Opinions and conclusions arising from our audit:

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of N Brown Group PLC for the 53 weeks ended 4 March 2017 set out on pages 90 to 126. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 4 March 2017 and of the group's profit for the 53 weeks then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Overview	
Materiality: group financial statements as a whole	£3.6m (2016: £3.8m) (4.3% (2016: 4.3%) of normalised group profit before tax)
Coverage	100% (2016: 100%) of group profit before tax

Risks of material misstatement	vs 2016
Recurring risks	
Allowance for doubtful debts	▼
Tax provisions	▲
Carrying value of software and development costs	◀▶
Regulatory provisions	▲
Carrying value of inventories	◀▶

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows (unchanged from 2016):

	The Risk	Our response
Allowance for doubtful debts £64.7m (2016: £97.6m) **Risk vs 2016** ▼ Refer to page 68 (Audit Committee Report), pages 97 and 99 (accounting policy), pages 108 to 109 (financial disclosures)	The allowance for doubtful debts requires the Directors to assess which accounts are considered impaired and estimate the quantum of the associated impairment. This assessment is particularly judgmental in the case of customers in early arrears or under revised payment terms. A proportion of the Group's customers are subject to revised payment terms, in particular where interest has been temporarily waived, which makes the impact of this judgment more significant for N Brown. The Group has segmented the debtors book into accounts that are interest bearing and those that are not, which allows for a degree of granularity when applying the other key judgements, which are the probability of default and the timing and value of cash flows. To assess the probability of default, the Group estimates a customer's likelihood of entering default based upon the experience of customers with comparable characteristics such as arrears status and payment history. These estimates are inherently uncertain because they are reliant upon historical, non-predictive data and are impacted by the Group's segmentation of customers with comparable impairment characteristics. The expected loss on default of receivables is based on expected timing and value of cash flows which are estimated using historical cash receipts and write-offs incurred for customers with comparable arrears status and payment history, interest and fees charged and debt sale rates. These estimates are inherently uncertain because of the long-term nature of the cash receipts and the exposure of the portfolio to the credit performance of many individual customers. Due to the quantity of data involved in assessing all of these elements of the provision, it is a complex model for which the completeness and accuracy of data inputs and the accuracy of calculations are, in themselves, risks.	Our audit procedures included: We critically assessed the Group's definition of 'Objective evidence of impairment' of customer receivables against the requirements of the relevant accounting standards, including evidence of the Group's experience of customers with comparable characteristics. We compared the assumptions made in respect of the probabilities of default against our understanding of the Group as well as our knowledge of market counterparts, and consistency with the historical internal data available. We assessed and challenged the assumptions made in respect of timing and value of cash flows for all segments of the model (including customers in arrears and subject to revised payment terms) against historical internal data taking into account information from peers and knowledge of the industry. We obtained supporting evidence relating to the quantum of debt sales in the year and critically assessed if the debt sales supported management estimates for future cash flows and recoveries. We assessed the accuracy of the allowance for doubtful debts model, with assistance from our IT specialists, by reviewing the detail of the model, and compared the methodology used to our interpretation of the requirements of the relevant accounting standards. This included testing of the completeness and accuracy of data through testing a sample of customer data back to the source system. We also considered the adequacy of the Group's disclosures in relation to the allowance for doubtful debts for compliance with the relevant accounting policies.

	The Risk	Our response
Taxations Provisions **Risk vs 2016** ▲ Refer to page 68 (Audit Committee Report), pages 96 and 99 (accounting policy), page 104 (financial disclosures)	The outcome of a number of open VAT and corporation taxation positions, some of which are proceeding towards litigation, is uncertain and as such has required the Directors to make significant judgements and estimates in relation to the likely outcome of these tax issues and exposures. There is a risk that the judgements made by the Directors, and therefore the amounts recorded in the financial statements will differ from any final settlements agreed with HMRC. Given the significant value and judgmental nature of this provisioning, this is considered to be an area of significant audit risk.	Our audit procedures included, with assistance from our own tax specialists: • Analysing and challenging the assumptions applied by the Directors' to determine tax provisions. • Inspecting correspondence with HMRC and evaluating the Directors interpretation of this correspondence by forming our own expectations of the provisions required in the financial statements. These assessments were based on our knowledge of the business and experience of the industry in which it operates, together with our knowledge and experience of the application of the relevant legislation by authorities and courts. Specifically in relation to VAT, we inspected legal counsel opinion received by the Directors in relation to the Group's likelihood of success in each of the open VAT exposures and critically assessing whether amounts recorded in the financial statements were consistent with this legal opinion. We also considered the adequacy of the Group's disclosures in relation to Taxation provisions for compliance with the relevant accounting policies.
Carrying value of software and development costs under the course of construction: £83.4m (2016: £51.2m) **Risk vs 2016** ◀▶ Refer to page 68 (Audit Committee Report), pages 95 and 99 (accounting policy), page 106 (financial disclosures).	The Group has incurred significant software and development project costs in the year in respect of the Fit 4 the Future project, a significant systems infrastructure programme. The Group capitalises both internal and external eligible costs to the extent that future economic benefits are expected to be generated by the project. This requires judgement as to whether the costs incurred are directly attributable and incremental, and that the development relates to technically feasible systems and websites. Given the significant value and judgemental nature of the classification of software and development assets, between operational and capital expenditure, this is considered to be an area of significant audit risk. Furthermore, assets under the course of construction are not subject to amortisation and as such are required to be tested for impairment annually. Assessing recoverability of these assets is based on forecasting and discounting future cash flows, which are themselves inherently highly judgemental.	Our audit procedures included comparing a statistical sample of costs capitalised to external invoices or internal timesheets, determining the nature of the expenses to assess whether costs are appropriately capitalised, by reference to the recognition criteria of the applicable accounting standards. With assistance from our own IT specialists, we challenged the group's assessment of the technical feasibility of the different project releases based on our discussions with key project leads and reviews of detailed business cases and project plans produced internally, outlining the proposed features and expected completion dates. We challenged the group's assessment of impairment indicators based on our understanding of project progress and performance to date obtained from our other audit procedures. We critically assessed the key inputs into the Group's cash flow forecasts, used as a basis for determining the Value in Use of the cash generating unit to which the asset was allocated, specifically revenue growth, cost reduction, discount rate and the timing and amount of capital expenditure. This assessment was performed with reference to Board-approved forecasts and knowledge gained from performing our other audit procedures including consideration of the accuracy of previous forecasts. We sensitised key inputs to the model to determine the likely impact on the value in use calculation. We critically evaluated the discount rates used to discount the forecast cash flows by comparing the rates used to market data, and we performed our own sensitivity analysis of the impact on the impairment charge to changes in the rate used. We evaluated the adequacy of the related disclosures in the Group financial statements.

	The Risk	Our response
Regulatory Provisions £19.9m (2016: nil) **Risk vs 2016** ▲ Refer to page 68 (Audit Committee Report), pages 98 and 99 (accounting policy), page 114 (financial disclosures)	The Group's provision of credit services to customers mean that it operates within a regulated environment which requires the Group to comply with the requirements of the Financial Conduct Authority (FCA) and maintain FCA permissions. The requirement for FCA permissions includes the fair treatment of customers, protections for vulnerable customers and appropriate and clear disclosure of terms to customers. Where the group has identified areas of non-compliance with these regulations, provision is made for the expected cost of redressing customers. Such provisioning requires significant judgements to be made with respect to complaint volumes, the level of average redress and expected uphold rates. Given the significant value and judgemental nature of this provisioning, this is considered to be an area of significant audit risk.	Our audit procedures include the following: We have assessed the entity-wide governance processes for the identification of regulatory issues and areas of non-compliance. We have reviewed correspondence with the regulators and assessed customer complaints for indications of significant or non-identified areas of customer detriment that may require provision in the financial statements. We have assessed the areas of non-compliance and customer complaints identified and documented by the Group. Using our experience of the regulatory requirements and wider industry, we critically assessed the key inputs into the group's calculation of regulatory provisions, specifically we: • assessed the accuracy of the complaints register and the classification of complaints, by comparing data recorded to the supporting customer complaint. • assessed the completeness of the complaints register and claims volume by comparing to customer correspondence and critically assessing claims volumes with respect to historical data • compared average claim redress and uphold rates inputs to historical experience • compared the forecast future claims profile to historical data, considering the accuracy of previous forecasting and market expectations. We also considered the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of regulatory provisioning.
Carrying value of inventories: £105.5m (2016: £101.5m) **Risk vs 2016** ◀▶ Refer to page 68 (Audit Committee Report), pages 96 and 99 (accounting policy), page 108 (financial disclosures).	The Group has significant levels of inventory and a number of judgements and estimates are involved in valuing aged or slow moving inventories. Furthermore, the seasonal nature of a retail business and changes in customer preferences and spending patterns, primarily driven by the wider fashion industry, introduce uncertainty over the recoverability of inventories. Given the level of judgements and estimates involved this is considered to be a key audit risk.	Our audit procedures included comparing inventory levels, by season, to sales data to test whether slow moving and obsolete inventories had been appropriately identified. We considered sales of inventories during the year, in particular of inventory which has been held for greater than one year and clearance categories, and compared these sales to the Group's forecast sales plan at the period end date. We utilised data analytics to test the adequacy of inventory provision by comparing the recent selling price of inventory to the cost of the inventory as well as analysing the ageing of inventory items. We also considered whether the Group's accounting policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of inventory provisioning.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £3.6m (2016: £3.8m), determined with reference to a benchmark of group profit before tax, normalised to exclude this year's exceptional items as disclosed in note 7, of £25.2m, of which it represents 4.3% (2016: 4.3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m (2016: £0.2m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

All of the group's reporting components were subjected to audits for group reporting purposes, The audits were conducted by the Group audit team and covered 100% of Group revenue, Group profit before tax, and Group assets. Component materialities, which ranged from £0.1m to £3.0m were applied by the Group team, having regard to the mix of size and risk profile of the Group across the components (2016: audited as if it was a single aggregated set of financial information to group materiality of £3.8m).

