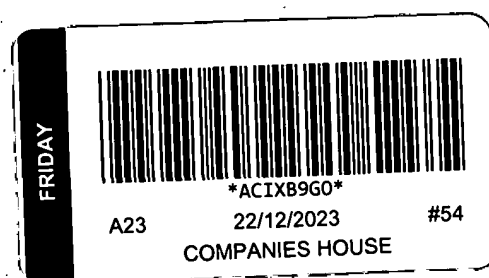


Company registration number 02318510 (England and Wales)

THE FLANNELS GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2023



THE FLANNELS GROUP LIMITED

COMPANY INFORMATION

Directors	AA Adegoke A P O Dick
Company number	02318510
Registered office	Unit A Brook Park East Shirebrook NG20 8RY
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB

THE FLANNELS GROUP LIMITED

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THE FLANNELS GROUP LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 APRIL 2023

The directors present their strategic report for the 53 week period ended 30 April 2023 (2022: 52 week period 24 April 2022).

Fair review of the business

The Company has shown a strong performance in the period largely due to the growth in the store portfolio and the comparative period being partially impacted by restrictions as a result of Covid-19.

Key performance indicators

The directors consider revenue and underlying earnings before interest, tax, depreciation and amortisation and the impact of realised foreign exchange movements and impairments (underlying EBITDA) to be the key performance indicators for the Company. Underlying EBITDA is calculated by adding back the depreciation, amortisation and impairment charge of £38,979k (2022: £19,416k) and deducting the gain on foreign currency translation of £1k (2022: loss £48k) from the operating profit figure of £22,735k (2022: £51,349k profit).

- The Company's revenue increased from £308,693k to £335,079k due to growth in the store portfolio.
- The Company's underlying EBITDA has decreased from £70,813k to £61,713k due to brand consolidation and against a strong performance in FY22, reflecting the tougher macro-economic conditions this year.
- The Company's net assets grew from £83,058k to £92,091k due to the profitability of the Company.

Non financial KPIs

The directors also monitor the performance of the Company through non financial KPIs, being the number of retail stores and employee turnover.

As at 30 April 2023, we operated 58 Flannels stores (FY22: 53) with a total retail sales space of 823k sq ft (FY22: 736k sq ft).

Employee turnover increased in the year from 33% to 35%.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Principal risks and uncertainties

As the Company is an integral part of Frasers Group ('Group', 'We' and 'Board' references used on the following pages in the Strategic Report are references to the Frasers Group as a whole), the principal risks and uncertainties and the controls and mitigations disclosed are relevant to the Company.

