of £75m committed until December 2026, fully undrawn; and

- An overdraft facility of £12.5m which is committed until December 2026.

d) the Group's robust policy towards liquidity and cash flow management. As at 6 May 2023, the Group had cash of £28.3m, including restricted cash of £3.8m. In addition, the Group had £87.5m of unsecured facilities that were not drawn. This gives rise to total accessible liquidity ('TAL') of £112.0m (FY22: £212.1m).

e) the Group management's ability to successfully manage the principal risks and uncertainties outlined on pages 36 to 37 during periods of uncertain economic outlook and challenging macroeconomic conditions.

5. Business Segment

The Group has identified two operating segments in accordance with IFRS 8 – Operating segments, Product Revenue and Financial Services ('FS'). The Board, who are considered to be the Chief Operating Decision Maker, 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 £19.4m (2022: £16.0m) as a consequence of customer debt write off, with the write off presented in FS cost of sales. The revenue and costs associated with the Financial Services segment relate to the income from provision of credit terms for customer purchases, and the costs to the business of providing such funding. To increase transparency, the Group has included additional voluntary disclosure analysing product revenue within the relevant operating segment, by strategic and other brand categorisation.

Analysis of revenue	**53 weeks to 4 March 2023 £m**	52 weeks to 26 February 2022 £m
Analysis of revenue:		
Sale of goods	412.4	445.8
Postage and packaging	21.0	19.8
Product – total revenue	**433.4**	465.6
Other financial services revenue	22.3	21.4
Credit account interest	221.8	228.7
Financial Services – total revenue	**244.1**	250.1
Total Group Revenue	**677.5**	715.7
Analysis of cost of sales:		
Product – total cost of sales	**(240.9)**	(267.3)
Impairment losses on customer receivables	(122.3)	(94.4)
Other financial services cost of sales	(1.5)	(1.1)
Financial Services – total cost of sales	**(123.8)**	(95.5)
Cost of sales	**(364.7)**	(362.8)
Gross profit	**312.8**	352.9
Gross profit margin	46.2%	49.3%
Gross margin – Product	44.4%	42.6%
Gross margin – Financial Services	49.3%	61.8%
Warehouse and fulfilment	(63.2)	(67.9)
Marketing and production	(70.0)	(73.1)
Other administration and payroll	(122.3)	(116.9)
Adjusted operating costs before adjusted items	**(255.5)**	(257.9)
Adjusted EBITDA	**57.3**	95.0
Adjusted EBITDA margin	8.5%	13.3%
Depreciation and amortisation	(35.7)	(38.1)
Impairment of non-financial assets (note 10)	(53.0)	-
Adjusted items charged to operating loss	(34.5)	(28.7)
Operating (loss)/profit	**(65.9)**	28.2
Finance costs	(14.1)	(13.8)
Fair value adjustments to financial instruments	8.9	4.8
Profit before taxation	**(71.1)**	19.2

	53 weeks to 4 March 2023	52 weeks to 26 February 2022
	£m	£m
Analysis of Product revenue:		
Strategic brands1	**311.8**	323.9
Heritage brands2	**121.6**	141.7
Total Product revenue	**433.4**	465.6
Financial Services revenue	**244.1**	250.1
Group revenue	**677.5**	715.7

1. *Strategic brands include JD Williams, Simply Be and Jacamo.*
2. *Heritage brands include Ambrose Wilson, Home Essentials, Fashion World, Marisota, Oxendales and Premier Man.*
3. *FY22 brand split has been re-represented to align with the strategy change and focus on the three accelerate brands with all other brands presented within heritage.*

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from the Republic of Ireland amounted to £18.5m (2022: £21.0m), with operating profit amounting to £1.8m (2022: £3.7m).

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 £53.0m (2022: £nil).

6. Adjusted items

	53 weeks to 4 March 2023	52 weeks to 26 February 2022
	£m	£m
Allianz litigation	**26.1**	29.8
Other litigation	**6.0**	0.2
Historic tax matters	**-**	(1.2)
Strategic change	**2.4**	(0.1)
Impairment of non-financial assets	**53.0**	-
Total adjusted items	**87.5**	28.7

ALLIANZ LITIGATION

As previously reported, the Group was involved in a legal dispute with Allianz Insurance Plc ('Allianz'). The matter related to a claim issued against JD Williams & Company Limited ('JDW'), a subsidiary of the Group, by the Insurer in January 2020 (claim number CL-2020-000004) and JDW's counterclaims in that litigation (the 'Dispute'). The Dispute related to significant amounts of redress previously paid to customers by JDW and the Insurer in respect of certain historic insurance products, including payment protection insurance.