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of Viability Statement on pages 62 to 63, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the group's continuing in operation over the 3 years to 2020; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

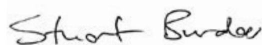
Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 62 to 63, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 56 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
9 May 2017

CONSOLIDATED INCOME STATEMENT

	Note	53 weeks ended 4 March 2017 Before exceptional items £m	53 weeks ended 4 March 2017 Exceptional items (note 7) £m	53 weeks ended 4 March 2017 Total £m	52 weeks ended 27 February 2016 Before exceptional items £m	52 weeks ended 27 February 2016 Exceptional items (note 7) £m	52 weeks ended 27 February 2016 Total £m
Continuing operations							
Revenue	3	900.7	–	900.7	866.2	–	866.2
Operating profit	4,6	90.3	(25.2)	65.1	96.4	(17.2)	79.2
Finance costs	9	(7.7)	–	(7.7)	(8.1)	–	(8.1)
Profit before taxation and fair value adjustments to financial instruments		82.6	(25.2)	57.4	88.3	(17.2)	71.1
Fair value adjustments to financial instruments	19	0.2	–	0.2	1.1	–	1.1
Profit before taxation		82.8	(25.2)	57.6	89.4	(17.2)	72.2
Taxation	10	(18.3)	5.0	(13.3)	(20.7)	3.4	(17.3)
Profit for the year from continuing operations		64.5	(20.2)	44.3	68.7	(13.8)	54.9
Loss for the period from discontinued operations	5	–	–	–	(0.6)	–	(0.6)
Profit attributable to equity holders of the parent		64.5	(20.2)	44.3	68.1	(13.8)	54.3
Earnings per share from continuing operations							
Basic	12			15.67p			19.45p
Diluted				15.66p			19.43p
Earnings per share from continuing and discontinued operations							
Basic	12			15.67p			19.23p
Diluted				15.66p			19.22p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

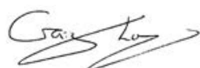
	Note	53 weeks ended 4 March 2017 £m	52 weeks ended 27 February 2016 £m
Profit for the period		44.3	54.3
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes	30	(3.1)	12.5
Tax relating to items not reclassified	10	0.6	(2.5)
		(2.5)	10.0
Items that may be reclassified subsequently to profit or loss			
Exchange gain on translation of foreign operations		0.5	0.8
Total comprehensive income for the period attributable to equity holders of the parent		42.3	65.1

CONSOLIDATED BALANCE SHEET

	Note	As at 4 March 2017 £m	As at 27 February 2016 £m
Non-current assets			
Intangible assets	13	**141.9**	124.9
Property, plant and equipment	14	**73.5**	76.7
Retirement benefit surplus	30	**8.3**	10.8
Deferred tax assets	21	**2.4**	3.9
		226.1	216.3
Current assets			
Inventories	16	**105.5**	101.5
Trade and other receivables	17	**575.4**	553.4
Current tax asset		**–**	5.3
Derivative financial instruments	19	**2.5**	2.2
Cash and cash equivalents	26	**64.1**	45.3
		747.5	707.7
Total assets		**973.6**	924.0
Current liabilities			
Trade and other payables	22	**(98.9)**	(99.7)
Provisions	23	**(15.6)**	–
Current tax liability		**(13.4)**	–
		(127.9)	(99.7)
Net current assets		**619.6**	608.0
Non-current liabilities			
Bank loans	18	**(355.0)**	(335.0)
Provisions	23	**(4.3)**	–
Deferred tax liabilities	21	**(8.2)**	(13.3)
		(367.5)	(348.3)
Total liabilities		**(495.4)**	(448.0)
Net assets		**478.2**	476.0
Equity attributable to equity holders of the parent			
Share capital	24	**31.3**	31.3
Share premium account		**11.0**	11.0
Own shares	25	**(0.1)**	(0.2)
Foreign currency translation reserve		**2.3**	1.8
Retained earnings		**433.7**	432.1
Total equity		**478.2**	476.0

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 9 May 2017.

They were signed on its behalf by:



Craig Lovelace
CFO and Executive Director

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the 53 weeks ended 4 March 2017 £m	For the 52 weeks ended 27 February 2016 £m
Net cash from operating activities		**89.0**	64.5
Investing activities			
Purchases of property, plant and equipment		**(3.7)**	(12.1)
Purchases of intangible assets		**(38.6)**	(46.1)
Net cash used in investing activities		**(42.3)**	(58.2)
Financing activities			
Interest paid		**(7.8)**	(9.6)
Dividends paid		**(40.2)**	(40.2)
Increase in bank loans		**20.0**	48.0
Purchase of shares by ESOT		**–**	(0.4)
Proceeds on issue of shares held by ESOT		**0.1**	0.8
Net cash used in financing activities		**(27.9)**	(1.4)
Net increase in cash and cash equivalents		**18.8**	4.9
Cash and cash equivalents at beginning of period		**45.3**	40.4
Cash and cash equivalents at end of period	26	**64.1**	45.3

RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	For the 53 weeks ended 4 March 2017 £m	For the 52 weeks ended 27 February 2016 £m
Operating profit from continuing operations	**65.1**	79.2
Operating loss from discontinued operations	**–**	(0.7)
Adjustments for:		
Depreciation of property, plant and equipment	**6.9**	6.0
Loss on disposal of property, plant and equipment	**–**	0.7
Amortisation of intangible assets	**20.7**	19.2
Share option charge	**0.5**	2.2
Operating cash flows before movements in working capital	**93.2**	106.6
Increase in inventories	**(4.0)**	(6.7)
(Increase)/decrease in trade and other receivables	**(21.6)**	0.9
Decrease in trade and other payables	**(0.2)**	(12.2)
Increase in provisions	**19.9**	–
Pension obligation adjustment	**(0.2)**	(1.7)
Cash generated by operations	**87.1**	86.9
Taxation received/(paid)	**1.9**	(22.4)
Net cash from operating activities	**89.0**	64.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (note 24) £m	Share premium £m	Own shares (note 25) £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2016						
Balance as at 28 February 2015	31.3	11.0	(0.3)	1.0	407.0	450.0
Comprehensive income for the period						
Profit for the period	–	–	–	–	54.3	54.3
Other items of comprehensive income for the period	–	–	–	0.8	10.0	10.8
Total comprehensive income for the period	–	–	–	0.8	64.3	65.1
Transactions with owners recorded directly in equity						
Equity dividends	–	–	–	–	(40.2)	(40.2)
Purchase of own shares by ESOT	–	–	(0.4)	–	–	(0.4)
Issue of own shares by ESOT	–	–	0.5	–	–	0.5
Adjustment to equity for share payments	–	–	–	–	0.3	0.3
Share option charge	–	–	–	–	2.2	2.2
Tax on items recognised directly in equity	–	–	–	–	(1.5)	(1.5)
Total contributions by and distributions to owners	–	–	0.1	–	(39.2)	(39.1)
Balance at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
Changes in equity for the 53 weeks ended 4 March 2017						
Balance as at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
Comprehensive income for the period						
Profit for the period	–	–	–	–	44.3	44.3
Other items of comprehensive income for the period	–	–	–	0.5	(2.5)	(2.0)
Total comprehensive income for the period	–	–	–	0.5	41.8	42.3
Transactions with owners recorded directly in equity						
Equity dividends	–	–	–	–	(40.2)	(40.2)
Issue of own shares by ESOT	–	–	0.1	–	–	0.1
Share option charge	–	–	–	–	0.5	0.5
Tax on items recognised directly in equity	–	–	–	–	(0.5)	(0.5)
Total contributions by and distributions to owners	–	–	0.1	–	(40.2)	(40.1)
Balance at 4 March 2017	**31.3**	**11.0**	**(0.1)**	**2.3**	**433.7**	**478.2**

1 General information

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is listed in the Shareholder Information section on page 127 at the end of the report. The nature of the Group's operations and its principal activities are set out on page 60 of the Directors' Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

The Group financial statements for the 53 weeks ended 4 March 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company has elected to prepare its parent company financial statements in accordance with FRS 101, these are presented on pages 120 to 126.

The accounting policies have been applied consistently in the current and prior periods.

Adoption of new and revised standards

No standards have been adopted that affect the reported results or financial position.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9: Financial Instruments.
- IFRS 15: Revenue from Contracts with Customers.
- IFRS 16 Leases*
- Clarification and Measurement of Share Based Payment Transactions – Amendments to IFRS 2*
- Recognition of Deferred Tax assets for unrealised losses – Amendments to IAS 12*
- Clarifications to IFRS 15 Revenue from Contracts with Customers*

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments. Management are still assessing the impact on the financial statements of future periods.
- Management have made initial investigations but have not yet assessed the impact of the introduction of IFRS 15 and IFRS 16 on the financial statements of future periods.

Discontinued operations

Discontinued operations are those which management identify separately and where notice has been given that they are to be discontinued. As a result of notice being given regarding the closure of Gray & Osbourn in 2015 as detailed in note 5, the prior year income statement excludes the results of Gray & Osbourn under continuing activities.

2 Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The principal accounting policies adopted are set out as follows.

Accounting period

Throughout the accounts, the directors report and financial review, reference to 2017 means at 4 March 2017 or the 53 weeks then ended; reference to 2016 means at 27 February 2016 or the 52 weeks then ended unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the Saturday that falls closest to 28 February each year. The Employee Share Ownership Trust is also made up to a date coterminous with the financial period of the parent company.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Acquisition costs are expensed as incurred.