Risks	Scenario	Control and Mitigations
Strategy	We fail to deliver our strategy efficiently, effectively and on a timely basis, or we adopt the wrong strategy, which impacts our long-term growth, performance and ambition.	<ul style="list-style-type: none"> -The Board and senior management set and agree the Group strategy and undertake both regular and detailed annual reviews. -Our Group is diverse in terms of geography and product and executive management is able to respond to strategic opportunities and challenges with agility, to maximise achievement of our strategic ambitions. -We continue to evaluate strategic brand acquisitions, to provide product and choice in line with our brand strategy and add attractive locations to the store estate. Opportunities are managed through our M&A tracker and appropriate due diligence is carried out either internally or via third party firms. -Effective management of our property portfolio supports our elevated direction. All property transactions are analysed and signed off by the CFO. -We monitor our performance, markets and competition on an ongoing basis. -Our strong financial controls, reporting and analysis help to optimise resource allocations, maximise profits and cash flow and support efficient and effective strategic delivery. -We perform ongoing research for insights into consumer trends, with the assistance of third parties providing structure to the process. -Ongoing internal and external communication of our strategic direction supports understanding, engagement and effective delivery.
Third-Party Brand Relationships, Key Suppliers and Supply Chain Management	We fail to manage and leverage our supplier and brand partner relationships successfully, to secure the right products for our business at the right price, time and quality, and to meet or exceed our customers' expectations. Failure to mitigate these risks might impact our elevation targets, performance and long-term growth.	<ul style="list-style-type: none"> -We have continued the successful rollout of our Electronic Data Interface (EDI) supplier portal across the majority of our suppliers. This has enabled us to build closer business relationships by providing an efficient and effective supplier on-boarding process, leading to improvements for both parties of account management and supply chain controls. -The Group has a policy of forging close long-term commercial relationships which are underpinned by our commitment to product, elevation and customer excellence. -The elevation strategy builds stronger relationships with key brand partners, this continues to be an ongoing priority. -We have continued to expand our dedicated relationship partners, procurement and commercial teams support truly integrated supplier engagement. -The Group utilises two leading supply chain companies to procure much of its own-brand products. A Group-owned supply chain entity further diversifies risk. -Strong stock level oversight and positive commercial relationships allow us to manage effective supply chain logistics and product availability. -Suppliers sign-up to the Group's Supplier Manual, in addition to revising our Supplier Code of Practice during the year, which enables us to monitor and benchmark supplier performance. -Strong service level agreements are in place, which help to support an effective supply chain network. -Our own-brand investment targets consumer trends and complements third-party brands, supporting consumer choice. -We have continued to build our influencer partnerships and brand collaborations to provide opportunities for own-brand growth.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Risks	Scenario	Control and Mitigations
Global Macro-economic Conditions, Events (Pandemic) or Political Factors	Failure to anticipate, evaluate or appropriately respond to external events, or broader global/ macroeconomic conditions, events (e.g. pandemic) or political factors, may risk the achievement of our performance targets, impact our strategic direction or longer-term viability, or result in lost opportunities for growth.	<ul style="list-style-type: none"> -We ensure ongoing Financial and Commercial evaluation of economic and political change, with senior management oversight and Board reporting relating to supply chain and inflationary cost pressures. -The executive-led Compliance & Risk Group holds emerging risks discussions, with oversight reporting to the Audit Committee. -Immediate on-line closure of sanctioned countries for deliveries or trade through our web platforms were actioned during the current conflict. -We monitor UK-EU trade relationship developments and the implementation of the Trade and Co-operation Agreement via discussions at weekly leadership meetings. -Our focus on transport logistics, documentation requirements, and the flow of goods supports product availability, utilising third party formal processes.
Treasury, Liquidity and Credit Risks	Failure to appropriately manage our funding and liquidity positions and secure access to funding markets might impact our plans for growth, the ability to manage our trading requirements, meet longer-term liabilities and the ongoing viability of our business.	<ul style="list-style-type: none"> -Our Board reporting on debt, covenants, funding and cash flow positions includes stress testing and extensive business risk scenario analysis. -The Group Treasury function manages liquidity, interest rates and foreign exchange risks. -The Group treasury policy, with Board oversight, outlines delegated authorities for operation, monitoring and reporting. -We have increased our revolving credit facility to £1,052.5m post period end, £1,002.5m of which is available until November 2025 with the possibility to extend the term for a further year. We are working to increase this further to £1.2bn. -Ongoing monitoring and reporting of going concern and viability are part of our standard suite of internal and external reporting. -Our hedging strategy is reviewed and approved annually as part of our treasury governance, with hedging activity reported to Board. -Investments of surplus cash, borrowings and derivative investments are made under pre-approved investment criteria, and monitored closely on a monthly basis. -We use forward foreign currency contracts to hedge against highly probable foreign currency trading transactions. -We conduct regular monitoring of customer and counter-party credit risks. -We have hedged our interest rates which has mitigated the increases seen in the last 12 months, this remains in place until 2026. -Rigorous processes are in place with regards to our credit account customers, including the use of external credit reference agencies and applying set risk criteria before acceptance, these procedures are regularly reviewed and updated. -Robust processes monitoring our debtor book and credit customers payment behaviours and credit take-up levels are in place. -The Board and Audit Committee receive regular updates throughout the year regarding customer credit business.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Risks	Scenario	Control and Mitigations
Customer	Failure to anticipate and respond to customer needs or changes in consumer trends and spending, or to drive and deliver customer service excellence, may impact our growth, value, reputation and strategic ambition.	<ul style="list-style-type: none"> -Conducting ongoing monitoring of customer insights and competitor and market trends. -Reviewing and updating our customer policies periodically enables us to respond to and drive our customer led strategy. -Continued investment in our customer service offering, systems and communication enables us to understand and improve our customer experience, working across all channels including social media. -Continued development and investment in our online offering in line with customer demand. -Ongoing enhancement of our ESG agendas supports our strategy, in line with our customer focus. -Introduction of Frasers Plus to the Group, allowing Customers to select a regulated credit option to enable our Customers to have further payment options and control on how they spend and repay, with an integrated loyalty point scheme.
Governance, Legal and Regulatory Compliance	An action or incident may occur which results in a legal or regulatory breach and which impacts our business financially, commercially or reputationally and/or may result in litigation.	<ul style="list-style-type: none"> -Our experienced and qualified in-house legal team provides core services and advice as well as oversight of new and emerging legislative and regulatory requirements. -External advisors provide additional services and training in specialist areas, as required by the business and legal team. -Key legislative and regulatory compliance risk areas are prioritised (including but not limited to), FCA regulation, GDPR/Data protection, Health and Safety, IP Rights, Listing Rules and Trading Standards as an ongoing priority. -Our Code of Conduct supports our ethics, behaviours and culture, and our regulatory policies include, for example, Anti-Bribery & Corruption, Corporate Gifts & Hospitality and Conflicts of Interest. -We have an ongoing programme of continuous review looking at changes to legislation, best practice, and ensuring compliance with the corporate governance landscape. -We review the approach and content of mandatory induction, policies and ongoing training across relevant areas, for all colleagues. -The Legal team is a key contributor and advisor to the Compliance & Risk Group. -The Legal team provides bespoke training to individual departments, tailored for each area where there are key risks as well as providing training across the group utilising the e-learning platform. -The Frasers Group Intranet includes a Legal section providing FAQ's on relevant topics which is accessible to all employees.
Technology Capability and Infrastructure Renewal	Failure to maximise the use of our existing technology or to renew our infrastructure in a timely and effective way may affect our ability to keep up with the pace of change and deliver our strategic ambition.	<ul style="list-style-type: none"> -Ongoing development of a Group technology strategy aligned to the business strategy. -Forward programme of infrastructure renewal to operate our business efficiently and support our ability to compete. -Target and accelerate decommissioning of infrastructure, integrating into our business where possible, which has been procured as part of acquisitions. -Investments in our online trading capabilities, warehouse management systems and in-store technology enhance the end-to-end customer experience. -Experienced Technology team, supported by ongoing skills training, helps us to keep abreast of emerging technologies and customer-leading insights. -Development of ongoing cycle of internal training programmes to support effective use of existing and new technologies across our businesses, as they are introduced. -Strengthening our information security capability has enhanced our transformation programme, our strategic technology delivery and the robustness of our second-line oversight.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Risks	Scenario	Control and Mitigations
Cyber Risks, Data Loss and Data Privacy	A cyber-attack may result in data loss and/or denial of service, impacting our business financially through fines and penalties or lost trade, as well as our reputation and our ability to operate. Failure to adequately protect our processes and the data we hold may result in legal or regulatory breach, loss of trust and financial loss.	<ul style="list-style-type: none"> -Strategies and policies in place to support IT security posture are reviewed and enhanced on an annual basis. -We continue to work with our trusted stakeholders who provide core services which complements our in-house capabilities. Capability, delivery, security and savings are core drivers of our processes. -Protection tools, including encryption, and detection tools in place to support effective monitoring and reporting are assessed, ensuring they are fit for purpose and scalable. -We have enhanced our information security capabilities and strengthened our second-line monitoring to a 24/7 alerting service, using partners where applicable. -We perform annual external assessments against our environment to assess our cyber posture. We also perform penetration testing against any key projects or major changes to our infrastructure across Group. -Strengthening our data protection mandate, enhancing our policies and procedures and ongoing internal training help to mitigate data protection and privacy risks and support delivery of our change and transformation programme. -We have an ongoing programme of security and privacy monitoring across our Group, and invested in tooling to support with breach notifications should they occur. -Our in-house Legal team supports second-line monitoring and reporting of legislative compliance. -We make ongoing investments in data protection training and communications targeted to the business area (and local legislative equivalents in our overseas operations). -We routinely action and retain Data Protection Impact Assessments, and perform Records of Processing activities across all key functions across the Group.
Business Continuity Management and Incident Response	Failure to respond effectively or on a timely basis to operational or IT incidents or events might impact the Group financially through lost revenue or have a reputational impact based on our capability and communications.	<ul style="list-style-type: none"> -Our Business Continuity plans are fully documented and are scheduled for continual review, revision and testing as required. -Our governance structure supports agile incident response, with clear roles, responsibilities and reporting lines. -Annual external review and challenge of our processes supports our commitment to continuous improvement. -Ongoing training supports good practice and knowledge sharing for continuity. -Internal and external communications, marketing and PR capabilities are integral to our incident response plans. -Recovery prioritisation of IT systems and processes forms part of our business impact analysis review including a dedicated IT incident response manager working with both internal and external stakeholders with clear escalation and recovery protocols which are under continuous monitoring and review. -We have recovery time targets for both critical and normal service functions. -Critical recovery capabilities align to our appetite and controls supported by appropriate insurance cover.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Risks	Scenario	Control and Mitigations
Group Entities And Extended Enterprise	Failure to effectively monitor activities across our Group entities, partners and suppliers, who form part of our extended enterprise, may result in financial, reputational or legal compliance issues.	<ul style="list-style-type: none"> -Transparency across our Group and extended enterprise and its changes is an ongoing priority. It is subject to regular review and discussion and forms part of our risk management framework and reporting. -Oversight roles and responsibilities across our Group structure support risk-based functional monitoring and assurance. -We maintain strength in our supply chain management and supplier and partner relationships. -Risk and controls reporting across the Group is subject to continuous improvement, including self-assessment processes for confirmation of compliance with key policies, controls and other Group requirements. -The Group Internal Audit team is developing third-line monitoring to support the broader internal controls framework across the Group. -Weekly leadership calls are in place with international finance teams and an annual review of all subsidiaries has been established to review financials, provide supports, streamline operations, and drive improvements.
People, Talent Management And Succession	Failure to attract, retain or develop talent across our business and implement effective succession planning might impact our ability to achieve business and strategic objectives and the efficiency of our growth transformation.	<ul style="list-style-type: none"> -Continued development of strong trainee management and apprenticeship programmes supports our future talent pipeline. -We recruit externally to fill capability gaps necessary for our growth and transformation. -We prioritise internal development and promotion wherever possible and actively encourage cross-functional experience. -Our "fearless focus" appraisal system provides expectations for performance and opportunities for development and broader succession planning. -A six pillar People Framework is in place supporting performance and talent recognition across the group. -An internal recruitment mandate operates, with improvements in onboarding and applicant tracking. -We have revisited our core principles and a colleague value proposition which share the Group's values and ambitions for our people, with an elevated and re-energised website to attract talent. -We have a recognition and bonus structure in place, recognising and rewarding those who adopt and demonstrate the Group's core principles. -The Workers' Representative is a Board Director who supports communication channels and gives our people a voice at the highest level in our business. -We have a strong strategy for diversity and inclusion and people support. -We have made significant investment into learning and development, supporting internal progression and overall organisational capability. -We launched our first engagement survey to provide insights and drive further improvements across the organisation. -Investment in a new Group intranet supports improved communications and access to company policies to all UK employees raising colleague engagement and providing greater ease of access to shared information.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Risks	Scenario	Control and Mitigations
Environmental, Social & Governance (ESG)	Failure to maximise our position and value relating to ESG factors might impact our ability to achieve our growth, value, reputation and strategic ambitions.	<ul style="list-style-type: none"> -We have Board-level engagement and an Executive sponsor of our ESG agenda. -We have developed an ESG strategy which formalises our commitment to sustainability which continues to be embedded throughout the business and is a continued focus for the Group. -We have signed up to the Science Based Target Initiative and to further our commitment to reduce our carbon emissions we have recruited a Group Carbon Reduction Manager. -We continue to evaluate the ongoing risks and opportunities around climate change and our commitment to achieving our climate change targets as disclosed in the Group's TCFD reporting. -We have an environmental policy in place, which has been reviewed and approved by the Board. -We have energy efficiency targets, monitoring and measurement, with external specialist support and league tables with reward mechanisms to drive this forward. -Our community initiatives support the provision of vouchers to schools and organisations to allow purchases of discounted sportswear. -Review and ongoing development of our Supplier Code of Conduct, supports our values and employee engagement, and includes a standardised framework for supplier onboarding. -We have implemented a Climate Risk Group, reporting to the Compliance and Risk Group, which further drives initiatives and engagement across the wider supply chain.
Property	There is a financial risk to the Group if our commitment to a lease or the value of our freehold properties decline where high vacancy rates make the area less attractive for our consumers and drive less footfall to our stores.	<ul style="list-style-type: none"> -For new store leases we continue to actively engage and work with our landlords to support rents that are flexible and linked to store turnover providing sensitivity should a store turnover reduce. -We aim to align rent free packages and capital contributions from landlords to reflect the elevated store fit outs to minimise the Group's capital expenditure in bricks and mortar expansion. -As property occupational costs become more affordable we continue to look to move into more prime locations with more footfall and consumer resilience. -We are actively reviewing our lease portfolio and looking to renegotiate with landlords in relation to underperforming stores. We have a very low average unexpired lease term across our core estate, allowing us to be flexible in our locations and occupation. -The freehold estate is actively managed by the property team and we will look to dispose of sites which are not aligned with the Group's strategy or where there is a commercial benefit to the wider Group. -All purchases of new freehold property are reviewed and signed off by the CFO.
Mergers & Acquisitions	Failure to successfully identify, complete or integrate acquisitions into our existing operations could have an adverse effect on our business and financial results.	<ul style="list-style-type: none"> -All mergers and acquisitions are reviewed and signed off by the Senior Leadership Team and the Board. -The Legal function has robust processes in place for checking and complying with regulatory requirements. -Conservative estimation of synergies allows for any delays in the integration of a business. -Utilisation of both internal and external expertise is used to complete a thorough due diligence process prior to acquisition and following the transaction to ensure a smooth integration. -We leverage opportunities for investment through strong management oversight. -Governance and monitoring are in place for new investments, acquisitions and opportunities.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Financial Risk Management Policies and Objectives