A provision of £28.0m in respect of the claims was recognised in the Group's balance sheet at the prior year end, and updated as at 27 August 2022. The provision was based on known facts and circumstances at each balance sheet date, that supported the Board's best estimate of any outflow, including any committed legal fees. As the legal due diligence and negotiations continued, the Board reflected on updated inputs, escalating costs, and ongoing levels of distraction for the Board and senior management.

In January 2023 the Board agreed to the Settlement. Under the Settlement, which is a negotiated settlement and made without admission of liability, JDW paid the Insurer a sum of £49.5m in full and final settlement of the Dispute, below the sums claimed by the Insurer (which exceeded £70m inclusive of interest and costs). While the Settlement was in excess of the provision, the Dispute has been brought to an end and this removes a significant element of uncertainty for all stakeholders and allows the Group to focus on creating shareholder value through its core business activities as it continues its transformation. The provision outstanding at 4 March 2023 was £0.3m, relating to outstanding legal costs and amounts payable to Allianz following closure of the joint redress account.

OTHER LITIGATION

During the year the Group made a provision of £5.5m, as an estimate of the potential litigation costs. This is principally committed external legal costs associated with legacy customer claims. This is not a new exposure and in prior years the Group handled such claims on a case by case basis, and the costs incurred have not been material. The Group will continue to defend such claims and the Board supports a strategy to robustly defend any past and future claims. The Group has engaged external counsel which is reflected in the provision recorded. The provision outstanding at 4 March 2023 was £5.5m as disclosed in note 18.

In addition, a charge of £0.5m was incurred in the year, and £0.2m in the prior year, relating to the true up of legacy customer redress provisions presented as adjusted in prior periods.

HISTORICAL TAX MATTERS

The Group reached agreement with HMRC over a number of historical VAT and other tax matters in the prior year with the release of £1.2m in 2022 relating to opening provisions no longer required.

STRATEGIC CHANGE

During the current year, the Group initiated a restructuring of its operational and Head office headcount to reflect the lower sales orders, of which an element was enacted during the year. Total redundancy costs of £2.4m were incurred in the year. The provision outstanding at 4 March 2023 amounted to £2.2m relating to payments made in the months following the year end.

IMPAIRMENT OF NON-FINANCIAL ASSETS

During the year, the Group has recorded a non-cash impairment of £53.0m against its intangible and tangible assets, to reduce the balance sheet asset value to match the lower value in use forecasts driven by the current macro-economic conditions. This has arisen primarily from the impact of the market and current macroeconomic conditions significantly reducing near term Group Adjusted EBITDA levels and a slower recovery through the five year forecast period. More details provided in note 10.

7. Derivative financial instruments

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

	53 weeks to 4 March 2023 £m	52 weeks to 26 February 2022 £m
Notional amount – sterling contract value (designated cash flow hedges – Interest rate swap)	**250.0**	250.0
Notional amount – sterling contract value (designated cash flow hedges -Foreign exchange forwards)	**85.1**	138.4
Notional amount -sterling contract value (FVPL)	**279.3**	38.0
Total notional amount	**614.4**	426.4

The Group hold the following derivative financial instruments at fair value:

Current Assets	**53 weeks to 4 March 2023 £m**	52 weeks to 26 February 2022 £m
Foreign currency forwards – cash flow hedges	**6.1**	1.4
Foreign currency forwards – non-designated instruments at FVPL	**0.8**	0.3
Interest rate swaps – cash flow hedges	**9.2**	-
Interest rate caps – non-designated instruments at FVPL	**3.0**	-
Total notional amount	**19.1**	1.7

Non-current Assets:	**53 weeks to 4 March 2023 £m**	52 weeks to 26 February 2022 £m
Foreign currency forwards – cash flow hedges	**0.8**	0.2
Interest rate swaps – cash flow hedges	**6.2**	4.9
Interest rate caps – non-designated instruments at FVPL	**0.6**	-
Total notional amount	**7.6**	5.1

	53 weeks to 4 March 2023	52 weeks to 26 February 2022
Current liabilities:	**£m**	£m
Foreign currency forwards – cash flow hedges	-	(0.3)
Foreign currency forwards – non designated instruments at FVPL	**(0.1)**	(0.1)
Total notional amount	**(0.1)**	(0.4)

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 £5.1m (2022: gain of £4.8m), recognised through the Income statement in the period.

Changes in the fair value of derivatives designated for hedging purposes amounted to £30.5m (2022: £7.2m) recognised through the cash flow hedge reserve.