* Not yet endorsed by the EU

Goodwill

Goodwill arising on acquisition is recognised as an asset on the date control is acquired and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities. and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Purchased goodwill arising on acquisitions before 1 March 1998 was charged against reserves in the year of acquisition in accordance with UK GAAP and has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

Product revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through our retail stores and trading websites, revenue is recognised when goods are despatched and the risks and rewards of ownership have transferred to the buyer. Sales returns in the period are recognised as a deduction to revenue as incurred. Provision is made for outstanding returns not yet made at the period end. Accumulated experience (including historical returns rates) is used to estimate and provide for such returns. The provision is recorded as a reduction in revenue with a corresponding entry to debtors (for credit sales) and accruals (for cash sales).

Financial services revenue includes interest, administrative charges and arrangement fees. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount. Revenue from non-interest related financial income is recognised when the services have been performed.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment in value.

Depreciation is charged so as to write off the cost of assets to their estimated residual values, based on current prices at the balance sheet date, over their remaining useful lives, using the straight-line method. No depreciation is charged on freehold land. In this respect the following annual depreciation rates apply:

Land and Buildings	
Freehold buildings	2%
Leasehold property and improvements	over the period of the lease
Fixtures and Equipment	
Computer equipment	between 10% and 20%
Plant and machinery	between 5% and 20%
Fixtures and equipment	between 10% and 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Computer software development costs that generate economic benefits beyond one year are capitalised as intangible assets and amortised on a straight-line basis over a range of five to ten years. Assets under construction are not amortised but instead tested for impairment annually.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2 Accounting policies (continued)

Customer databases arising on acquisitions assessed under the requirements of IFRS 3 are amortised over their useful economic lives, which have been assessed as being five years.

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition. Brand names are individually assessed and are assumed to have an indefinite life and are not amortised, but are subject to annual impairment tests.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories have been valued at the lower of cost and net realisable value. Provision is made based on the age of the inventory and management's estimates of future disposal strategies. Cost comprises direct materials and those overheads that have been incurred in bringing inventories to their present location and condition based on the standard costing method. Cost has been calculated on a first-in first-out basis. Net realisable value means estimated selling price less all costs to be incurred in marketing, selling and distribution.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group may enter into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Profits and losses on financial instruments are recognised in the income statement as they arise.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired based on specific customer patterns of behaviour which may be affected by external economic conditions.

The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment could include the Group's past experience of collecting payments and observable changes in national and local economic conditions that could correlate with a default event. For further details see note 17.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Leasing

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease even where payments are not made on such a basis.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method.

Trade and other payables

Trade and other payables are recognised initially at fair value, are not interest bearing and are subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates relating to the purchase of overseas sourced products, and interest rates relating to the Group's debt. The Group uses foreign exchange forward contracts and interest rate swap contracts where appropriate to hedge these exposures. In accordance with its treasury policy, the Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Derivatives are stated at their fair value. The fair value of foreign currency derivatives contracts is their quoted market value at the balance sheet date.

Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The fair value of interest rate contracts is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

Changes in the fair value of currency derivative financial instruments are recognised in the income statement as they arise.

2 Accounting policies (continued)

Provisions

The Group recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. The Group has on-going discussions with HMRC in respect of a number of Corporation tax positions. Provisions are made in respect of these positions when management consider it probable that the position will be settled via payment to HMRC and it is possible to estimate reliably the amount of the obligation which will be settled. In determining whether a future economic outflow is probable the Group assesses all available information including the opinion of legal counsel where appropriate.

Provision is made for customer remediation when the Group has established that a present obligation exists in respect of financial services products sold in the past. The provision requires a significant level of estimation and judgement and the amounts provided depend on a number of different assumptions.

Provision is made for restructuring costs, including the costs of redundancy, when the Group has a constructive obligation to restructure. An obligation exists when the Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected by starting to implement the plan or by announcing its main features. If the Group has a contract that is onerous, it recognises the present obligation under the contract as a provision. An onerous contract is one where the unavoidable costs of meeting the Group's contractual obligations exceed the expected economic benefits. When the Group vacates a leasehold property, a provision is recognised for the unavoidable future costs under the lease less any expected economic benefits (such as rental income).

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. This is recognised as an employee expense with a corresponding increase in equity. Fair value is measured by monte - carlo for options subject to a market based performance condition and by use of a Black–Scholes model for all others. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Own shares held by ESOT

Transactions of the group-sponsored Employee Share Ownership Trust (ESOT) are included in the Group financial statements. The trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net-interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs within operating expenses (see note 30) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net-interest expense or income is recognised within finance costs (see note 9).

The retirement benefit asset/(obligation) recognised in the balance sheet represents the present value of the defined benefit asset/(obligation), as reduced by the fair value of scheme assets. Any asset resulting from this calculation is restricted to the past service cost plus the present value of available refunds and reductions in future contributions.

Supplier rebates

The Group enters into volume based rebate arrangements with suppliers. Rebates are calculated annually based on agreements in place, which stipulate an agreed percentage of purchase be grated as a rebate. Rebates are agreed with suppliers before they are recognised in the Income Statement, outstanding balances are recorded in accrued income.

Going concern

In determining whether the Group's accounts can be prepared on a going concern basis, the directors considered the Group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to its business activities. These are set out within the Risk Management Report on pages 30 to 31.

The Group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the audited financial statements. These have been appraised in light of the current economic climate. As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk.

The Group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the Group will have sufficient headroom within its current loan facilities of £405m – which are committed until August 2020 – and its £20m revolving credit facility. After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence. Accordingly, they continue to adopt the going concern basis in the preparation of the Annual Report and Accounts.

Exceptional items

Exceptional items are those that are considered to be one off, non-recurring in nature and so material that the directors believe that they require separate disclosure to avoid distortion of underlying performance and should be separately presented on the face of the income statement.

Critical judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Trade receivables

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates which, although based on the Group's historical experience of customer repayment patterns, remains inherently uncertain. Changes in the assumptions applied (including period of historical experience used to estimate customer repayment and the occurrence and frequency of future debt sales), could have a significant impact on the carrying value of trade receivables.

As a result this is continually assessed for relevance and adjusted appropriately. Further information is given in note 17.

Taxation

The Group has on-going discussions with HMRC in respect of a number of Corporation tax and VAT positions. The calculation of the Group's potential liabilities or assets in respect of these involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through legal processes. Issues can, and often do, take a number of years to resolve.

In respect of Corporation tax, as at 4 March 2017 the Group has provided a total of £3.6m (2016: £Nil) for potential tax future charges based upon the Group's best estimation and judgement and, where appropriate, legal counsels' opinion.

In respect of VAT, the Group has provided a total of £5.4m (2016: £5.4m) in respect of future payments which the Directors' have a reasonable expectation of making in settlement of these historical positions.

In addition and separate to the above positions, the Group continues to be in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is not possible to determine how the matter will be resolved. However within our year end VAT debtor is an asset of £36.0m (2016: £21.7m) which has arisen as a result of cash payments made under protective assessments raised by HMRC and the Group estimates that a further £10m could be paid under this assessment in the forthcoming year. Based on legal counsel's opinion, we believe that we will recover this amount in full from HMRC and we are engaged in legal process to do so.

The inherent uncertainty regarding the outcome of these positions means the eventual realisation could differ from the accounting estimates and therefore impact the Group's future results and cash flows. Based on the amounts reflected in the balance sheet as at 4 March 2017, the Directors estimate that the unfavourable settlement of these cases could result in a charge to the income statement of up to £43.3m (including the full write off of the VAT debtor noted above) and a cash payment to HMRC of up to £16.0m. The favourable settlement of these cases would result in a repayment of tax of up to £54.1m and an associated credit to the income statement of up to £29.0m.

Inventory

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values and disposal channels, and is consequently a source of estimation uncertainty.

Regulatory

The regulatory environment in which the Group operates is both complex and changing and the Group continues to review and develop its compliance with the requirements of the FCA. Provisions for customer remediation require significant levels of estimation and judgement. The amounts of provisions recognised depend on a number of different assumptions, such as, the volume of inbound complaints, the uphold rate of complaint volumes and the average redress amount paid. A summary of the impact of a reasonable change in these assumptions is set out in note 23.

Software development costs

Included within intangibles assets are significant software and development project costs in respect of the Group's transformation project, Fit 4 the Future. Costs are capitalised to the extent that future economic benefits are expected to be generated by the project, which requires judgement to be made as to whether the project will be completed successfully, will be technically feasible and whether sufficient revenue and profitability will be generated to recover the costs capitalised. If these criteria are not subsequently met, the asset would be subject to a future impairment charge which would impact the Group's results. This is consequently a source of estimation uncertainty.

3 Revenue

	2017 £m	2016 £m
An analysis of the Group's revenue is as follows:		
Continuing operations		
Sale of goods	**635.9**	606.6
Financial services	**264.8**	259.6
Revenue – continuing operations	**900.7**	866.2
Discontinued operations		
Subsidiary catalogue business	**–**	4.3
Revenue	**900.7**	870.5

4 Business segment

The Group has one reportable segment in accordance with IFRS 8 – Operating Segments, which is the Home Shopping segment. The Group's Board receives monthly financial information at this level and uses this information to monitor the performance of the Home Shopping segment, allocate resources and make operational decisions. Internal reporting focuses on the Group as a whole and does not identify individual segments. To increase transparency, the Group has included an additional voluntary disclosure analysing product revenue within the reportable segment, by brand categorisation and product type categorisation.