Liquidity and cash flow risk

Funding and liquidity for the Company's operations are provided through group bank loans (including a revolving credit facility), overdrafts and shareholders' funds.

The Company's objective is to maintain sufficient funding and liquidity for its requirements, but the availability of adequate cash resources from bank facilities and achieving continuity of funding in the current financial climate could be a risk to the Company in future years.

Relationships with suppliers could break down if we are unable to pay them in line with our contractual obligations.

Credit risk

The Company's key suppliers also face credit risks and as such the Company regularly assesses the viability of its suppliers and ensures there are plans to source from alternative businesses should key suppliers fail. Rigorous procedures are in place to mitigate this credit risk. The Company has a credit policy in place and the exposure to risk is monitored on an on-going basis.

Investment of cash surplus, borrowings and derivative investments are made through banks and companies which have credit ratings and investment criteria approved by the Board. On 30 November 2021, the Group entered into a new combined term loan and revolving credit facility that is valid for three years at a value of £930 million with the possibility to extend this by a further two years. The Group enacted the one year extension to our Group facility and now have a combined term loan and revolving credit facility (RCF) of £1,052.5 million as at the reporting date with £1,002.5 million available until November 2025, with the possibility to extend this by a further year.

Future developments

During FY23, we have continued to see the progress of the elevation strategy with additional new flagship stores opening.

The elevation of our multi-channel retail proposition remains a key strategic objective. To this end, we are improving the customer experience at every step of the journey. We aim to deliver an unrivalled range, availability and quality of products – both third party brands and Group branded products.

The elevation strategy continues to enhance and improve our stores and all our digital operations, our product offering and our marketing channels. This is vital to strengthen our relationships with our key third party brand partners, to deliver benefits for consumers and to drive the Company's long-term profitability.

Corporate governance statement

The Flannels Group Limited is a wholly owned subsidiary of Frasers Group plc. Whilst the Company itself does not comply with the requirements of the UK Corporate Governance Code it relies upon the governance arrangements put in place by the Frasers Group plc Board on the basis that the Company is an integral part of the Group. For example, the Company does not have any appointed non-executive director, so it relies on the Group non-executive directors to have oversight of The Flannels Group Limited as one of the largest trading entities within Frasers Group. The Frasers Group plc Board also are solely responsible for making all strategic and operational decisions for the Company.

The below assessment is therefore an assessment of the Group's activities for the period in respect of compliance with the UK Corporate Governance Code and not that of The Flannels Group Limited.

The Frasers Group plc Board considers it complied with the majority of the principles and provisions of the 2018 UK Corporate Governance Code for the period ended 30 April 2023. All references to 'Board' or 'We' or 'Group' in the remainder of the Strategic Report relate to the Frasers Group plc Board rather than the Board of The Flannels Group Limited.

The following paragraph sets out the provisions which have not been fully complied with during FY23 by the Group.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Corporate governance provision requirements, non-compliances and resolutions

One area in which the Board was not fully compliant was Code Provision 36 which requires that remuneration schemes should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests and that share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The Executive Share Scheme approved by 86.6% of shareholders' voting at the 2021 AGM has a total five-year vesting period as suggested by the Code but could permit 50% of share awards to vest after four years if our stretching share price targets (a minimum of £15 as relevant maintained for 30 dealing days and achieving an adjusted PBT of at least £500m) are attained within 4 years of the commencement of the plan.

Stakeholder Engagement

Like most companies, the Group has to balance the needs of multiple stakeholders. Stakeholder engagement is integral to the growth and sustainability of the Group. We aim to ensure that we capture the views of as many stakeholders as possible. Whilst we try to accept commendation where appropriate and address criticisms when necessary, we are mindful that this may not always be possible. We recognise that the most important objective in our approach to stakeholder engagement is to balance stakeholder views against other competing factors and accept that it may not always be possible to achieve a satisfactory outcome for all stakeholders. During the year, the Board has made decisions based on the Board papers, presentations from senior executives and discussions with and reports from external consultants.

The Board

There was one change to the Board during the year. Mike Ashley resigned as a Director, being replaced by Michael Murray in May 2022. We continue to review the Board's size, composition and skillset on a regular basis, including interviewing a number of candidates, to ensure that it remains fit for purpose and address areas where we can make the most effective changes.

Business Model

The Group's business model remains consistent in providing customers with the world's best brands. This requires us to have the right product, in the right place, at the right time and at the right price. Our vision is to become the elevated, multi-channel platform for our Sports and Premium Lifestyle fascias. To this end, we are elevating our Group brands and our centralised support functions.

Division of Responsibilities

Detail of the division of responsibilities of the Board can be found in the Group accounts of Frasers Group plc.

Board Performance

Board, Committee and individual director performance are evaluated annually in line with the requirements of the Corporate Governance Code 2018. The Non-Executive Directors, led by Richard Bottomley, review the performance of the Chair, taking into account the views of Executive Directors. The outcome of the review is relayed to the Chair, with constructive comments to improve his future performance.

During the period, the Chair reviewed the performance of all Non-Executive Directors, to ensure their performance remains effective and that they are committed to and capable of performing the role. The Chair has discussed with each Non-Executive Director how they can improve their knowledge, behaviour and skills, in order to be better equipped for the role. A skills matrix has been completed in FY23 and it will be used as a tool in our succession planning when recruiting new directors.

There was a thorough independent external evaluation of the Board and its committees in FY21 and an internal evaluation carried out in the current year. The board evaluation highlighted the need to increase diversity on the Board and steps are being taken to address this as discussed in the Nomination Committee Report in the Group accounts of Frasers Group plc. The performance of the Board and its committees have been discussed in the individual Board appraisals taking into account the recommendations and comments arising from the review in FY21.

In addition to the evaluation of the Non-Executive Directors, the performance of the Executive Directors was also reviewed by the Chair and the Non-Executive Directors and performance objectives set. During the period, the Chair held informal meetings with the Non-Executive Directors without the Executive Directors present.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Employees

Employee engagement statement

The Group's policy is to treat all our people with dignity and respect. Frasers Group colleagues work together across all areas of the business and we are proud that Frasers Group plc is one of the first public companies in the UK to make an elected Workers' Representative a Board member. We welcome all new colleagues into the Group following the acquisitions in the year and post period end and those who joined us through the Frasers Group Elevation Programmes as well as all other new recruits. Further details on Employee Engagement can be found on page 17.

Remuneration and rewards

Our policy is to foster a reward-based culture that enables our colleagues to share in the success of the Group. It is Company policy to pay above the statutory National Minimum Wage, including rates that are above the statutory National Living Wage for those over 23 years of age in the UK. In addition to this, in the current period the Group paid awards and incentives of approx. £23m, from which both permanent and casual colleagues benefitted.