Fair value movements previously held within the hedge reserve were released as the hedged future cash flows were no longer expected to occur. This resulted in one off fair value gains of £3.8m (2022: £nil) recognised in the income statement within the fair value adjustments to financial instruments line and also included within amounts reclassified from other comprehensive Income to profit and loss line in the statement of other comprehensive income.

There are no balances remaining within the closing hedge reserve balance in respect of previous hedge relationships where hedge accounting is no longer applied. There were no amounts recognised in the income statement in the period (2022: £nil) for hedge ineffectiveness on either foreign exchange or interest rate hedges.

Financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2022: Level 2).

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Hedge accounting was adopted from the 29 August 2021, and from this point fair value movements on the designated financial instruments were taken to a cash flow 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 recognized in OCI	3.2	(0.4)	4.4	**7.2**
Reclassified to cost of inventory (not included in OCI)	(0.5)	-	-	**(0.5)**
Recycled from OCI to profit and loss	-	-	0.6	**0.6**
Deferred tax	(0.7)	0.1	(1.2)	**(1.8)**
Balance at 26 February 2022	2.0	(0.3)	3.8	**5.5**
Changes in fair value of hedging instruments recognised in OCI	18.1	(0.8)	13.2	**30.5**
Reclassified to cost of inventory (not included in OCI)	(10.4)	0.1	-	**(10.3)**
Hedge (gains)/losses released to P&L for hedges de-designated in the period	(4.1)	0.3	-	**(3.8)**
Recycled from OCI to profit and loss	-	-	(2.8)	**(2.8)**
Deferred tax	(0.9)	0.1	(2.6)	**(3.4)**
Closing balance at 4 March 2023	**4.7**	**(0.6)**	**11.6**	**15.7**

8. Tax

	53 weeks to 4 March 2023	52 weeks to 26 February 2022
Tax recognised in the Income statement	**£m**	£m
Current tax		
Charge for the period	**1.3**	**-**
Adjustments in respect of previous periods	**0.7**	**(1.0)**
	2.0	**(1.0)**
Deferred tax		
Origination and reversal of temporary timing differences	**(21.4)**	**2.7**
Adjustments in respect of previous periods	**(0.3)**	**1.3**
	(21.7)	**4.0**
Total tax (credit) / expense	**(19.7)**	**3.0**

UK Corporation tax is calculated at 19% (2022: 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 Spring Budget on 15 March 2023, it was confirmed that the UK tax rate would increase from 19% to 25% from 1 April 2023. Accordingly, the UK deferred tax asset/(liability) as at 4 March 2023 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 higher than the statutory UK tax rate of 19% due to the impact of adjusting items in the period, which have been treated as deductible for tax purposes consistent with the treatment of similar costs. These adjusted items have created deferred tax assets at 25%. The deferred tax assets have been partially offset by the impact of prior year adjustments.

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

	53 weeks to 4 March 2023	52 weeks to 26 February 2022
	£m	£m
(Loss) /profit before tax	**(71.1)**	**19.2**
Tax (credit) / charge at the UK Corporation tax rate of 19%	**(13.5)**	**3.6**
Effect of change in deferred tax rate	**(7.2)**	**(1.1)**
Tax effect of expenses that are not deductible in determining taxable profit	**0.5**	**0.2**
Effect of different tax rates of subsidiaries operating in other jurisdictions	**0.1**	**-**
Tax effect of adjustments in respect of previous periods	**0.4**	**0.3**
Tax (credit)/ expense for the period	**(19.7)**	**3.0**

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

	53 weeks to 4 March 2023	52 weeks to 26 February 2022
Tax recognised directly through equity	**£m**	£m
Deferred tax – remeasurement of retirement benefit obligations	**(6.7)**	**3.7**
Deferred tax – hedging related items recognized in other comprehensive income	**6.0**	**1.8**
Deferred tax – fair value movements transferred to the value of inventory recognized directly in equity	**(2.7)**	**-**
Tax (credit) /charge in equity	**(3.4)**	**5.5**

In respect of Corporation tax, as at 4 March 2023 the Group has provided a total of £0.7m (2022: £nil) for potential future tax charges based upon the Group's best estimate and the outcome from discussions with HMRC. During the period, HMRC notified the Group of a previously unidentified and unpaid historic tax balance, relating to years 2010-2015, which HMRC had stood over awaiting resolution of other historic tax matters. The matter related to tax liabilities in Ambrose Wilson Limited and Oxendales & Company Limited from transfer pricing adjustments calculated on intercompany balances with JD Williams & Company Limited for the years in question. The Group believed the tax had previously been paid, however, following a detailed internal investigation, it was agreed with HMRC in May 2023 that this balance was outstanding. Accordingly, a tax provision of £0.7m was included as a prior year adjustment in the 2023 tax calculation, with a provision for related interest estimated at £0.2m included in finance charges.