	2017 £m	2016 £m
Continuing operations		
Analysis of revenue – Home Shopping total	**900.7**	866.2
Product	**635.9**	606.6
Financial Services	**264.8**	259.6
Analysis of cost of sales – Home Shopping total	**(405.5)**	(383.6)
Product	**(288.2)**	(265.7)
Financial Services	**(117.3)**	(117.9)
Gross profit – total	**495.2**	482.6
Product gross margin	**54.7%**	56.2%
Financial Services gross margin	**55.7%**	54.6%
Warehouse and fulfilment costs	**(81.3)**	(76.7)
Marketing and production costs	**(165.4)**	(161.7)
Depreciation and amortisation costs	**(27.6)**	(25.2)
Other administration and payroll costs	**(130.6)**	(122.6)
Operating profit before exceptionals	**90.3**	96.4
Exceptional items (see note 7)	**(25.2)**	(17.2)
Segment result and operating profit – Home Shopping	**65.1**	79.2
Finance costs	**(7.7)**	(8.1)
Fair value adjustments to financial instruments	**0.2**	1.1
Profit before taxation	**57.6**	72.2

	2017 £m	2016 £m
Analysis of product revenue by brand		
JD Williams	160.5	151.2
Simply Be	115.8	103.9
Jacamo	66.2	62.8
Power Brands	342.5	317.9
Traditional segment	136.1	136.0
Secondary brands	157.3	152.7
Total product revenue – Home Shopping	635.9	606.6
Analysis of product revenue by category		
Ladieswear	260.0	246.1
Menswear	87.0	82.0
Footwear and accessories	70.0	68.5
Home and gift	218.9	210.0
Total product revenue – Home Shopping	635.9	606.6

We have reclassified accessories from ladieswear to footwear and accessories in 2017 and restated comparatives by £4.7m.

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from international markets amounted to £35.8m (2016, £31.9m) and operating profits of £1.9m (2016, losses of £0.1m). Segment assets are located in the UK, Ireland and the US.

The analysis above is in respect of continuing operations.

For the purposes of monitoring segment performance, all assets and liabilities are allocated to the sole reportable segment, being Home Shopping. There are no impairments of goodwill, intangible assets or tangible assets in the current period (2016, £nil).

	2017 £m	2016 £m
Other information		
Capital additions	41.4	58.7
Capital disposals	–	(2.4)
Depreciation and amortisation	(27.6)	(25.2)
Balance sheet		
Total segment assets	973.6	924.0
Total segment liabilities	(495.4)	(448.0)
Segment net assets	478.2	476.0

5 Discontinued operations

Following a review of the business and its future profit potential, the Board decided in January 2015 to close the Gray & Osbourn catalogue business. The results of the discontinued operation, which have been included in the consolidated income and cashflow statement, were as follows:

	2017 £m	2016 £m
Revenue	–	4.3
Expenses	–	(5.0)
Profit before tax	–	(0.7)
Attributable tax credit	–	0.1
Net loss attributable to discontinued operations	–	(0.6)

There was no contribution to the Group's cash flows from the discontinued activity in the 53 weeks ended 4 March 2017 (2016, considered insignificant).

6 Profit for the period

	2017 £m	2016 £m
Profit for the period has been arrived at after charging:		
Net foreign exchange losses	3.6	1.5
Depreciation of property, plant and equipment	6.9	6.0
Loss on disposal	–	0.7
Amortisation of intangible assets	20.7	19.2
Cost of inventories recognised as expense	288.2	270.9
Staff costs	79.5	83.0
Auditor's remuneration for audit services	0.3	0.3
Doubtful debts recognised as an expense	113.5	110.3
Exceptional items (note 7)	25.2	17.2
Operating lease costs (note 28)	6.5	9.8

Amounts payable to KPMG LLP and their associates by the Group in respect of non-audit services were £0.1m (2016, 0.5m).

A more detailed analysis of auditor's remuneration is provided below:

	2017 £m	2016 £m
Audit of these Group financial statements	0.1	0.1
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	0.2	0.2
Audit-related assurance services	–	–
Tax advisory services	–	–
All other services	0.1	0.5
Total	0.4	0.8

Fees in relation to audit related assurance services totalled £36,000 (2016, £40,000).

Fees payable to the Company's auditor for the audit of the Company's annual accounts were £15,000 (2016, £15,000).

A description of the work of the Audit Committee is set out in the Corporate Governance Statement on page 64 and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditor.

7 Exceptional items

	2017 £m	2016 £m
Strategy costs	–	7.6
External costs related to taxation matters	2.5	1.6
Clearance store closure (credits)/costs	(0.2)	8.0
Financial services customer redress	22.9	–
	25.2	17.2

An exceptional charge of £22.9m was recognised during the period (2016, £nil) reflecting the costs incurred or expected to be incurred in respect of payments for historic financial services customer redress payments. Of the amount charged in the period the Group has made customer redress payments totalling £3.0m (2016, £nil). See note 23.

External costs related to taxation matters are in respect of on-going legal and professional fees which have been incurred as a result of the Group's on-going disputes with HMRC regarding a number of historical tax positions. Of the amount charged in the period the Group has made related cash payments of £1.9m (2016, £1.6m).

Following the closure of the Group's retail clearance stores in 2016 an exceptional cost of £8.0m was recognised in respect of stock write downs, onerous lease provisions and other related closure costs. Following the exit of the remaining store leases a credit of £0.2m has been recognised to reflect the final exit cost being below that originally anticipated.

Strategy costs incurred in 2016 related to Group re-organisation costs and outsourcing of IT maintenance.

8 Staff costs

	2017 Number	2016 Number
The average monthly number of employees (including Executive Directors) was:		
Distribution	1,146	1,091
Sales and administration	1,596	1,848
	2,742	2,939

Their aggregate remuneration comprised	2017 £m	2016 £m
Wages and salaries	69.3	71.3
Social security costs	5.8	6.5
Other pension costs (see note 30)	3.9	3.0
Share options costs (see note 29)	0.5	2.2
	79.5	83.0

Details of individual directors' remuneration is disclosed in the Directors' Remuneration Report on page 82.

9 Finance costs

	2017 £m	2016 £m
Interest on bank overdrafts and loans	8.1	8.0
Net pension finance (credit)/charge (see note 30)	(0.4)	0.1
	7.7	8.1

10 Tax

Recognised in the income statement	2017 £m	2016 £m
Current tax		
Charge for the period	12.7	13.6
Adjustments in respect of previous periods	4.1	(0.2)
	16.8	13.4
Deferred tax		
Origination and reversal of temporary timing differences	(1.5)	0.6
Reduction in rate	(0.3)	(1.2)
Adjustments in respect of previous periods	(1.7)	4.5
	(3.5)	3.9
Tax expense (continuing)	13.3	17.3
Tax from discontinued operations	–	(0.1)
Total tax expense	13.3	17.2

UK corporation tax is calculated at 20.0% (2016, 20.08%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the future current tax charge accordingly. The Group's deferred tax assets and liabilities as at 4 March 2017 have been calculated based upon the rates which will apply when those balances are expected to unwind.

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

	2017 £m	2016 £m
Profit before tax from continuing operations:	57.6	72.2
Tax at the UK corporation tax rate of 20.0% (2016, 20.08%)	11.5	14.5
Effect of change in deferred tax rate	(0.3)	(1.2)
Tax effect of expenses that are not deductible in determining taxable profit	0.3	0.4
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.6)	(0.7)
Tax effect of adjustments in respect of previous periods	2.4	4.3
Tax expense for the period	13.3	17.3

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

Tax recognised in other comprehensive income	2017 £m	2016 £m
Deferred tax – remeasurement of retirement benefit obligations	(0.6)	2.5
Tax (credit)/charge in the statement of comprehensive income	(0.6)	2.5

Tax recognised in equity	2017 £m	2016 £m
Current tax – share based payments	(0.1)	(0.2)
Deferred tax – share based payments	0.6	1.7
Tax charge in the statement of changes in equity	0.5	1.5

The Group has on-going discussions with HMRC in respect of a number of Corporation tax positions. The calculation of the Group's potential liabilities or assets in respect of these involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a legal process. Issues can, and often do, take a number of years to resolve.

In respect of Corporation tax, as at 4 March 2017 the Group has provided a total of £3.6m (2016: £Nil) for potential tax future charges based upon the Group's best estimation and judgement and, where appropriate, legal counsels opinion. Adjustments in respect of previous periods include current tax provisions made in respect of tax exposures (£2.4m) in addition to a reclassification between current and deferred tax in respect of tax deductions on software development costs (£1.7m).

11 Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 28 February 2016 of 8.56p (2015, 8.56p) per share	24.2	24.2
Interim dividend for the 53 weeks ended 4 March 2017 of 5.67p (2016, 5.67p) per share	16.0	16.0
	40.2	40.2
Proposed final dividend for the 53 weeks ended 4 March 2017 of 8.56p (2016, 8.56p) per share	24.2	24.2

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not yet been included as a liability in these financial statements.

12 Earnings per share

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

The adjusted earnings per share figures have also been calculated based on earnings before items that are one-off in nature, material by size and are considered to be distortive of the true underlying performance of the business (see note 7) and certain other fair value adjustments. These have been calculated to allow the shareholders to gain an understanding of the underlying trading performance of the Group. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares.

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

Earnings	2017 £m	2016 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	44.3	54.3

Number of shares ('000s)	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	282,701	282,316
Effect of dilutive potential ordinary shares:		
Share options	252	245
Weighted average number of ordinary shares for the purposes of diluted earnings per share	282,953	282,561

Earnings from continuing operations	2017 £m	2016 £m
Net profit attributable to equity holders of the parent	44.3	54.3
Adjustments to exclude loss for the period from discontinued operations	–	0.6
Earnings from continuing operations for the purpose of basic earnings per share	44.3	54.9
Fair value adjustment to financial instruments (net of tax)	(0.2)	(0.9)
Exceptional items (net of tax)	20.2	13.8
Adjusted earnings for the purposes of adjusted earnings per share	64.3	67.8

The denominators used are the same as those detailed above for basic and diluted earnings per share from continuing and discontinued operations.