Our Fearless 1000 share scheme will result in 1,000 of our Fearless colleagues, who live and breathe our values, being eligible to receive share bonuses ranging from £50k right up to £1m, if the share price is at £10 (for at least 30 consecutive trading days) at the vesting dates.

Workers' representative

The Frasers Group Workers' Representative is Cally Price, a store manager within our Cardiff store. The Workers' Representative has a unique insight into the Group and will speak on behalf of the Group's workforce at all scheduled meetings of the Board, in order to facilitate a healthy and constructive dialogue.

Staff engagement

In addition to the Workers Representative, the Company has an ongoing dialogue with colleagues via the 'Ask Cally' app. The App allows any employee to submit a question or raise an issue directly with the Non-executive Workforce Director, Cally Price, and receive a personal response. If required, this feedback is passed to senior management for review and appropriate action.

Casual workers

We strive to ensure our arrangements for casual staff are fair and equitable. All casual workers are paid the same rates as permanent employees in the same role. We promote stability in working hours, while our casual workers also benefit from the flexibility to decline shifts at any time. This flexibility also benefits the Group, enabling us to adjust staffing levels to cope with peak times and quieter periods.

Casual workers are also included in our commission schemes and in the Fearless 1000 bonus scheme.

Wellbeing service

As an outcome of our Engagement Survey results, we have committed to improving the Company support available to our colleagues around Wellbeing. This year we have launched Frasers Fit, a partnership with our fitness business, Everlast Gyms to encourage colleagues to focus on improving their physical health through exercise, with access to work outs for all capabilities, information around nutrition and healthy eating.

We have continued our partnership with the Retail Trust which gives colleagues access to free and confidential wellbeing support, including advice, financial assistance, face-to-face and telephone counselling, cognitive behavioural therapy, non-repayable grants, career development support, legal guidance and on-site critical incident support. We have seen an increase in the usage of Retail Trust services this year and we will be working closely with them in FY24 to further increase access to and awareness of the services and support available.

We have also invested in training up a team of Mental Health First Aiders. This has not only provided these colleagues with an opportunity to develop themselves but also arms the business with an invaluable resource should any of our colleagues need the support we are now equipped to provide.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Training and capability development

Identifying and developing our internal talent remains critical to drive high performance across our teams and to enable us to deliver our business goals. We have an annual performance review process, the Fearless Focus Reviews, this allows us to measure performance consistently and set individual objectives that will support the achievement of broader Group goals. Career conversations as part of this process help us to understand the aspirations of our colleagues and allow us to assist them with development plans to support them in reaching their potential.

Linked to our purpose, vision and goals for FY24, we have introduced a new objective setting process called OKR's (Objectives and Key Results) across the senior levels of our business, ensuring that plans in individual business areas are aligned to the delivery of our business strategy.

To compliment the Fearless Focus Review process, we have also this year introduced a regular cycle of talent reviews. This is completed three times throughout the year so we can monitor and track performance and ensure any necessary actions are undertaken to drive performance and retain key talent.

Our Elevation Programmes continued this year, with another 27 high potential colleagues joining the Commercial programme in September 2023. This year, we have invested heavily in the technical upskilling and training that these colleagues receive, creating a highly structured and blended development programme that has seen time to competence improve dramatically, increasing confidence and enabling more time to be spent developing the skills that will see this cohort fulfil their potential. We also have a further 6 (FY22: 5) colleagues joining our Finance Elevation Programme.

Shareholders

Fraser's Group plc is a publicly traded company and is the parent company of The Flannels Group Limited.

The AGM provides shareholders with an avenue to have direct access to the Board and senior leadership and ask questions at the meeting. The Chair is present at our annual and half year results presentations and met with several major shareholders throughout the year.

Comments from our shareholders are passed to the Board and relevant committees for consideration and analysis. The Executive Directors are also available for questions at all of our result presentations and shareholders' opinions are closely monitored through analyst and broker correspondence. Our larger shareholders also have regular engagement with senior executives and also have access to other key representatives of the Group by using the investor relations contact on the Group's website.

Feedback from shareholders during the year focused on the following key points:

- The importance of the elevation strategy and its role in enhancing relationships with key brand partners.
- The approach to strategic investments.
- The steps being taken to enhance corporate governance processes and Board diversity.

The Chair ensured that these views were shared with the whole Board. The Group has recently employed an Investor Relations Director to further improve communication with shareholders.

Customers

The Group are continuing to invest in our Customer Service Operation by increasing the head count and technology being used to support customer contacts. We are expanding our team to provide more coverage into the evenings and weekends and providing specific training in resolving enquiries faster. Investment continues in developing our international contact centre as we prepare to support the international territories. We are progressing development of new contact channels, improving our use of real time chat technology and embracing our customers desire for more self-serve – all helping reduce customer contacts and response times.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Suppliers

We aim to engage with suppliers who have compatible values to those of the Group and who provide value for money and high-quality goods and services. The Group prides itself on fostering long-term relationships with our key brand partners to ensure ongoing continuity of supplies to our customers. This includes, where appropriate, making strategic investments in brand partners such as Mulberry and Hugo Boss.

Our own-brand products continue to be produced and supplied by our two gateway suppliers with whom we have a longstanding relationship.

Regulators

The Group makes every endeavour to comply with its legislative and regulatory obligations. We regularly liaise with HMRC, the FRC and the FCA in an open and transparent manner. The Finance team and the Board have established regular communications with tax authorities internationally. Our internal tax team has a dedicated contact at HMRC and we have dedicated contacts at other Government bodies, such as Trading Standards.

Lenders

Alongside attending all Board meetings, the CFO is always available to inform the Board of any updates in relation to financial lenders. With the assistance of the Finance team, the CFO ensures that the Group complies with the terms and conditions in its credit facility agreements. The CFO regularly liaises with the Chair of the Remuneration Committee and the Chair of the Audit Committee, to discuss the Group's financial performance. Updates on the Group's financial performance are provided at every Board meeting.

Community

Elevating our communities

From our supply chain through to the high street, and with our charity sponsorships too, we're active in all our communities.

Investing in the High Street

The Group has been vocal about its commitment to physical retail and has demonstrated this with consistent new store openings over multiple financial years.

The nature of new store openings as part of the Group's elevation strategy are providing wider benefits to local communities; not just via the job creation associated with the store itself, but the wider impacts to the area as a footfall generator. With the Group's various brands and concepts, we have become a significant 'anchor' tenant in many schemes and are underpinning a number of retailing locations which have experienced the well documented challenges facing physical retail.

The ability for the Group to take on such anchor stores is helping to regenerate and increase the confidence of other retailers and businesses to continue to trade in such locations. We believe this is having a meaningful socio-economic impact in many retailing locations that would have otherwise faced the burden of large vacant units being difficult to repurpose.

More recently, the Group have invested in two Shopping Centres - one in Luton and the other in Dundee. Both are the primary retailing locations in the respective areas and play an important part in servicing the local community. In both instances, the Group is able to invest into each scheme with a range of new store concepts covering Sports (i.e. Sports Direct and Evans Cycles), Premium (i.e. Frasers and USC) and Luxury with Flannels. There is also the 'experience' side of the Group with the Everlast Gym concept and Belong gaming arenas. Such variety of retail offerings attracts a wider range of customers to each location and helps improve the vibrancy of an area, which in turn reinforces the shopping/town centre which plays a key part of its local community.

Charity

Sports Slam – Sports Slam is designed to shake up what in-school sport looks like and gives teachers the means to help kids enjoy sport through a sense of inclusivity, fun, and discovery. To date, we have signed 6,019 schools up to the scheme unlocking sport to over 1 million kids across the UK by gifting £1.5m of sports equipment to schools.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Equal Play – In 2022 we launched our Equal Play initiative where we donated over 3,000 football packs to girls' football clubs. The initiative aims to close the gender gap in sports.

Sports Directory – Our Sports Directory subsidiary has been a specialist supplier of sports equipment to the education sector for nearly 30 years, and part of the Frasers Group since 2016. Sports Directory plays a key role in giving back to schools in the UK and helping to keep our young people fit and healthy. Through its 'My School' scheme, schools purchase sports equipment from Sports Directory and the business gives them the opportunity to claim a voucher for every purchase. To date, Sports Directory has issued over 90,000 vouchers to UK schools, which equates to more than £5.6 million worth of free sports equipment.