9. (Loss) / 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 adjusted earnings, after adjusting for those items of income and expenditure which are one off in nature and material to the current financial year, and for which the Directors believe that they require separate disclosure to avoid distortion of underlying performance (see note 6), and fair value adjustments to derivative instruments. 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. Earnings per share for the current year have not been diluted following the loss after tax in the period.

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

(Loss) / Earnings	**53 weeks to 4 March 2023 £m**	52 weeks to 26 February 2022 £m
(Loss) / Earnings for the purpose of basic and diluted earnings per share being net (loss) / profit attributable to equity holders	**(51.4)**	16.2

Number of shares ('000s)	**53 weeks to 4 March 2023 Number**	52 weeks to 26 February 2022 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**459,468**	458,825
Effect of dilutive potential ordinary shares:		
Share options	**4,879**	3,235
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**464,347**	462,060

(Loss) / Earnings from continuing operations	**53 weeks to 4 March 2023 £m**	52 weeks to 26 February 2022 £m
Total net (loss) / profit attributable to equity holders of the parent for the purposes of basic earnings per share	**(51.4)**	16.2
Fair value adjustment to financial instruments (net of tax)	**(7.2)**	(3.9)
Adjusted items (net of tax)	**66.9**	23.0
Adjusted earnings for the purposes of adjusted earnings per share	**8.3**	35.3

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

Adjusted earnings per share	**53 weeks to 4 March 2023 Pence**	52 weeks to 26 February 2022 Pence
Basic	**1.81**	7.69
Diluted	**N/A**	7.64

(Loss) / Earnings per share	**53 weeks to 4 March 2023 Pence**	52 weeks to 26 February 2022 Pence
Basic	**(11.19)**	3.53
Diluted	**N/A**	3.51

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 27 February 2021	16.9	369.9	1.9	388.7
Additions	-	16.3	-	16.3
Reclass	-	1.5	-	1.5
Disposals	-	(14.4)	-	(14.4)
At 26 February 2022	16.9	373.3	1.9	392.1
Additions	-	20.1	-	20.1
Disposals	-	(0.9)	-	(0.9)
At 4 March 2023	**16.9**	**392.5**	**1.9**	**411.3**
Accumulated amortisation and impairment				
At 27 February 2021	16.9	241.8	1.9	260.6
Charge for the period	-	32.5	-	32.5
Reclass	-	0.4	-	0.4
Disposals	-	(14.4)	-	(14.4)
At 26 February 2022	16.9	260.3	1.9	279.1
Charge for the period	-	30.6	-	30.6
Disposals	-	(0.1)	-	(0.1)
Impairment Charge	-	43.4	-	43.4
At 4 March 2023	**16.9**	**334.2**	**1.9**	**353.0**
Carrying amount				
At 4 March 2023	**-**	**58.3**	**-**	**58.3**
At 26 February 2022	-	113.0	-	113.0
At 2 February 2021	-	128.1	-	128.1

Assets in the course of development included in intangible assets at the year end total £10.5m (2022: £13.4m). No amortisation is charged on these assets. Borrowing costs of £nil (2022: £nil) have been capitalised in the period.

Additions in the year of £15.0m relate to internal development costs (2022: £12.4m). These are costs that are incremental and reflect unavoidable costs which qualify for capitalisation.

As at 4 March 2023, the Group had entered into contractual commitments for the further development of intangible assets of £3.0m (2022: £7.5m) of which £2.9m (2022: £7.4m) is due to be paid within one year.

Research costs of £0.8m were incurred in the year (2022: £1.1m).

Disposals during the year related to assets under construction which have been discontinued.

IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

As detailed in the strategic report the benefits of the transformation programme underpin the long-term growth for the Group, with execution of the plan underway.

In applying the IAS 36 impairment indicators, the Board has considered the relationship between the Company's market capitalisation and the carrying amount of the Group's net assets.

The traded volume of shares is limited given the shareholder structure and value has yet to be reflected in the share price for the execution of the strategic plan, which combined contributes to a gap between the market capitalisation and net asset valuations which triggers a test for impairment in accordance with IAS 36.