Adjusted earnings per share from continuing operations	2017 Pence	2016 Pence
Basic	22.74	24.02
Diluted	22.72	23.99

From discontinued operations	2017 Pence	2016 Pence
Basic	–	(0.22)
Diluted	–	(0.21)

13 Intangible assets

	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
At 28 February 2015	16.9	210.9	1.9	229.7
Additions	–	45.8	–	45.8
At 27 February 2016	16.9	256.7	1.9	275.5
Additions	–	37.7	–	37.7
At 4 March 2017	**16.9**	**294.4**	**1.9**	**313.2**
Accumulated amortisation and impairment				
At 28 February 2015	8.0	121.5	1.9	131.4
Charge for the period	–	19.2	–	19.2
At 27 February 2016	8.0	140.7	1.9	150.6
Charge for the period	–	20.7	–	20.7
At 4 March 2017	**8.0**	**161.4**	**1.9**	**171.3**
Carrying amount				
At 4 March 2017	**8.9**	**133.0**	**–**	**141.9**
At 27 February 2016	8.9	116.0	–	124.9
At 28 February 2015	8.9	89.4	–	98.3

Assets in the course of construction included in intangible assets at the year end total £88.5m (2016, £55.3m), of which £83.4m relates to the Fit 4 the Future project (2016, £51.2m). No amortisation is charged on these assets. All software additions relate to internal usage. Borrowing costs of £1.3m (2016 £nil) have been capitalised in the period using the weighted average bank loan interest rate applied to the capitalised spend on Fit 4 the Future project. In addition the Group has spend of £16.7m (2016 £16.5m) that relates to Fit 4 the Future assets which are now in use and therefore being amortised.

As at 4 March 2017, the Group had entered into contractual commitments for the further development of intangible assets of £3.0m (2016: £3.4m) of which £1m (2016: £0.9m) is due to be paid within one year.

Impairment testing of software intangible assets
The Group is currently undertaking a systems transformation project, Fit 4 the Future. Elements of the project are not yet available for use and are not therefore being amortised. Where intangible assets are not being amortised management have tested for impairment with the recoverable amount being determined from value in use calculations.

The value in use calculations use cash flows based on budgets prepared by management covering a three year period. These budgets have regard to historic performance and knowledge of the current market, together with managements views on the future achievable growth and impact of the Fit 4 the Future project. Cash flows beyond this three year period are extrapolated using a long term growth rate to five years at which point a terminal value has been calculated based upon the long term growth rate and the Group's risk adjusted pre-tax discount rate.

Other than the detailed budgets, the key assumptions in the value in use calculations are the long-term growth rate and the risk adjusted pre-tax discount rate. The long-term growth rate has been determined with reference to forecast GDP growth which management believe is the most appropriate indicator of long-term growth rates that is available. The long-term growth rate used is purely for the impairment testing of intangible assets and brands under IAS 36 'Impairment of Assets' and does not reflect long-term planning assumptions used by the Group for investment proposals or for any other assessments. The pre-tax discount rate is based on the Group's weighted average cost of capital, taking into account the cost of capital and borrowings, to which specific market-related premium adjustments are made.

The value attributed to the key assumptions are as follows

- Long term growth rate : 1.9% (2016, 2.7%)
- Pre tax discount rate : 11.6% (2016, 8.0%)

The analysis performed indicates that no impairment is required. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in these key assumptions that would cause the carrying value to exceed the value in use.

Impairment testing of brand intangibles
The brand names arising from the acquisitions of High and Mighty, Slimma, Figleaves, Diva and Dannimac are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows and are therefore subject to annual impairment tests with the recoverable amount being determined from the value in use calculations.

The value in use calculations use cash flows based on budgets prepared by management covering a three year period. These budgets have regard to historic performance and knowledge of the current market, together with management's views on the future achievable growth. Cash flows beyond this three year period are extrapolated using a long term growth rate to 5 years at which point a terminal value has been calculated based upon the long term growth rate and the Group's risk adjusted pre tax discount rate.

Other than the detailed budgets, the key assumptions in the value in use calculations are the long-term growth rate and the risk adjusted pre-tax discount rate which management have assumed to be 1.9% (2016, 2.7%) and 12.5% (2016, 8.0%) respectively.

The analysis performed indicates that no impairment is required. A sensitivity analysis has been performed on each of these key assumptions with other variables held constant. Management have concluded that there are no reasonably possible changes in these key assumptions that would cause the carrying value to exceed the value in use.

14 Property, plant and equipment

	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
At 28 February 2015	53.2	124.4	177.6
Additions	–	12.9	12.9
Disposals	–	(2.4)	(2.4)
At 27 February 2016	53.2	134.9	188.1
Additions	–	3.7	3.7
Reclassification	5.9	(5.9)	–
At 4 March 2017	**59.1**	**132.7**	**191.8**
Accumulated depreciation and impairment			
At 28 February 2015	12.2	94.9	107.1
Charge for the period	0.9	5.1	6.0
Eliminated on disposals	–	(1.7)	(1.7)
At 27 February 2016	13.1	98.3	111.4
Charge for the period	1.1	5.8	6.9
Reclassification	–	–	–
At 4 March 2017	**14.2**	**104.1**	**118.3**
Carrying amount			
At 4 March 2017	**44.9**	**28.6**	**73.5**
At 27 February 2016	40.1	36.6	76.7
At 28 February 2015	41.0	29.5	70.5

Assets in the course of construction included in property, plant and equipment at the year end date total £0.3m (2016, £13.4m), and in land and buildings total £nil (2016, £7.0m). No depreciation has been charged on these assets.

At 4 March 2017, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2016, £nil).

Assets previously categorised as Fixtures and Equipment totalling £5.9m have been reclassified as Land and Buildings in 2017 following finalisation of the Alliance Building capital spend analysis.

15 Subsidiaries
A list of all investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 34 to the Company's separate financial statements.

16 Inventories

	2017 £m	2016 £m
Finished goods	**103.8**	100.4
Sundry stocks	**1.7**	1.1
	105.5	101.5

A net charge of £1.1m (2016, £12.1m) has been made to the income statement in respect of written down inventories.

There was no inventory pledged as security for liabilities in the current or prior period.

Sundry stocks relate to spare parts for engineering repairs and packaging stocks.

17 Trade and other receivables

	2017 £m	2016 £m
Amount receivable for the sale of goods and services	**599.5**	624.7
Allowance for doubtful debts	**(64.7)**	(97.6)
Net trade receivables	**534.8**	527.1
Other debtors and prepayments	**40.6**	26.3
	575.4	553.4

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 217 days (2016, 222 days). Interest is charged at 58.7% (2016, 58.7%) on the outstanding balance. Provision for impairment of receivables is established when there is objective evidence that the Group will be unable to collect all amounts due. For customers who find themselves in financial difficulties, the Group may offer revised payment terms to support the customer, encouraging customer rehabilitation and thereby maximising long term returns. These revised terms may also include suspension of interest for a period of time. The cash collection rates on these accounts are therefore reduced and a provision is held for all receivables on renegotiated terms. Accounts not on renegotiated terms are also assessed and all accounts that reach the trigger point of 56 days past due are considered for provision.

The Group considers 56 days past due to be objective evidence of impairment for all accounts, not on renegotiated terms. All such accounts are subject to an individual impairment provision. All accounts that are not considered individually impaired are included in a collective provision to reflect impairment triggers that are incurred but not reported ('IBNR'). The group uses historic roll rates to measure the likelihood of receivables moving into a segment which is subject to individual impairment over a 6 month emergence period. This is then used to assess the level of provision needed in relation to these incurred but not reported ('IBNR') events.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The credit quality of trade receivables that are neither past due nor impaired, with regard to the historical default rate has remained stable.

	2017 £m			2016 £m		
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	**444.2**	**53.0**	**497.2**	406.6	94.2	500.8
0 – 28 days – past due	**38.2**	**6.5**	**44.7**	41.9	14.0	55.9
29 – 56 days – past due	**18.7**	**2.5**	**21.2**	20.8	5.0	25.8
57 – 84 days – past due	**13.3**	**2.0**	**15.3**	14.4	3.4	17.8
85 – 112 days – past due	**9.1**	**1.6**	**10.7**	10.2	2.6	12.8
Over 112 days – past due	**8.1**	**2.3**	**10.4**	8.5	3.1	11.6
Gross trade receivables	**531.6**	**67.9**	**599.5**	502.4	122.3	624.7
Allowance for doubtful debts	**(30.8)**	**(33.9)**	**(64.7)**	(32.4)	(65.2)	(97.6)
Net trade receivables	**500.8**	**34.0**	**534.8**	470.0	57.1	527.1

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £53.0m at 4 March 2017 (2016, £93.1m). Interest income recognised on trade receivables which have been impaired was £40.6m (2016, £41.7m).

Movement in the allowance for doubtful debts	2017 £m	2016 £m
Balance at the beginning of the period	97.6	100.9
Amounts charged net to the income statement	113.5	110.3
Net amounts written off	(146.4)	(113.6)
Balance at the end of the period	64.7	97.6

The amounts written off in the period of £146.4m include the sale of impaired assets with a net book value of £29m. This sale has also been a material driver in the reduction in trade receivables on payments arrangements, from £122.3m to £67.9m as at 4 March 2017.

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.2 million (2016, 1.3 million) customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

'Other debtors and prepayments' includes a net VAT debtor, comprising the VAT liability which arises from day to day trading, together with amounts in relation to matters which are in dispute with HMRC. The Group continues to be in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is not possible to determine how the matter will be resolved. However, within our year end VAT debtor is an asset of £36.0m (2016, £21.7m) which has arisen as a result of cash payments made under protective assessments raised by HMRC. Based on legal counsel's opinion, we believe that we will recover this amount in full from HMRC and we are engaged in a legal process to do so.