For more information on Sports Directory visit: www.sportsdirectory.com

More locally to our Head Office in Shirebrook, we have focused on raising funds through a variety of initiatives for several local community programmes, including Rhubarb Farm, (www.rhubarbfarm.co.uk) and BLAST (Building Lives around Shirebrook - www.blastcic.com). We have raised almost £6,000 this year, through various on-site engagement activities including Charity Bike Rides, gifts drops and raffles.

Environment

Frasers Group continues to support the aims of the TCFD, which we believe is an important step in tackling climate change. In compliance with the requirements of Listing Rule 9.8.6R and TCFD recommendations and recommended disclosures, below we have provided disclosure on how Frasers Group incorporates climate-related risks and opportunities to inform our future strategy, risk management approach, and the metrics and targets we use to monitor our progress.

We have taken dedicated steps to integrate the risks and opportunities throughout the business, from the individual departments to the Climate Risk Steering Group, Compliance and Risk Group, Audit Committee, all the way to the head of strategic oversight, the Board. These groups have enabled us to not only understand the risks and opportunities, but ensure we are on track towards our set targets, while assessing mitigating actions enabling planning for next steps.

For further information, see Frasers Group plc annual report. The disclosures given in the Frasers Group accounts also address the requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Section 172 Statement

The Board confirms that, during FY23, it has acted in the way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s.172(1)(a)-(f) of the Companies Act 2006.

This statement sets out the matters considered under each subsection of s.172(1) (a)-(f) and provides cross references to where further information can be found in the Annual report.

Decision making areas and principal decisions/steps in the period

A. The likely consequences of any decision in the long term

When making key strategic decisions, the Board takes into consideration the strategy, purpose, values and culture of the Group. The Board is focused on the sustainability of the Group and mindful of the impact the decisions may have on this objective. For each matter, it also considers the likely consequences of any decision in the long term, identifying stakeholders who may be affected and carefully considering their interests and any potential impact part of the decision making process may have. During the year, the Board has made decisions based on Board papers, presentations from senior executives, information documents and discussions with external advisors and reports.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Principal decisions/steps:

The decision to continue the share buyback programme was key during the financial year to demonstrate that the Board continues to maintain confidence in the performance of the Group. The Board continued to be acquisitive throughout the year. Acquisitions of Misguided, I Saw it First, Mysale and Amara expanded our digital offering and brought short lead time sourcing and further social media marketing expertise to that segment and the Frasers Group. We also acquired Gieves & Hawkes, this iconic premium luxury menswear brand being a great fit for our Elevated offering, Coventry Arena a world class exhibition, event & conference centre and in February 2023 the Group also completed the acquisition of number of fashion brands from JD Sports.

During the year, the Group disposed of Bob's Stores and Eastern Mountain Sports fascias and their corresponding e-commerce offerings. The Bob's and EMS store estate did not include any of the new elevated stores which are core to the Frasers Group Elevation strategy. The disposal of these non-core businesses allows an even greater focus on delivering the Elevation Strategy by focusing on store experience, digital and product.

A number of freehold and long leasehold retail parks were sold for a total of £205.0m, realising a profit on disposal of £84.7m. We buy and sell properties, in the ordinary course of business, from time to time to secure attractive sites for our retail operations, and Frasers Group fascias will operate from leases within a number of these properties.

B. The interests of the company's employees

Details of the initiatives and engagement with our colleagues is detailed in the Workers' Representative report, the Our People report and the Directors' report within the Frasers Group plc annual report which does not form part of this report.

Principal decisions/steps:

The Non-Executive Workforce Director remains the primary method that we use to ensure that colleagues are listened to and responded to by somebody who fully understands their situation. Cally Price remains the Workers' Representative on the Board and retains full control of the colleague welfare portal. In September 2022, we hosted the first ever Frasers Festival which brought together approx. 1,500 colleagues, brand partners and other stakeholders for a day of assault courses, interactive brand pop ups and live entertainment. It was a hugely successful event and we will look to repeat this in 2024.

C. The need to foster the company's business relationships with suppliers, customers and others

The Group aims to develop and maintain mutually beneficial business relationships with all our suppliers and government agencies and other stakeholders. Details of the Company's business relationships with suppliers, customers, regulators and lenders are set out in the Corporate Governance Report within the Frasers Group plc annual report which does not form part of this report.

Principal decisions/steps:

The Frasers Plus, loyalty and credit facility which was initially launched in our Cruise and House of Fraser fascias and associated websites last year, has now also been rolled out to our Luxury fascias and Sports Direct.

We continue to invest in improving our customer service contact channels which include:

- Simplification of customer communications and self-help articles to remove confusion and help customers to find answers more quickly.
- Investment in Coaching, Supporting and Developing our Customer Service teams with additional training on both product and service-based enquiries.
- Additional staffing in our peak trading period to help with customer demands and improve our speed of response across all contact channels.

D. The impact of the Company's operations on the community and the environment

The ESG report in the Frasers group plc annual report details the initiatives we have undertaken in sustainability and the community.

THE FLANNELS GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Principal decisions/steps:

- In October 2022 the Group committed to cease purchasing fur products from its partners. Letters were supplied to all of our suppliers requesting no fur products are supplied to the Group.
- As part of our sustainability plans, five of our House of Fraser's stores took part in a three-month scheme with the charity Sharewear which redistributed customer's unwanted clothing to people in the communities that need it the most.

We are also supporting the Bumblebee Conservation Trust and have launched a campaign to save the bumblebees.

E. The desirability of the company maintaining a reputation for high standards of business conduct

The Board is committed to sustaining high standards of professional conduct across the Group's businesses in accordance with both the Corporate Governance Code and industry best practice.

Principal decisions/steps:

Key legislative and regulatory compliance risk areas are prioritised (including but not limited to), FCA regulation, GDPR/Data protection, Health and Safety, IP Rights, Listing Rules and Trading Standards as an ongoing priority, and we have an ongoing programme of continuous review looking at changes to legislation, best practice, and ensuring compliance with the corporate governance landscape.

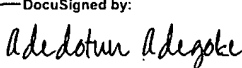
F. The need to act fairly between members of the Company

All shareholders of the Company hold ordinary shares which attach the same rights and benefits. We ensure that all shareholders have the opportunity to express their concerns to the Board throughout the year, with the existence of our investor relations contact on the Group's website, and endeavour to respond when appropriate. The AGM allows an opportunity for shareholders to ask questions and to discuss issues in more depth.

Principal decisions/steps:

The Group recognises that the interests of our institutional investors and other shareholders may not always align with that of our majority shareholder. As a result, certain resolutions at the AGM are required to pass on a majority of independent shareholders vote. The Group invites and analyses feedback from investors in relation to their votes on resolutions put forward at the AGM. This feedback is routinely presented to the Board for consideration during its decision making and long-term planning.

On behalf of the board

DocuSigned by:

72509DA58EAF4D2...
AA Adegoke
Director

27 September 2023
Date:

THE FLANNELS GROUP LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 APRIL 2023

The directors present their financial statements for the period ended 30 April 2023.

Principal activities

The principal activity of the Company continued to be that of fashion clothing retailing.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

A A Adegoke

A P O Dick

Results and dividends

The results for the period are set out on page 24.

No dividends were declared or paid in the period (2022 - £Nil). The directors do not recommend payment of a final dividend.

Going concern

The Company is part of the wider Frasers Group and is considered a key subsidiary within the Group. It has access to financial resources via a Group banking facility which runs until November 2025 with a one year option to extend, and is well placed to take advantage of strategic opportunities as they arise. The board of Frasers Group plc, have undertaken to support the Company for a period of at least 12 months from the date of approval of these financial statements. Frasers Group plc, as a controlling party, has also confirmed that it, and its subsidiary companies, do not intend to demand repayment of amounts due to group undertakings of £59,053k for at least 12 months from the date of approval of these financial statements.

The directors believe that the Company is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

The Directors of both the Company and Frasers Group plc have assessed the level of trading and have forecast and projected a conservative base case and also a number of even more conservative scenarios, including taking into account the Group's open positions in relation to strategic investment options. These forecasts and projections show that the Group will be able to operate within the level of the current facility and its covenant requirements (being interest cover and net debt to EBITDA ratios). Management also has a number of mitigating actions which could be taken if required such as selling strategic investments at a discount to the market price if a significant share price fall occurred, reducing capital expenditure, putting on hold discretionary spend, liquidating certain assets on the Balance Sheet and paying down the Group Financing Facility.