Management prepared a value in use model to assess the discounted cash flows and used an appropriate discount rate to reflect the combined retail and consumer credit business model. There is no listed set peer Group of a similar size and business model to use as a benchmark and the VIU model is similar to an income-based assessment. The pre-tax discount rate was calculated using the Capital Asset Pricing Model and observable market inputs, to which specific company and market-related premium adjustments were applied. The pre-tax discount rate is an equity only rate to reflect the treatment of the securitisation loan which is in substance a working capital facility. This treatment as a working capital input to the VIU model aligns with the consumer credit model operated by the Group.

The securitisation loan agreement of £400m supports the credit offered to our customers. The loan allows the Group to draw down cash, based on set criteria linked to eligible receivables which move flexibly in line with business volumes (see note 15). Accordingly, the net cash flows including interest costs are included in the value in use model, with the corresponding customer debtor book included in the carrying value of the cash generating unit ('CGU').

The VIU calculations used the Board approved forecasts covering a five-year period to FY28. The Board reflected on the current cost-of-living crisis and challenges in consumer confidence, and significantly reduced the near-term outlook from the prior year as announced in the trading update published in January 2023.

The Board are confident in the longer-term benefits that the transformation plan will deliver, and the value creation from the investments in the Group's digital assets.

The Board concluded that there is only one CGU, reflecting the single group of assets that generate the Group's independent cash flows. The retail and financial services offerings are intertwined and the Board monitor the Group's performance based on the combined results.

The forecasts applied have regard to historic performance and knowledge of the current market, together with management's views on the future growth opportunities and the benefits the strategic developments are delivering. After the first five-year cash flows, as required by the accounting standard, a terminal value was included based upon the long-term growth rate and a risk-adjusted pre-tax discount rate applied.

The long-term growth rate of 2.2% was determined with reference to external industry growth forecasts which management believe is a reasonable indicator of the expected long term-growth rate for the Group's market sector, available at 4 March 2023. The long-term growth rate used is purely for the impairment testing of intangible assets under IAS 36 "Impairment of Assets" and does not reflect long-term planning assumptions used by the Group for investment proposals or for any other assessments. 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 relationship between retail sales and the financial services cashflows is not linear, as there is a natural time lag from when sales are completed, and financial services income is earned. Management modelled the estimated impact of this lag by extending the financial services model past the five-year Board approved plan and this indicated additional headroom inbuilt in the FS customer receivables book which would materially increase the VIU. This however has not been included in the impairment model as the Board restricted the assessment to the five-year forecasts in accordance with IAS 36.

The impairment review performed over the Group's CGU has indicated that an accounting impairment is required over the assets of the Group, with the carrying amount exceeding the recoverable amount assessed through value in use. This is due to the market and current macroeconomic conditions significantly reducing the near-term Group EBITDA levels with recovery through the five-year forecast period but in later years than previously expected. As a result a non-cash impairment charge of £53.0m has been recognised.

The Group has no goodwill reported on the balance sheet and in accordance with IAS 36 the impairment charge has been allocated pro rata against the Group's other tangible and intangible assets. This does not imply that the assets impaired have no remaining value as they continue to support the strategic plan and operations adding significant value to the business and delivering on the Group's transformation plan. Applying IAS 36 the intangible assets have been reduced from £101.7m to £58.3m, and tangible assets have been reduced from £60.5m to £50.9m. The continued successful execution of the five year plan is expected to increase the VIU in future periods, and this would trigger a reversal of the impairments recognised this year, capped to the carrying value that the assets would have been determined (net of amortisation or depreciation) had no impairment loss been recognized in prior periods.

THE KEY ASSUMPTIONS ARE AS FOLLOWS:

Years 1-5 to FY28 are based on the Adjusted EBITDA growth per the Board approved business plan. This reflects the current cost-of-living crisis and other economic challenges with growth thereafter assumed once the economy stabilizes and importantly driven by the benefits that the transformation plan are anticipated to deliver;

Replacement Capital expenditure of £16.5m per year in years 1-5 and £15.0m in the terminal year. The current high levels of investment in the strategic digital platforms completes within the five-year business plan horizon, and subsequently the Group is assuming a steady state level of maintenance and replacement expenditure;

Pre-tax discount rate: 17.7% (2022: 18.6%). The discount rate includes an allowance for risks specific to the Group, including a size premium and execution risk associated with the transformation plan; and

Long term growth rate: 2.2% (2022: 2.2%). Management have sourced external benchmarks for the Group's sector, and applied a cautious long-term growth rate. The long term growth rate for the current and prior year has been updated to reflect external benchmarks specific to the UK retail sector. The growth rate has been sensitized below in line with the externally available arms length forecast range.