Other debtors and prepayments do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset. The Group does not hold any collateral over these balances.

18 Bank overdraft and loans

	2017 £m	2016 £m
Bank loans	355.0	335.0
The borrowings are repayable as follows:		
Within one year	–	–
In the second year	–	–
In the third to fifth year	355.0	335.0
Amounts due for settlement after 12 months	355.0	335.0

All borrowings are held in sterling.

	2017 %	2016 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	2.0	2.0
Bank loans	2.1	2.4

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

i. Bank overdrafts which are nil at the current and prior year ends are repayable on demand, unsecured and bear interest at a margin over bank base rates. The Group has a revolving credit facility of £20m (2016, £20m) which is undrawn at period end.

ii. The Group has a bank loan of £270m (2016, £250m) secured by a charge over certain 'eligible' trade debtors (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility has a current limit of £280m for which finance costs are linked to US commercial paper rates which is committed until August 2020.

   The Group also has unsecured bank loans of £85m (2016, £85m) drawn down under a medium term bank revolving credit facility, of £125 million, which is committed until August 2020.

iii. All borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group may use derivatives such as interest rate swaps where appropriate to manage this risk. None have been used in the current or prior year. Based on weighted average interest rates and the value of bank loans at 4 March 2017 the estimated future interest cost per annum until maturity would be £7.6m (2016, £7.9m).

18 Bank overdraft and loans (continued)

At 4 March 2017, the Group had available £50m (2016, £70m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to its undrawn overdraft facility of £20m (2016, £20m).

Note 20 summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period. The covenants inherent to these borrowing arrangements are closely monitored on a regular basis.

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

19 Derivative financial instruments

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

	2017 £m	2016 £m
Notional amount – Sterling contract value	94.2	21.5
Fair value of asset recognised	2.5	2.2

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £0.2m (2016, credit of £1.1m) to income in the period.

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

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2016, same).

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 (ie as prices) or indirectly (ie derived from prices).

There were no transfers between Level 1 and Level 2 during the period (2016, same).

20 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 26 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24 to 25 and the Statement of Changes in Equity.

Gearing ratio

The gearing ratio at the year end is as follows:

	2017 £m	2016 £m
Debt	355.0	335.0
Cash and cash equivalents	64.1	45.3
Net Debt	290.9	289.7
Equity	478.2	476.0
Gearing ratio	61%	61%

Debt is defined as long and short-term borrowings, as detailed in note 18.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management objectives
The financial risks facing the Group include currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of certain of these risks by using derivative financial instruments to hedge these risk exposures as governed by the Group's policies. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments for the purchase of overseas sourced products. Group policy allows for these exposures to be hedged for up to three years ahead. At the balance sheet date, details of the notional value of outstanding US dollar forward foreign exchange contracts that the Group has committed to are as follows:

	2017 £m	2016 £m
Less than 6 months	32.6	17.5
6 to 12 months	47.4	4.0
12 to 18 months	14.2	–
	94.2	21.5

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.25 and 1.32.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017 £m	2016 £m	2017 £m	2016 £m
Euro	4.1	5.7	14.0	7.1
US dollar	15.5	13.7	–	–

Foreign currency sensitivity analysis
The following table details the Group's hypothetical sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. The sensitivity rate of 10% represents the directors' assessment of a reasonably possible change. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax.

	Euro Currency Impact		US Dollar Currency Impact	
	2017 £m	2016 £m	2017 £m	2016 £m
Income statement				
Sterling strengthens by 10%	(0.5)	0.2	1.3	0.5
Sterling weakens by 10%	1.6	0.6	(1.8)	(2.4)

Categories of financial instruments

Financial assets	2017 £m	2016 £m
Cash and bank balances	64.1	45.3
Derivatives at fair value through profit and loss – held for trading	2.5	2.2
Loans and receivables	534.8	527.1
	601.4	574.6

Financial liabilities	2017 £m	2016 £m
Derivatives at fair value through profit and loss – held for trading	–	–
Amortised cost	419.2	403.7
	419.2	403.7

20 Financial instruments (continued)

Interest rate risk management
The Group is exposed to interest rate risk, as entities in the Group borrow funds at floating interest rates. Where appropriate, exposure to interest rate fluctuations on indebtedness is managed by using derivatives such as interest rate swaps.

Interest rate sensitivity analysis
If interest rates had increased by 0.5% and all other variables were held constant, the Group's profit before tax for the 53 weeks ended 4 March 2017 would have decreased by £1.8m (2016, £1.4m).

This sensitivity analysis has been determined based on exposure to interest rates at the balance sheet date and assuming the net debt outstanding at the year end date was outstanding for the whole year.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Investments of cash surpluses, borrowings and derivative financial instruments are made through banks which are approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures, supplied by independent rating agencies which together with assessment against credit policy determines the terms and credit limit offered. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts as detailed in note 17.

While the group has a number of support options for customers in financial difficulty, the majority are subject to the revision of payment terms.

The concentration of credit risk is limited due to the customer base being large and unrelated.

Liquidity risk management
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal and details of the Group's remaining contractual maturity for its non-derivative financial liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

2017	2017 Carrying Amount £m	2017 Contractual Cash flows £m	2017 1 year or less £m	2017 1 to <2 years £m	2017 2 to <5 years £m	2017 5 years and over £m
Non derivative financial liabilities						
Secured bank loans	**(355.0)**	**(381.9)**	**(7.6)**	**(7.6)**	**(366.7)**	**–**
Trade payables	**(64.2)**	**(64.2)**	**(64.2)**	**–**	**–**	**–**
Derivative financial (liabilities)/assets						
Forward exchange contracts						
Inflow	**2.5**	**2.5**	**–**	**2.5**	**–**	**–**
	(416.7)	**(443.6)**	**(71.8)**	**(5.1)**	**(366.7)**	**–**

2016	2016 Carrying Amount £m	2016 Contractual Cash flows £m	2016 1 year or less £m	2016 1 to <2 years £m	2016 2 to <5 years £m	2016 5 years and over £m
Non derivative financial liabilities						
Secured bank loans	(335.0)	(371.3)	(7.9)	(7.9)	(355.5)	–
Trade payables	(68.7)	(68.7)	(68.7)	–	–	–
Derivative financial (liabilities)/assets						
Forward exchange contracts						
Inflow	2.2	2.2	2.2	–	–	–
	(401.5)	(437.8)	(74.4)	(7.9)	(355.5)	–

Fair value of financial instruments
The fair value of each category of the Group's financial instruments are the same as their carrying value in the Group's balance sheet other than as noted below.

Trade Receivables
As discussed in note 17, where a customer finds themselves in financial difficulty, we may offer revised payment terms. This maximises long term returns to the business, but may not maximise the present value of the receivables.

The Group believes that the fair value of interest bearing receivables whether on a payment plan or not, is the same as their carrying value on the balance sheet, as interest rates are charged to reflect market rates.

For non interest bearing debt, fair value is estimated based on the recent sale prices of similar debt books.

The fair value of receivables is calculated to be £524.1m (2016: £553.4m). This is considered a IFRS 13 Level 3 valuation (2016: same) as the valuation relies on unobservable inputs.

Derivative financial instruments are recorded at fair value (IFRS 13: Level 2) as discussed in note 19. A Level 2 valuation uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices).

21 Deferred tax
The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Debtor Impairment provision £m	Share based payments £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 28 February 2015	4.0	2.4	(7.2)	0.6	(1.1)	(1.3)
(Charge)/credit to income	(1.4)	0.4	(3.2)	–	0.3	(3.9)
Charge to equity	–	(1.7)	–	(2.5)	–	(4.2)
At 27 February 2016	2.6	1.1	(10.4)	(1.9)	(0.8)	(9.4)
(Charge)/credit to income	(1.0)	0.1	4.0	–	0.5	3.6
(Credit)/charge to equity	–	(0.6)	–	0.6	–	–
At 4 March 2017	**1.6**	**0.6**	**(6.4)**	**(1.3)**	**(0.3)**	**(5.8)**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £m	2016 £m
Deferred tax assets	2.4	3.9
Deferred tax liabilities	(8.2)	(13.3)
	(5.8)	(9.4)

At the balance sheet date, the Group has unused tax losses of £0.1m (2016, £0.1m) and capital losses of £3.2m (2016, £3.2m) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams within the relevant subsidiary.

22 Trade and other payables

	2017 £m	2016 £m
Trade payables	64.2	68.7
Other creditors	0.1	0.4
Accruals and deferred income	34.6	30.6
	98.9	99.7

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 26 days (2016, 25 days).

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

23 Provisions

	Customer redress £m	Total £m
Balance as at 27 February 2016	–	–
Provisions made during the period	22.9	22.9
Provisions used during the period	(3.0)	(3.0)
Provisions reversed during the period	–	–
Balance as at 4 March 2017	**19.9**	**19.9**
Non-current	4.3	4.3
Current	15.6	15.6
Balance as at 4 March 2017	**19.9**	**19.9**

The provisions for customer redress relates to the Group's expected liabilities in respect of payments for historic financial services customer redress. The provision made is firstly in respect of recompensing certain customers due to an error in our previous calculation for redress and, secondly, our estimate of the likely future costs arising from complaints relating to financial services products sold in the past.

As at 4 March 2017 the Group holds a provision of £19.9m of which £0.8m is in respect of administration expenses. There are still a number of uncertainties as to the eventual customer redress costs, in particular the total number of claims and the cost per claim, however the Directors believe that the amounts provided at the period end, based on historical and forecasted claim rates and amounts, along with known legal and regulatory obligations, appropriately reflect the expected cost to the Group.

The principal sensitivities in the customer redress calculation are: customer claim volume, uphold rates (which reflects the number of customer claims which result in redress) and average redress amount.