Having thoroughly reviewed the performance of the Group and Parent Company and having made suitable enquiries, the Directors are confident that the Group and Parent Company have adequate resources to remain in operational existence for the foreseeable future which is at least 12 months from the date of these financial statements. Trading would need to fall significantly below levels observed during the COVID-19 pandemic to require mitigating actions or a relaxation of covenants. On this basis, the Directors continue to adopt the going concern basis for the preparation of the Annual Report and financial statements which is a period of at least 12 months from the date of approval of these financial statements.

Qualifying third party indemnity provisions

Frasers Group plc has granted the directors of the company with Qualifying Third Party Indemnity provisions within the meaning given to the term by Sections 234 and 235 of the Companies Act 2006. This is in respect of liabilities to which they may become liable in their capacity as director of the Company and of any company within the group. Such indemnities were in force throughout the financial year and will remain in force.

THE FLANNELS GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Group currently has approx. 32,000 colleagues in its stores, offices and warehouses.

We have continued with levelling up our communication across the business, launching a new company intranet, continued our roll out of MS Teams to all colleagues and building on our Monthly newsletters and bi annual webinars from leadership, keeping all colleagues informed of what is happening across the business including updates on the financial performance of the business.

In October 2022 we launched our first Frasers Group engagement survey to all colleagues across the Group. This provided our colleagues the opportunity to share feedback on topics such as our values, communication, leadership and recognition. Over 17,000 colleagues completed the survey, providing us with valuable insight into what we are doing well as an employer and what they would like to see us work to improve. We achieved an engagement score of 66, which is a positive result for our first survey. We have now made Engagement a key KPI across Frasers Group, cementing our strategic ambition to build the best team on the planet.

The Company has elected a Workers' Representative, Cally Price, who attends all Board meetings as a non-executive director and provides feedback from employees to the Board. During the year the "Ask Cally" app was launched. The App allows any employee to submit a question or raise an issue directly with the Non-executive Workforce Director, Cally Price, and receive a personal response. The Company has recently introduced CEO sessions where employees are invited to interactive face to face sessions to discuss different facets of the business with Michael Murray and senior management.

Engagement and progress with action plans will continue to be a focus for us, both following up with Leaders on their local actions, and regular Group wide communications sharing with colleagues our progress on improving the things they've told us are opportunities and are important to them. Our efforts to increase colleague engagement will be measured in our next annual survey in October 2023.

Our monthly nominations for 'Frasers Champion' provides colleagues with the opportunity to individually recognise and reward the hard work of their fellow colleagues. Winners of the monthly champion awards win an additional month's salary as well as 10 points under the Fearless 1000 bonus scheme. A total of 104 colleagues were 'Frasers Champions' in the year.

Further information on relationships with our people and the principal decisions taken by the Frasers Group during the period having regard to colleague involvement can be found in the Our People section of the Frasers Group accounts.

Diversity and Equal Opportunities

The Group's recruitment policy is to match the capabilities and talents of each applicant to the appropriate job. Factors such as gender, race, religion or belief, sexual orientation, age, disability or ethnic origin are ignored, and decisions are made with regard to candidates irrespective of these factors. Discrimination in any form is not tolerated within the Group.

Applications for employment by persons with any disability are given full and fair consideration for all vacancies and are assessed in accordance with their particular skills and abilities.

The Group endeavours to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all.

THE FLANNELS GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

The Group makes every effort to provide continuity of employment when our people become disabled. Attempts are made in every circumstance to provide employment, whether this involves adapting the current job role and remaining in the same job, or moving to a more appropriate role. Job retraining and job adaptation are just two examples of how the Group works in the interests of its workforce to promote equal opportunities, in order that an individual's employment within the Group may continue. The Group values the knowledge and expertise that our people have gained throughout their time with us, and therefore does not wish to lose valued colleagues.

Further information on our approach to diversity can be found in the Frasers Group accounts.

Link to Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. The following which would normally be present in the Directors' Report has instead been considered in the Strategic Report due to its significance and relevance to the underlying strategy of the Company:

- Principal risks and uncertainties
- Financial risk management policies and objectives
- Future developments
- Corporate governance statement
- Employee engagement statement
- Statements regarding the fostering of relationships with suppliers, customers and others

Environmental reporting

The Company has applied the exemption given in the Companies Act Sch7.15 (20A) not to present disclosures in its individual accounts due to its inclusion in the group report of Frasers Group plc which is prepared in accordance with the carbon and energy reporting requirements in UK legislation.

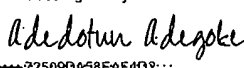
Auditor

In accordance with the Company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the Company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board

DocuSigned by:

72509DA68EAF402...
A A Adegoke
Director

Date: 27 September 2023

THE FLANNELS GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 30 APRIL 2023

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE FLANNELS GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE FLANNELS GROUP LIMITED

Opinion

We have audited the financial statements of The Flannels Group Limited (the 'company') for the period ended 30 April 2023 which comprise the statement of total comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE FLANNELS GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE FLANNELS GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

THE FLANNELS GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE FLANNELS GROUP LIMITED

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included:

- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with HMRC.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to competition and anti-bribery laws, data protection, employment, environmental and health and safety regulations. We performed audit procedures to inquire of management and in-house legal counsel concerning actual and potential litigation and claims and inspected correspondence with regulatory authorities.

The audit engagement team identified the risk of management override of controls, fraudulent revenue recognition and those areas in which management is required to exercise significant judgement, as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to:

- testing the appropriateness of journal entries and other adjustments based on risk criteria and comparing the identified entries to supporting documentation;
- assessing whether the judgements made in making accounting estimates were indicative of potential bias;
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- investigating transactions posted to nominal ledger codes outside of the normal revenue cycle identified through the use of data analytics tools;
- testing the accuracy and existence of sales through agreement to cash receipt and other supporting evidence.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

THE FLANNELS GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE FLANNELS GROUP LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rachel Fleming

Rachel Fleming (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

27 September 2023
.....

THE FLANNELS GROUP LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 APRIL 2023

		Period ended 30 April 2023	Period ended 24 April 2022
	Note	£000's	£000's
Revenue	3	335,079	308,693
Cost of sales		(146,667)	(126,552)
Gross profit		188,412	182,141
Distribution costs		(128)	(79)
Administrative expenses		(165,660)	(131,802)
Other operating income	3	111	1,089
Operating profit	4	22,735	51,349
Finance costs		(2)	(11)
Profit before taxation		22,733	51,338
Taxation	6	(13,700)	1,312
Profit for the financial period		9,033	52,650
Total comprehensive income for the period		9,033	52,650

The Statement of Total Comprehensive Income has been prepared on the basis that all operations are continuing operations.

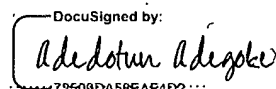
No items have been recognised within Other Comprehensive Income for the current or prior period.

The notes on pages 27 - 39 form part of these financial statements.

THE FLANNELS GROUP LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 APRIL 2023**

		2023	2022
	Note	£000's	£000's
Non-current assets			
Property, plant and equipment	7	42,027	62,078
Current assets			
Trade and other receivables	8	138,116	78,364
Cash and cash equivalents		6,420	13,851
		144,536	92,215
Current liabilities	9	(75,429)	(65,906)
Net current assets		69,107	26,309
Total assets less current liabilities		111,134	88,387
Non-current liabilities		(1,786)	(2,097)
Provisions for liabilities	10	(17,257)	(3,232)
Net assets		92,091	83,058
Equity			
Called up share capital	13	20	20
Retained earnings	13	92,071	83,038
Total equity		92,091	83,058

The financial statements were approved by the board of directors and authorised for issue on 27 September 2023 and are signed on its behalf by:

DocuSigned by:

 72509DA58EAP4D2...
 AA Adegoke
 Director

Company Registration No. 02318510

The notes on pages 27 - 39 form part of these financial statements.

THE FLANNELS GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 APRIL 2023

	Share capital £000's	Retained earnings £000's	Total £000's
Balance at 26 April 2021	20	30,388	30,408
Period ended 24 April 2022:			
Profit and total comprehensive income for the period	-	52,650	52,650
Balance at 24 April 2022	20	83,038	83,058
Period ended 30 April 2023:			
Profit and total comprehensive income for the period	-	9,033	9,033
Balance at 30 April 2023	20	92,071	92,091

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

Company information

The Flannels Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit A, Brook Park East, Shirebrook, NG20 8RY.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000's.

The financial statements are for a period of 53 weeks ended 30 April 2023 (2022: 52 weeks ended 24 April 2022).