GROUP IMPAIRMENT SENSITIVITY ANALYSIS:

The Board recognizes that there is a high degree of estimation uncertainty and the VIU and resulting impairment is sensitive to movements in the key assumptions. In response sensitivity analysis has been applied to the key assumptions and the resulting headroom / (impairment) is as follows:

	Sensitivity applied	Headroom / (Impairment) £m	Movement £m
VIU calculation	-	(53)	-
Long term growth rate	Increase by 1%	(33)	20
	Decrease by 1%	(69)	(17)
Pre tax discount rate	Increase by 1%	(81)	(28)
	Decrease by 1%	(19)	34
Replacement capex in terminal year	Increase to £20m	(71)	(18)
	Decrease to £10m	(34)	19
Combined sensitivity	Discount rate decrease by 1% and terminal capex increase to £20m	(40)	13

USEFUL ECONOMIC LIVES SENSITIVITY ANALYSIS

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 £7.2m;

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 £5.0m.

11. Property, plant and equipment

	Land and buildings £m	Fixtures and Fittings £m	Plant and Machinery £m	Total £m
Cost				
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
Additions	-	5.6	0.7	6.3
Disposals	-	-	-	-
At 4 March 2023	**59.1**	30.2	54.5	**143.8**
Accumulated depreciation and impairment				
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 from tangible assets	-	-	(0.4)	(0.4)
Disposals	-	-	(4.9)	(4.9)
At 26 February 2022	19.9	21.0	38.1	79.0
Charge for the period	1.2	0.7	2.4	4.3
Impairment charge	-	-	9.6	9.6
At 4 March 2023	21.1	**21.7**	50.1	92.9
Carrying amount				
At 4 March 2023	**38.0**	8.5	**4.4**	50.9
At 26 February 2022	39.2	3.6	15.7	58.5
At 27 February 2021	**40.4**	2.8	**17.7**	60.9

The impairment relates to the pro-rata allocation as set out in note 10.

Assets in the course of development included in fixtures and fittings and plant and machinery at 4 March 2023 total £2.5m (2022: £2.5m), and in land and buildings total £nil (2022: £nil). No depreciation has been charged on these assets.

At 4 March 2023, the Group had entered into contractual commitments of £1.0m for the acquisition of property, plant and equipment (2022: £1.0m).

12. Trade and other receivables

	53 weeks to 4 March 2023 £m	52 weeks to 26 February 2022 £m
Amount receivable for the sale of goods and services	**555.2**	577.2
Allowance for expected credit losses	**(74.6)**	(68.7)
Net trade receivables	**480.6**	508.5
Other debtors and prepayments	**24.1**	24.6
Trade and other receivables	**504.7**	533.1

Included in amount receivable for the sale of goods and services is a provision for outstanding customer returns of £6.3m (2022: £6.1m).

Other debtors include a balance of £1.3m (2022: £2.5m) relating to amounts due from wholesale partners.

The weighted average Annual Percentage Rate ('APR') across the trade receivables portfolio is 58.2% (2022: 58.1%). 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 £36.4m as at 4 March 2023 (2022: £11.5m). Interest income recognised on trade receivables which were credit impaired as at 4 March 2023 was £21.4m (2022: £14.4m).

The amounts written off in the period of £131.2m (2022: £144.9m) include the sale of impaired assets with a net book value of £55.0m (2022: £64.1m). During the year there were £21.0m of proceeds recognised in respect of accounts that had previously been written-off or derecognised (2022: £36.8m).

The proceeds from derecognised portfolio sales exceeded the net book value by £0.1m (2022: £1.0m).

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 4 March 2023.

	53 weeks to 4 March 2023			52 weeks to 26 February 2022		
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	**443.3**	**36.4**	**479.7**	497.3	11.5	508.8
28 days – past due	**20.1**	**5.0**	**25.1**	18.4	1.3	19.7
56 days – past due	**10.8**	**2.6**	**13.4**	13.5	0.4	13.9
84 days – past due	**9.5**	**2.2**	**11.7**	11.5	0.2	11.7
112 days – past due	**6.8**	**1.2**	**8.0**	8.5	0.2	8.7
Over 112 days – past due	**16.1**	**1.2**	**17.3**	14.1	0.3	14.4
Gross trade receivables	**506.6**	**48.6**	**555.2**	563.3	13.9	577.2
Allowance for expected credit losses	**(58.1)**	**(16.5)**	**(74.6)**	(63.9)	(4.8)	(68.7)
Net trade receivables	**448.5**	**32.1**	**480.6**	499.4	9.1	508.5