	2017 £m
+/- 10% in customer claims volumes	+/– 0.7
+/- 5% in uphold rate	+/– 0.5
+/- 10% in average redress amount	+/– 0.7

24 Share capital

	2017 Number	2016 Number	2017 £m	2016 £m
Allotted, called-up and fully paid				
Ordinary shares of 111/19p each				
At 4 March 2017 and 27 February 2016	283,429,454	283,429,454	31.3	31.3

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.

25 Own shares

	2017 £m	2016 £m
Balance at 27 February 2016	0.2	0.3
Additions	–	0.4
Issue of own shares on exercise of share options	(0.1)	(0.5)
Balance at 4 March 2017	0.1	0.2

The own shares reserve represents the cost of shares in N Brown Group plc held by the N Brown Group plc Employee Share Ownership Trust to satisfy options under the Group's various share benefit schemes (see note 29).

At 4 March 2017 the employee trusts held 635,022 shares in the company (2016, 897,018).

26 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.

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

	2017 £m	2016 £m
Sterling	61.2	44.9
Euro	7.4	1.8
US Dollar	(4.5)	(1.4)
	64.1	45.3

27 Contingent liabilities

Parent company bank overdrafts which at 4 March 2017 amounted to £27.2m (2016, £13.0m) have been guaranteed by certain subsidiary undertakings.

28 Operating lease arrangements

	2017 £m	2016 £m
Minimum lease payments under operating leases recognised as an expense for the period	6.5	9.8

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2017 £m	2016 £m
Within one year	7.5	7.8
In the second to fifth years inclusive	14.3	15.9
After five years	2.2	2.6
	24.0	26.3

Operating lease payments represent rentals payable by the Group for certain buildings, plant and equipment and motor vehicles.

The Group's operating leases include stores, certain buildings, plant and equipment and vehicles. These have varying terms, restrictions and renewal rights. The commercial terms of the Group's operating leases vary, however they commonly include either market rent review or an index linked rent review. The timing of when rent reviews take place differs for each lease.

29 Equity settled share based payments

The Directors' Remuneration Report on pages 72 to 85 contains details of management and sharesave options/awards offered to employees of the Group.

Details of the share options/awards outstanding during the period are as follows:

	Option price in pence	Exercise period	Number of shares 2017	Number of shares 2016
Option scheme				
2010 Savings related scheme	189 – 420	August 2016 – February 2022	**1,049,859**	1,139,126
2010 Executive scheme	nil – 459	May 2009 – August 2024	**220,429**	776,000
Unapproved executive scheme	211 – 459	May 2009 – August 2024	**90,107**	719,077
Long-term incentive scheme awards				
July 2013	–	July 2016 – December 2016	**–**	579,981
August 2013	–	August 2016 – February 2017	**–**	151,834
August 2014	–	August 2017 – July 2024	**623,527**	872,955
June 2015	–	June 2018 – June 2025	**895,427**	1,098,723
August 2016	–	August 2019 – August 2026	**2,619,067**	–
Deferred annual bonus scheme awards				
May 2014	–	May 2016 – November 2016	**–**	32,559
May 2015		May 2017 – November 2017	**1,562**	1,562
May 2016		May 2018 – November 2018	**41,335**	–

Movements in share options are summarised as follows:

	2017		2016	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	**2,634,203**	**3.20**	4,139,570	2.80
Granted during the period	**543,146**	**2.18**	527,372	2.98
Forfeited during the period	**(1,531,647)**	**3.72**	(1,398,491)	2.73
Exercised during the period	**(285,307)**	**0.51**	(634,248)	1.46
Outstanding at the end of the period	**1,360,395**	**2.78**	2,634,203	3.20
Exercisable at the end of the period	**151,597**	**2.51**	349,820	2.51

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 225 pence (2016, 331 pence). The options outstanding at 4 March 2017 had a weighted average remaining contractual life of 3.5 years (2016, 4.4 years). The aggregate estimated fair values of options granted in the period is £309,128 (2016, £629,348).

Movements in management share awards are summarised as follows:

	2017		2016	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	**2,737,614**	**–**	2,618,071	–
Granted during the period	**2,696,993**	**–**	1,100,285	–
Forfeited during the period	**(1,253,689)**	**–**	(953,150)	–
Exercised during the period	**–**	**–**	(27,592)	–
Outstanding at the end of the period	**4,180,918**	**–**	2,737,614	–
Exercisable at the end of the period	**–**	**–**	–	–

The awards outstanding at 4 March 2017 had a weighted average remaining contractual life of 8.8 years (2016, 6.7 years). The aggregate estimated fair values of options granted in the period is £4,369,877 (2016, £2,421,892).

The fair value of management and sharesave options/awards granted is calculated at the date of grant using a Black–Scholes option pricing model. The inputs into the Black–Scholes model are as follows:

	2017	2016
Weighted average share price at date of grant (pence)	**189**	339
Weighted average exercise price (pence)	**37**	97
Expected volatility (%)	**29.2 – 35.0**	27.7 – 34.2
Expected life (years)	**2.5 – 5.5**	2.5 – 5.5
Risk-free rate (%)	**0.1**	0.9
Dividend yield (%)	**4.0**	4.2

Expected volatility was determined by calculating the historical volatility of the Group's share price over a period equivalent to the expected life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £0.5m and £2.2m related to equity-settled share based payment transactions in 2017 and 2016 respectively.

30 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees.

The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to income of £3.9m (2016, £3.0m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 4 March 2017, contributions of £0.1m (2016, £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

The Group operates a defined benefit scheme, the N Brown Group Pension Fund. Under the scheme, the employees are entitled to retirement benefits based on final pensionable earnings and was closed to new members from 31 January 2002. On 29 February 2016 the scheme was closed to future accrual. A past service credit in respect of this closure was recognised in 2016, as the Company was both committed to the change, and had the right to apply the change by the balance sheet date. No other post-retirement benefits are provided. The scheme is a funded scheme and operates under UK trust law and the trust is a separate legal entity from the Group. The scheme is governed by a board of trustees. The trustees are required by law to act in the best interests of scheme members and are responsible for setting certain policies (eg investment funding) together with the Group. The scheme exposes the Group to actuarial risks such as longevity risk, interest rate risk and investment risk.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by an independent qualified actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The principal actuarial assumptions used in determining the Group's net retirement benefit obligations at the balance sheet date were as follows:

	2017	2016
Discount rate	**2.65%**	3.90%
Future pension increases	**2.3%**	2.15%
Inflation – Retail Price Index	**3.4%**	3.15%
Inflation – Consumer Price Index	**2.4%**	2.15%
Life expectancy at age 65 (years)		
Pensioner aged 65	**23.4**	24.6
Non-pensioner aged 45	**25.2**	26.7

30 Retirement benefit schemes (continued)

Amounts recognised in profit or loss in respect of these defined benefit schemes are as follows:

	2017 £m	2016 £m
Current service cost	–	2.3
Past service credit	–	(2.4)
Net interest (credit)/cost	(0.4)	0.1
Profit recognised in the income statement	(0.4)	–

The actual return on scheme assets was £30.1m (2016, £3.7m).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	2017 £m	2016 £m
Present value of defined benefit obligations	(135.2)	(108.1)
Fair value of scheme assets	143.5	118.9
Surplus in the scheme and asset recognised in the balance sheet	8.3	10.8

The amount included in the statement of comprehensive income.

	2017 £m	2016 £m
Remeasurement (loss)/gain	(28.7)	12.9
Return on scheme assets	25.6	(0.4)
(Loss)/gain recognised in the statement of comprehensive income	(3.1)	12.5

The surplus reflects the economic benefit at the balance sheet date, that the Group would be entitled to, through refund, in the event the scheme was wound up.

Movements in the present value of defined benefit obligations were as follows:

	2017 £m	2016 £m
At 27 February 2016	108.1	120.8
Current service cost	–	2.3
Past service cost/(credit)	–	(2.4)
Interest cost	4.1	4.2
Remeasurement (gain)/loss		
a. Effect of changes in financial assumptions	42.2	(10.1)
b. Effect of experience adjustments	(13.5)	(2.8)
Benefits paid	(5.7)	(3.9)
At 4 March 2017	135.2	108.1

Movements in the fair value of the scheme assets were as follows:

	2017 £m	2016 £m
At 27 February 2016	118.9	117.5
Interest income	4.5	4.1
Return on scheme assets excluding interest income	25.6	(0.4)
Contributions from sponsoring companies	0.2	1.6
Benefits paid	(5.7)	(3.9)
At 4 March 2017	143.5	118.9

The analysis of the scheme assets at the balance sheet date was as follows:

	2017		2016	
	£m	%	£m	%
Equities	38.1	26.6	33.8	28.4
Fixed-interest government bonds	16.5	11.5	14.8	12.4
Index-linked government bonds	40.2	28.0	29.1	24.5
Corporate Bonds	14.7	10.2	14.6	12.3
Property	2.4	1.7	2.2	1.9
Growth fixed income	16.9	11.8	13.2	11.1
Alternatives	13.5	9.4	10.9	9.2
Cash and cash equivalents	1.2	0.8	0.3	0.2
	143.5	100.0	118.9	100.0

All assets had a quoted market price (2016, all). Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, inflation and life expectancy.

- An increase of 0.25% in the discount rate used would decrease the defined benefit obligation by £7.4m (2016, £5.8m).
- An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £6.0m (2016, £4.4m).
- An increase of one year in the life expectancy assumption would increase the defined benefit obligation by £4.2m (2016, £2.2m)

The above sensitivities are applied to adjust the defined benefit obligation at the end of the reporting period. Whilst the analysis does not take account of the full distribution of cash flows under the scheme, it does provide an approximation to the sensitivity of the assumptions shown. No changes have been made to the method and assumptions used in this analysis from those used in the previous period.