The financial statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below.

Reduced disclosures

As permitted by FRS 102 the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, hedging instruments, presentation of a cash flow statement, share-based payments, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the group. Where required, equivalent disclosures are given in the group accounts of Frasers Group plc in which these financial statements are consolidated. The group accounts of Frasers Group plc are available to the public and can be obtained as set out in note 16.

1.2 Going concern

The Company is part of the wider Frasers Group and is considered a key subsidiary within the Group. It has access to financial resources via a Group banking facility which runs until November 2025 with a one year option to extend, and is well placed to take advantage of strategic opportunities as they arise. The board of Frasers Group plc, have undertaken to support the Company for a period of at least 12 months from the date of approval of these financial statements. Frasers Group plc, as a controlling party, has also confirmed that it, and its subsidiary companies, do not intend to demand repayment of amounts due to group undertakings of £59,053k for at least 12 months from the date of approval of these financial statements.

The directors believe that the Company is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

The Directors of both the Company and Frasers Group plc have assessed the level of trading and have forecast and projected a conservative base case and also a number of even more conservative scenarios, including taking into account the Group's open positions in relation to strategic investment options. These forecasts and projections show that the Group will be able to operate within the level of the current facility and its covenant requirements (being interest cover and net debt to EBITDA ratios). Management also has a number of mitigating actions which could be taken if required such as selling strategic investments at a discount to the market price if a significant share price fall occurred, reducing capital expenditure, putting on hold discretionary spend, liquidating certain assets on the Balance Sheet and paying down the Group Financing Facility.

Having thoroughly reviewed the performance of the Group and Parent Company and having made suitable enquiries, the Directors are confident that the Group and Parent Company have adequate resources to remain in operational existence for the foreseeable future which is at least 12 months from the date of these financial statements. Trading would need to fall significantly below levels observed during the COVID-19 pandemic to require mitigating actions or a relaxation of covenants. On this basis, the Directors continue to adopt the going concern basis for the preparation of the Annual Report and financial statements which is a period of at least 12 months from the date of approval of these financial statements.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

1.3 Revenue

Revenue represents amounts receivable for goods sold, net of discounts and sales related taxes.

In the case of goods sold through retail stores, revenue is recognised when goods are sold to the customer, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card.

Royalty income is generated from other group entities on web sales under the Company's fascia/brand name. Recognition of revenue is on the same basis. Royalties distributed to the Company equate to the revenue generated less direct operating overheads.

Revenue from gift cards and vouchers is recognised when the cards or vouchers are redeemed by the customer, breakage is recognised when the likelihood of the card or voucher being redeemed is remote or has expired. For gift cards monies received represent deferred revenue prior to the redemption.

Revenue for third party concession sales is recognised when the goods are sold to the customer. The company acts as the agent so revenue is stated at the full value of the concession that the company receives on the transaction.

1.4 Other operating income

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the Income Statement at their fair value in the period in which they become receivable.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. A full year of depreciation is charged on all additions in property, plant and equipment in the period.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	5 years or over the life of the lease, whichever is shortest, straight line
Fixtures, fittings and equipment	3 - 5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the statement of total comprehensive income.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

Impairment of Property, Plant and Equipment

At each reporting date, the directors review the carrying amounts of the Company's tangible and intangible assets, other than goodwill and intangible assets with an indefinite life, 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 in its current condition 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 Company estimates the recoverable amount of the CGU to which the asset belongs. With respect to property, plant and equipment, each store is considered to be a CGU and reviewed for impairment whereby changes in circumstances indicate that the recoverable amount is lower than the carrying value.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease to the original historic cost and then as an expense.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts. Bank overdrafts as applicable are shown within borrowings in current liabilities.

1.7 Financial instruments

The Company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Recognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Trade, group and other debtors

Trade, group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised are recognised immediately in profit or loss.

Trade creditors, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

1.8 Taxation

The tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of total comprehensive income 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

Charging of tax to OCI and P&L

Changes in current and deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recorded in other comprehensive income or charged or credited directly to equity in which case the related tax is also charged to other comprehensive income, charged or credited directly to equity.

Offsetting tax assets and liabilities

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. The capital element is depreciated over the life of the asset. The non-capital element is taken to the income statement in the first year of the lease where the cost it represents is of no lasting benefit to the Company or its landlord. 'Wear and tear' costs are expensed to the income statement.

Provisions for onerous lease contracts are recognised when the Company believes the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

1.10 Employee benefits

The cost of short-term employee benefits are recognised as a liability and an expense, unless those costs are required as part of the cost of stock or are capitalised as an intangible fixed asset or tangible fixed asset.

The regular cost of providing retirement pensions and related benefits is charged to the Income Statement over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the Income Statement and the contributions paid to the scheme is shown as an asset or liability in the Statement of Financial Position.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

1.12 Materiality

In preparing the Financial Statements, the Board considers both quantitative and qualitative factors in forming its judgements, and related disclosures, and are mindful of the need to best serve the interests of its stakeholders and to avoid unnecessary clutter borne of the disclosure of immaterial items.

In making this assessment the Board considers the nature of each item, as well as its size, in assessing whether any disclosure omissions or misstatements could influence the decisions of users of the Financial Statements.

1.13 Leases

Payments made under operating leases are charged to the Income Statement on a straight line basis over the lease term. Incentives provided by the lessor are credited to the Income Statement on a straight line basis over the lease term.

Sale and leaseback transactions are assessed to consider whether the lease represents a finance lease or operating lease based on whether the risks and rewards of ownership are retained. Where a sale and leaseback transaction results in an operating lease and the transaction is established at fair value the calculated gain or loss is recognised immediately.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period.

1.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date. The amount of any liability is not significant as the Company's holiday pay entitlement period is aligned with the financial period end.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Property related provisions

Property related estimates and judgements are continually evaluated and are based on historical experience, external advice and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Dilapidations

The Company provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs (including strip out costs and professional fees). The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. For leases entered into post FY19 management use a reference estimate of £100,000 for large leasehold stores and £50,000 for small leasehold stores. Prior to FY19 management estimates were based on categorisation of stores by size and capital works performed and price per square foot. A 10% increase in dilapidations cost per store would result in approx £155k (FY22: £110k) reduction in PBT.

Onerous lease provision

Provisions for onerous lease contracts are recognised when the unavoidable cost of meeting lease obligations exceed the economic benefits expected to be received over the term of the lease. Where an onerous lease has been identified, the fixed asset associated to that store are also reviewed for impairment.

Management use store EBITDA in order to determine whether an onerous lease exists, specific assumptions which involve the use of estimates to determine the appropriate level of provision and impairment include:

- Forecast sales and margin in stores, reflecting historic and expected future performance including the impact of the Elevation strategy across the group
- Forecast wages and direct store cost inflation
- Store profitability includes 100% contribution towards central overheads
- Assumed get out cap of 10 years (FY22: 10 years), being the maximum period for total unavoidable costs
- Planned store closures, relocations and re-brandings

The key assumptions used for FY23:

Key assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Sales decline	-5%	-4%	-3%	-2%	-2%
Existing gross margin	-175bps	-150bps	-125bps	-100bps	-75bps
Operating costs increase per annum	3%	3%	3%	3%	3%
Discount rate	4.2%	4.2%	4.2%	4.2%	4.2%
Terminal growth rate of	2%				

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 APRIL 2023

2 Judgements and key sources of estimation uncertainty

(Continued)

The key assumptions used for FY22:

Key assumptions	Year 1	Year 2	Year 3	Year 4	Year 5
Sales decline	-10%	-5%	-4%	-3%	-2%
Existing gross margin	-200bps	-175bps	-150bps	-125bps	-100bps
Operating costs increase per annum	6%	3%	3%	3%	3%
Discount rate	7.5%	7.5%	7.5%	7.5%	7.5%
Terminal growth rate of	2%				

Impairments of £17,901k (FY22: £4,427k) have been recognised in the period for property, plant and equipment due to the ongoing challenge in the retail sector on the forecast cash flows of the CGU.

A sensitivity analysis has been performed in respect of sales, margin, new store exemption and operating costs as these are considered to be the most sensitive of the key assumptions.

Sensitivity of estimates:

Forecast:	Impact of change in assumption:	Provision increase/ (decrease) £'k
Sales decline year 1	10% improvement to 5%	(8,067)
Sales decline year 1	10% reduction to 15%	10,805
Existing Gross Margin year 1 >40%	100bps - improvement	(2,065)
Existing Gross Margin year 1 >40%	100bps - reduction	2,164
New store exemption(1)	Change from 1 to 2 years	(7,608)
Operating costs increase in year 1	Change from 3% to 6%	2,577

(1) Stores which have been open for less than 1 year are not reviewed for onerous provisions.