	53 weeks to 4 March 2023 £m	52 weeks to 26 February 2022 £m
Provision movements[1]	**5.9**	(16.5)
Gross write -offs	**131.2**	144.9
Recoveries	**(21.0)**	(36.8)
Other items	**6.2**	2.8
Net Impairment charge	**122.3**	94.4

1. Provision movement is the closing allowance for expected credit losses less the opening allowance for expected credit losses

SENSITIVITY OF ESTIMATION UNCERTAINTY

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 £3.4m (2022: £2.2m) increase or £3.6m (2022: £2.2m) decrease in the ECL;

- Our ECL is probability weighted between a base case, downside and upside scenario which includes economic forecast variables of unemployment, BoE base rate, and average earnings. Adjusting the weighting to 100% impacts the ECL by the following:

  - 100% downside - an increase in the ECL of £2.4m
  - 100% upside –a decrease in the ECL of £1.4m
  - 100% base case - a decrease in the ECL of £0.7m

13. Trade and other payables

	53 weeks to 4 March 2023 £m	52 weeks to 26 February 2022 £m
Trade payables	**40.2**	47.5
Other payables	**3.6**	11.0
Accruals and deferred income	**28.7**	36.2
Trade and other payables	**72.5**	**94.7**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases, based on invoice date is 50 days (2022: 53 days).

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

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

The maximum facility limit as at 4 March 2023 was £15m (2023: £15m). At 4 March 2023, total of £7.9m (2022: £6.7m) 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 (2022: £1.0m) of restricted cash which is held in the Group's joint bank account with Allianz Insurance plc in respect of outstanding customer redress payments (further detail in note 6) and £3.1m (2022: £2.6m) in respect of the Group's securitisation reserve account. This cash is available to access by the Group for restricted purposes. In addition £10.7m (2022: £2.8m) 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:

	53 weeks to 4 March 2023 £m	52 weeks to 26 February 2022 £m
Sterling	**24.9**	31.3
Euro	**2.9**	5.1
US dollar	**7.7**	6.7
Net cash and cash equivalents and bank overdrafts	**35.5**	43.1
Made up of:		
Cash and cash equivalents	**35.5**	43.1
Bank overdrafts	**-**	-

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

	2023 £m	2022 £m
Bank loans	**(332.9)**	**(302.5)**
Net overdraft facility	-	-
The borrowings are repayable as follows:		
Within one year	-	-
In the second year	**(332.9)**	-
In the third to fifth year	-	**(302.5)**
Amounts due for settlement after 12 months	**(332.9)**	**(302.5)**

	2023 %	2022 %
The weighted average interest rates paid were as follows:		
Net overdraft facility	**3.5**	**1.7**
Bank loans	**3.6**	**2.5**

All borrowings are held in sterling.

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 at 4 March 2023 was £12.5m (2022: £12.5m), of which the Group had a net position of £nil drawn down at 4 March 2023 (2022: £nil).

The Group has a bank loan of £332.9m (2022: £302.5m) secured by a charge over certain "eligible" customer receivables (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility limit at 4 March 2023 was at £400m (2022: £400m), maturing in December 2024. In February 2023, whilst not reducing the £400m facility limit, the Group pro-actively reduced the lenders' commitment to £340m from £400m to reflect the smaller customer receivables book and subsequent reduction in the accessible funding level, so optimising funding costs by reducing non-utilisation costs. This has not changed the Group's total accessible funding levels. The securitisation facility allows the Group to draw down cash, based on set criteria linked to eligible customer receivables which move flexibly in line with business volumes. Accordingly, the net cashflows of the facility are treated within working capital rather than financing cashflows. Unamortised fees relating to this facility of £2.0m (2022: £3.0m) are offset against the carrying amount of the loan.

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. Throughout the reporting period all covenants have been complied with.

The Group also had unsecured bank loans under its medium term Revolving Credit Facility ('RCF') with maximum limit of £100m at 4 March 2023, of which £nil (2022: £nil) was drawn down at 4 March 2023. The facility was refinanced during the period following the year end as disclosed in note 19.

All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group's interest rate risk management activities are detailed in note 19 of the Group's Annual Report.

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

	2023 Number	2022 Number	**2023 £m**	2022 £m
Allotted, called-up and fully paid ordinary shares of 11 1/19p each				
Opening as at 26 February 2022 (27 February 2021)	460,483,231	460,483,231	**50.9**	50.9
Issued in the year	**-**	-	**-**	-
At 4 March 2023 (26 February 2022)	**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.