The scheme is funded by the Group and current employee members. Funding the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Funding requirements are formally set out in the Statement of Funding Principles, Schedule of Contributions and Recovery Plan agreed between the trustees and the Group.

Whilst no commitment has been made as at the balance sheet date, the Group expects to contribute £0.3m (2016, £0.2m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 4 March 2017 is approximately 24 years (2016, 24 years).

The defined benefit obligation at 4 March 2017 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2016, 0%)
- Deferred members: 70% (2016, 68%)
- Pensioner members; 30% (2016, 32%)

All benefits are vested at 4 March 2017 (unchanged from 27 February 2016).

31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of remuneration paid to the Group's key management personnel are given on page 82 of the Directors' Remuneration Report.

COMPANY BALANCE SHEET

	Note	As at 4 March 2017 £m	As at 27 February 2016 £m
Fixed assets			
Investments	34	**366.5**	366.0
Current assets			
Debtors	35	**73.2**	58.8
Cash and cash equivalents		**–**	0.1
		73.2	58.9
Creditors			
Amounts falling due within one year	36	**(212.7)**	(199.5)
Net current liabilities		**(139.5)**	(140.6)
Total assets less current liabilities		**227.0**	225.4
Non current liabilities			
Bank loans	37	**(85.0)**	(85.0)
Net assets		**142.0**	140.4
Capital and reserves			
Called-up share capital	38	**31.3**	31.3
Share premium account		**11.0**	11.0
Own shares		**(0.1)**	(0.2)
Profit and loss account		**99.8**	98.3
Shareholders' funds		**142.0**	140.4

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the Board of Directors and authorised for issue on 9 May 2017.

They were signed on its behalf by:

Craig Lovelace
CFO and Executive Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital (note 38) £m	Share premium £m	Own Shares £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2016					
Balance at 28 February 2015	31.3	11.0	(0.3)	94.3	136.3
Comprehensive income for the period					
Profit for the period	–	–	–	41.7	41.7
Other items of comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	41.7	41.7
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(40.2)	(40.2)
Purchase of own shares by ESOT	–	–	(0.4)	–	(0.4)
Issue of own shares by ESOT	–	–	0.5	–	0.5
Adjustment to equity for share payments	–	–	–	0.3	0.3
Share based payment charge	–	–	–	2.2	2.2
Total contributions by and distributions to owners	–	–	0.1	(37.7)	(37.6)
Balance at 27 February 2016	31.3	11.0	(0.2)	98.3	140.4
Changes in equity for the 53 weeks ended 4 March 2017					
Balance at 27 February 2016	31.3	11.0	(0.2)	98.3	140.4
Comprehensive income for the period					
Profit for the period	–	–	–	41.2	41.2
Total comprehensive income for the period	–	–	–	41.2	41.2
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(40.2)	(40.2)
Issue of own shares by ESOT	–	–	0.1	–	0.1
Share based payment charge	–	–	–	0.5	0.5
Total contributions by and distributions to owners	–	–	0.1	(39.7)	(39.6)
Balance at 4 March 2017	**31.3**	**11.0**	**(0.1)**	**99.8**	**142.0**

32 Significant accounting policies

Basis of accounting

N Brown Group plc ('the Company') is a company incorporated and domiciled in the UK. These financial statements present information about the Company as an individual undertaking and not about its Group. These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is the ultimate parent undertaking of the Group and also prepares consolidated financial statements. The consolidated financial statements of N Brown Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office address.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Company cashflow statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel

As the consolidated financial statements of N Brown Group plc include equivalent disclosures the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement
- Disclosures required by IFRS 7 Financial Instrument Disclosures

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accruals basis in the profit and loss account using the effective interest rate method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends
Dividends receivable are recognised when the Company's right to receive payment is established. Dividends payable to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents on the basis there is right to offset.

Own shares held by ESOT
Transactions of the Company-sponsored Employee Share Ownership Trust (ESOT) are treated as being those of the Company and are therefore reflected in the Company financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

33 Profit for the period
As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period.

N Brown Group plc reported a profit after tax for the financial period ended 4 March 2017 of £41.2m (2016, profit £41.7m) which includes dividends received of £48.2m (2016, £49.0m).

The Non-Executive Directors' remuneration was £538,000 (2016, £569,000) and eight Non-Executive Directors were remunerated (2016, seven). The Executive Directors were remunerated by a subsidiary company in both years. Further details are provided on page 82 of the Directors' Remuneration Report.

The auditor's remuneration for audit services to the company of £15,000 (2016, £15,000) was borne by subsidiary undertakings.

34 Fixed asset investment

	2017 £m	2016 £m
Cost and net book value	366.5	366.0

The Company has investments in the following subsidiaries and joint ventures.

Company	Registered Office Address	Proportion held by the Group (%)
Aldrex Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Alexander Ross (Financial services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Ambrose Wilson Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Better Living Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Classic Combination Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Comfortably Yours Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Crescent Direct Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Cuss Contractors Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Dale House (Mail Order) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Daly Harvey Morfitt Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
DHM (Management Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
E Langfield & Co. Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Eunite Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Figleaves Global Trading Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Financial Services (Edinburgh) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
First Financial Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Gray & Osbourn Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Halwins Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hammond House Investments International Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hammond House Investments Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hartingdon House Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
HB Wainwright (Financial Services) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Heather Valley (Woollens) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Hilton Mailing Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Holland & Heely Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
House of Stirling (Direct Mail) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
J.D. Williams & Co Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
J.D. Williams Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
J.D. Williams Merchandise Co Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
JDW Finance Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
JDW Malta Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
JDW Pension Trustees Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Langley House Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Mature Wisdom Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Melgold Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
NB Finance (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland	100
N Brown Pension Trustees Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Funding Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Group Quest Trustee Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Holdings Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown No. 2 Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
N Brown Property One Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Property Three Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
N Brown Property Two Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100

Company	Registered Office Address	Proportion held by the Group (%)
NB Funding Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Guernsey UK	Griffin House, 40 Lever Street, Manchester M60 6ES	100
NB Holdings Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Insurance Guernsey Ltd (Guernsey Reg)	St Martin's House, Le Bordage, St Peter Port, Guernsey, GY1 4AU	100
NB Malta No1 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta	100
NB Malta No2 Ltd (Malta Reg)	The Hedge Business Centre, Level 3, Triq ir-Rampa ta' San Giljan, St Julians STJ 1062, Malta	100
Nochester Holdings (Eire Reg)	29 Earlsfort Terrace, Dublin 2, Ireland	100
Odhams Leisure Group Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Oxendale & Company Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Oxendale & Co. Ltd (Eire Reg)	Woodford Business Park, Santry, Dublin 17, Ireland	100
Reliable Collections Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Sander & Kay Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Speciality Home Shopping (US) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Tagma Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
T-Bra Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
The Bury Boot & Shoe Co (1953) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
The Value Catalogue Limited	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Vote It Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Whitfords (Bury) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Whitfords (Cosytred) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Whitfords (Textiles) Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100
Wingmark Ltd	Griffin House, 40 Lever Street, Manchester M60 6ES	100

35 Debtors

	2017 £m	2016 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	**72.3**	58.0
Prepayments and accrued income	**0.9**	0.8
	73.2	58.8

36 Creditors

	2017 £m	2016 £m
Amounts falling due within one year:		
Bank overdrafts (note 37)	**27.2**	13.0
Amounts owed to Group undertakings	**184.7**	186.0
Accruals and deferred income	**0.8**	0.5
	212.7	199.5

37 Bank loans and overdrafts

	2017 £m	2016 £m
Bank overdrafts	**27.2**	13.0
Bank loans	**85.0**	85.0
	112.2	98.0

The Company has unsecured bank loans of £85.0m (2016, £85.0m) drawn down under a medium term bank revolving credit facility committed until September 2020.

At 4 March 2017, the Company had available £40.0m (2016, £40.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met, in addition to a £20m (2016, £20m) undrawn revolving credit facility.

The weighted average interest rates paid were as follows:

	2017 %	2016 %
Bank overdrafts	**2.0**	2.0
Bank loans	**1.9**	1.9

38 Share capital

	2017 Number	2016 Number	2017 £m	2016 £m
Allotted, called-up and fully paid Ordinary shares of 111/19p each				
At 4 March 2017 and 27 February 2016	**283,429,454**	283,429,454	**31.3**	31.3

The Company has one class of ordinary share which carry no right to fixed income.

39 Guarantees

Parent company bank overdrafts which at 4 March 2017 amounted to £27.2m (2016, £13.0m) have been guaranteed by certain subsidiary undertakings.

Financial calendar

2017	October	Announcement of interim results
	December	Closing of register for interim dividend
2018	January	Payment of interim dividend
	January	Christmas Trading Statement
	February	Financial year-end
	April	Preliminary announcement of annual results
	June	Publication of 2018 annual report and accounts
	July	Closing of register for final dividend
	July	Annual general meeting
	August	Payment of final dividend

An updated version of the financial calendar is available at www.nbrown.co.uk

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Bankers
HSBC Bank plc
The Royal Bank of Scotland plc

Solicitors
Pinsent Masons LLP
Eversheds LLP
Addleshaw Goddard LLP

Corporate brokers
Jefferies Hoare Govett
Shore Capital Stockbrokers Limited

Shareholder benefits
Subject to certain conditions, shareholders are entitled to a 20% privilege discount off the selling price of consumer merchandise in any of the Group catalogues. Shareholders interested in these facilities should write for further information to the Company Secretary, N Brown Group plc, Griffin House, 40 Lever Street, Manchester, M60 6ES stating the number of shares held and the catalogue or product of interest.

Capital gains tax
For the purpose of capital gains tax, the value of the company's ordinary shares of 10p each was 6.40625p per share on 31 March 1982 and 1.328125p on 6 April 1965.

For more information and latest news on the Group, visit www.nbrown.co.uk