3 Revenue and other operating income

The total revenue of the Company for the period has been derived from its principal activity relating to the sale of goods wholly undertaken in the United Kingdom.

	2023 £000's	2022 £000's
Revenue		
Store revenue	265,458	225,973
Royalty income	69,621	82,720
	<u>335,079</u>	<u>308,693</u>

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

3 Revenue and other operating income (Continued)

	2023 £000's	2022 £000's
Other operating income		
Government grants received	-	357
Other income	111	732
	<u>111</u>	<u>1,089</u>

4 Operating profit

	2023 £000's	2022 £000's
Operating profit for the period is stated after charging/(crediting):		
Exchange (gains)/losses	(1)	48
Fees payable to the Company's auditor for the audit of the Company's financial statements	47	45
Depreciation of owned property, plant and equipment	21,078	14,989
Impairment of owned property, plant and equipment	17,901	4,427
Profit on disposal of property, plant and equipment	-	(31)
Operating lease charges	25,204	17,175
	<u>25,204</u>	<u>17,175</u>

5 Employees

The average monthly number of persons (including directors) employed by the Company during the period was:

	2023 Number	2022 Number
Retail and distribution	1,824	1,218
Administration	28	25
	<u>1,852</u>	<u>1,243</u>

Their aggregate remuneration comprised:

	2023 £000's	2022 £000's
Wages and salaries	26,640	20,373
Social security costs	1,907	1,466
Pension costs	371	285
	<u>28,918</u>	<u>22,124</u>

The directors are not remunerated in respect of any services provided to the Company. They are remunerated via other group companies and no amounts have been recharged.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

6 Taxation

	2023 £000's	2022 £000's
Current tax		
UK corporation tax on profits for the current period	7,827	-
Adjustments in respect of prior periods	11,031	(5,549)
Total current tax	18,858	(5,549)
Deferred tax		
Origination and reversal of timing differences	(2,614)	4,237
Changes in tax rates	(1,054)	-
Adjustment in respect of prior periods	(1,490)	-
Total deferred tax	(5,158)	4,237
Total tax charge/(credit)	13,700	(1,312)

The actual charge for the period can be reconciled to the expected charge/(credit) for the period based on the profit and the standard rate of tax as follows:

	2023 £000's	2022 £000's
Profit before taxation	22,733	51,338
Expected tax charge based on the standard rate of corporation tax in the UK of 19.49% (2022: 19.00%)	4,431	9,754
Tax effect of expenses that are not deductible in determining taxable profit	68	99
Tax effect of income not taxable in determining taxable profit	(459)	(1,181)
Adjustments in respect of prior years	11,031	(5,549)
Group relief	(2,558)	(7,602)
Depreciation on assets not qualifying for tax allowances	2,874	2,332
Deferred tax adjustments in respect of prior years	(1,490)	-
UK transfer pricing adjustment for notional interest	857	835
Changes in deferred tax rate	(1,054)	-
Taxation charge/(credit) for the period	13,700	(1,312)

In the Budget on 3 March 2021, the UK government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at 25% which was the tax rate substantively enacted at the reporting date.

The current and deferred tax charge/(credit) for the current and prior period is recognised in the Statement of Comprehensive Income. No charge/(credit) is recognised in Other Comprehensive Income.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

7 Property, plant and equipment

	Leasehold improvements	Fixtures, fittings and equipment	Total
	£000's	£000's	£000's
Cost			
At 25 April 2022	16,729	108,672	125,401
Additions	-	18,928	18,928
Disposals	-	(51)	(51)
At 30 April 2023	16,729	127,549	144,278
Depreciation and impairment			
At 25 April 2022	13,390	49,933	63,323
Depreciation charged in the period	844	20,234	21,078
Impairment losses	267	17,634	17,901
Eliminated in respect of disposals	-	(51)	(51)
At 30 April 2023	14,501	87,750	102,251
Carrying amount			
At 30 April 2023	2,228	39,799	42,027
At 24 April 2022	3,339	58,739	62,078

Depreciation and impairment of Property, Plant and Equipment is included within administrative expenses.

The impairment charge relates to the write-down of assets to their recoverable amount where this is deemed to be lower than the carrying amount. The impairment in the current period relates to the property, plant & equipment at stores where the recoverable amount is lower than the carrying amount as a result of the impact of the ongoing challenges in the retail sector on the forecast of cash flows.

8 Trade and other receivables

	2023 £000's	2022 £000's
Amounts falling due within one year:		
Trade receivables	522	340
Amounts owed by group undertakings	129,599	74,607
Other receivables	1,394	596
Prepayments and accrued income	1,780	2,821
	133,295	78,364
Deferred tax asset (note 11)	4,821	-
	138,116	78,364

Amounts owed by Group undertakings are interest free and unsecured and repayable on demand.

Trade receivables are stated after provisions for impairment of £22k (FY22: £22k).

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

9 Current liabilities

	2023 £000's	2022 £000's
Trade payables	514	860
Amounts owed to group undertakings	59,053	46,252
Other payables	6,636	6,252
Accruals and deferred income	9,226	12,542
	<u>75,429</u>	<u>65,906</u>

Amounts owed to Group undertakings are interest free and unsecured and repayable on demand.

10 Provisions for liabilities

	2023 £000's	2022 £000's
Property related	17,257	2,895
	<u>17,257</u>	<u>2,895</u>
Deferred tax liabilities	11	337
	<u>17,257</u>	<u>3,232</u>

Movements on provisions apart from deferred tax liabilities:

	Property related £000's
At 25 April 2022	2,895
Additional provisions in the year	14,362
	<u>17,257</u>
At 30 April 2023	<u>17,257</u>

During the period, onerous lease provision reversals were recognised due to an ongoing management review of the Company's store profile and strategy of £13,912k (FY22 :£nil). Dilapidation provision was increased by £450k in the period (FY22: 100k). The resulting overall increase in property provisions is £14,362k (FY22: £100k). Further details of managements estimates are included in accounting policies note 1.9.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

11 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon:

	Liabilities 2023 £000's	Liabilities 2022 £000's	Assets 2023 £000's	Assets 2022 £000's
Balances:				
Accelerated depreciation		337	4,821	-
Movements in the period:				2023 £000's
Liability at 25 April 2022				337
Credit to Income statement				(5,158)
Asset at 30 April 2023				(4,821)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

A deferred tax asset has been recognised in relation to accelerated depreciation. The Company assumes that it is probable that deferred tax assets will be utilised against future taxable profits.

12 Retirement benefit schemes

	2023 £000's	2022 £000's
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	371	285

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Contributions totalling £Nil (2022: £Nil) were payable to the fund at the Statement of Financial Position date and are included in payables. Contributions for the Company are paid by a fellow group company.

13 Share capital and Reserves

	2023 £000's	2022 £000's
Ordinary share capital		
Issued and fully paid		
20,405 Ordinary shares of £1 each	20	20

The ordinary shares have attached to them full voting, dividend and capital distribution rights.

Retained earnings

Retained earnings represents accumulated comprehensive income for the current period and prior periods.

THE FLANNELS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 APRIL 2023

14 Operating lease commitments

Lessee

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £000's	2022 £000's
Within one year	3,045	3,239
Between one and five years	8,258	8,233
In over five years	5,991	6,402
	<u>17,294</u>	<u>17,874</u>

The charge for the year in relation to operating leases is £25,204k (2022: £14,989k), for further details see Note 4.

15 Related party transactions

Transactions with related parties

As permitted by FRS 102 the Company has taken advantage of the disclosure exemption available under that standard in relation to related party transactions with other wholly-owned members of the group.

Transactions with related parties are all trade related.

16 Ultimate controlling party

The ultimate controlling party is M J W Ashley, by virtue of his 100% ownership of MASH Holdings Limited, the ultimate parent company. MASH Holdings Limited indirectly holds the majority of shares in Frasers Group plc, who own 100% of the share capital of Sportsdirect.com Retail Limited (the immediate parent company).

Frasers Group plc is the smallest company and MASH Holdings Limited is the largest company to consolidate these accounts. Both Frasers Group plc and MASH Holdings Limited are companies registered in England and Wales. A copy of the group accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.