18. Provisions

	Other Litigation	Strategic Change	Allianz Litigation	Other	Total
	£m	£m	£m	£m	£m
Balance as at 26 February 2022	1.8	0.8	28.0	0.3	**30.9**
Provisions made during the period	5.5	2.1	26.1	0.4	**34.1**
Provisions used during the period	(0.4)	(0.7)	(53.8)	-	**(54.9)**
Balance as at 4 March 2023	6.9	2.2	0.3	0.7	**10.1**
Non-current	-	-	-	-	**-**
Current	6.9	2.2	0.3	0.7	**10.1**
Balance as at 4 March 2023	**6.9**	**2.2**	**0.3**	**0.7**	**10.1**

ALLIANZ LITIGATION

During the current year, the Group has reached full and final settlement in respect of the legal dispute with Allianz Insurance plc. Under the settlement, which is a negotiated settlement and made without admission of liability, the Group has paid the sum of £49.5m. Further detail provided in note 6. The provision outstanding at 4 March 2023 of £0.3m, relates to the outstanding legal costs and amounts payable to Allianz following closure of the joint redress account.

OTHER LITIGATION

During the year the Group made a provision of £5.5m, as an estimate of the litigation costs. This is principally committed external legal costs associated with legacy customer claims. This is not a new exposure and in prior years the Group has handled such claims on a case by case basis and the costs incurred have not been material. The Group will continue to defend such claims of unfair relationships and the Board supports a strategy to robustly defend any past and future claims. The Group has engaged external counsel which is reflected in the provision recorded.

The provision outstanding at 4 March 2023 of £6.9m also includes a provision recognised in prior periods in relation to certain PPI related customer redress complaints which are expected to be paid in the next 12 months.

SENSITIVITY OF ESTIMATION UNCERTAINTY

To indicate the level of estimation uncertainty, the following sensitivities have been performed:

- Key assumptions underpinning the provision include estimates as to the proportion of threatened claims that will actually result in court proceedings, the process that the court adopts for determining the cases, the proportion of cases which will be abandoned by claimants before trial, the Group's win rate at trial and the court's likely assessment of quantum where The Group is required to pay redress;
- A 10% combined stress in these assumptions would lead to an increase in the provision of £1.3m;
- A 10% combined improvement in these assumptions would lead to a reduction in the provision of £1.2m;

Given the level of judgement and estimation involved in assessing the Company's success in defending such claims and the associated costs including legal fees, it is reasonably possible that outcomes within the next financial year may be different from management's assumptions.

STRATEGIC CHANGE

During the current year, the Group performed a restructuring exercise to 'right size' its headcount and payroll overhead, following the contraction in revenues and profitability during the COVID-19 Pandemic and the more recent downturn in retail market performance as a result of the cost-of-living crisis. Total redundancy costs of £2.4m were incurred in the year. The provision outstanding at 4 March 2023 relating to the restructuring amounted to £1.9m which was fully paid in the months following the year end. The remaining £0.3m provision at 4 March 2023 relates to property dilapidation costs expected to be repaid within the next 12 months.

OTHER

The provision held at 26 February 2022 of £0.3m relates to costs and interest in relation to matters under discussion with HMRC relating to FY19 and prior years. Agreement on this matter is still pending with HMRC as of the date of this financial report. The additional provision of £0.4m booked in the current year relates to management's best estimate of the cashflows expected to be incurred in relation to a legal claim made against the company.

19. Post balance sheet events

On 14 April 2023, the Group completed the refinancing of its unsecured Revolving Credit Facility ('RCF'). The new RCF facility has a maximum limit of £75m and an overdraft facility of £12.5m both respectively committed to December 2026.

The key covenants in respect of the new RCF continue to be as follows:

- Leverage less than 1.5 - representing the ratio of unsecured net cash/(debt)[1], over Adjusted EBITDA[1] after the deduction of Securitisation interest; and
- Interest cover greater than 4.0 - representing the ratio of Adjusted EBITDA[1] over finance costs after excluding Securitisation interest and adding back pension interest credit.

[1] *A full glossary of Alternative Performance Measures and their definitions is included on page 61. A reconciliation of statutory measures to adjusted measures is included on page 16.*

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 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[1]
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, Jacamo and Ambrose Wilson
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.

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 adjusting items.
Adjusted gross profit margin	Adjusted gross profit as a percentage of Group Revenue.
Adjusted EBITDA	Operating profit, excluding adjusting items, with depreciation and amortisation back.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of Group Revenue.
Adjusted profit before tax	Profit before tax, excluding adjusting items and fair value movement on financial instruments.
Adjusted profit before tax margin	Profit before tax, excluding adjusting 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 adjusting items.
Adjusted Operating costs to revenue ratio	Operating costs less depreciation, amortization and adjusting 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 adjusting 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 16.