Accounting, Financial Management and Economics Department
Summer Challenge

The Collapse of the Arcadia group has had a large impact on the UK High Street. Using the information provided and your own research you are required to prepare a report which covers the following four areas. You should present the report in a professional manner and each section should be limited to no more than 500 words (ie 2,000 words maximum). Credit will be given for your own research.

1) It has been argued that the strategy adopted by the Arcadia group was the single biggest factor in relation to its collapse into administration. Based on the information provided, and your own research, identify any evidence of poor decision making.

2) Arcadia has identified its five key values in its strategic report. Discuss to what extent the company lived up to these values and how its behaviour in relation to these values may have impacted on the business.

3) Philip Green was the face of the Arcadia Group. Consider the extent that he personally contributed to the demise of Arcadia group.

4) The failure of a high profile retailer such as Arcadia is likely to have a major impact on all of its stakeholders. Discuss the positive and negative impacts on the following stakeholders:

    a) Customers
    b) Local communities
    c) Competitors
    d) The audit profession
    e) Government

Arcadia Group:

The Arcadia Group (Arcadia), is a subsidiary of Taveta Investments Ltd. Its principal activities are the retailing, wholesaling and franchising of clothing and accessories under various brand names including Topshop, Topman, Dorothy Perkins, Burton, Wallis, Evans, Miss Selfridge and Outfit.

On 30 November 2020, it was announced that the Arcadia Group had gone into administration, putting 13,000 jobs in jeopardy. Arcadia's chief executive, Ian Grabiner said "This is an incredibly sad day for all of our colleagues as well as our suppliers and many of our other stakeholders.

"The impact of the COVID-19 pandemic, including the forced closure of our stores for prolonged periods, has severely impacted on trading across all of our brands. Throughout this immensely challenging time, our priority has been to protect jobs and preserve the financial stability of the group in the hope that we could ride out the pandemic and come out fighting on the other side. Ultimately, however, in the face of the most difficult trading conditions we have ever experienced, the obstacles we encountered were far too severe."[i]

Arcadia's collapse represented the biggest corporate collapse of the pandemic, and the latest blow to an already battered UK high street.[ii]

Exhibit 1: Arcadia History[iii]

(i) Origins

Arcadia's early origins can be traced back to 1903, when 18-year-old Lithuanian immigrant Meshe David Osinsky, set up The Cross-Tailoring Company in Chesterfield. Osinsky, subsequently changed his name to Montague Burton and expanded the business having successfully tapped into the growing demand for affordable menswear. The Cross-Tailoring Company became 'Burton' in 1914 and following a period of further growth, 'Burton' listed on the London Stock Exchange in 1929.

Post second world war the 'Burton' business continued to expand. In 1946, it acquired 'Peter Robinson' a chain of UK-based department stores established in 1833; and in 1954 it acquired 'Jackson the Tailors' and began placing its merchandise in other retail stores.

In 1964, the TopShop brand was first launched in the 'Peter Robinson' department stores. In 1965, the basement of 'Peter Robinson's' Oxford Circus flagship store, was converted into a TopShop. The rise in the TopShop brand coincided with the demise of the 'Peter Robinson' brand which subsequently disappeared from the high street in 1979.

In 1966, Burton became the official suit supplier to the England world cup football team. In 1967, Burton was rebranded as the Arcadia Group.

(ii) Arcadia 1970's & 1980's

The success of TopShop continued in the1970's and 1980's, with the first stand-alone TopShop store being launched in 1974.

Arcadia grew through the launch and acquisition of a number of key brands: Topman (1970); plus-sized retailer Evans (1971); Dorothy Perkins (1979); Principles (1984) and Principles for Men (1985).

In 1985, Arcadia acquired Debenhams, which was the largest UK department store group at that time.

(iii) Arcadia 1990's

By 1992, Topshop and Topman opened a joint flagship store on Oxford Street, London which it claimed to be the largest fashion store in the world.

By 1993, Arcadia was operating from 1600 stores in the UK. A strategic review of its store portfolio led to a number of brands being sold out of the same unit rather than from individual brand stores. The combination of brands such as TopShop/Topman and Burton/Dorothy Perkins under one roof enabled Arcadia to reduce overheads without impacting its geographical presence.

In 1996, Acadia acquired mail order catalogue company 'Innovations', but this was subsequently one year later to Great Universal stores. Arcadia also acquired Racing Green and the Hawshead brand.

1998: Arcadia demerged from Debenhams. Debenhams is separately listed on the London Stock Exchange. Arcadia launched SU214 menswear aimed at the high-end casual wear market and acquired designer brand Wade-Smith.

1999: launched online shopping store Zoom which became an online platform for all of the Arcadia brands in addition to other high street brands such as HMV and Carphone Warehouse.

2000: Underperforming brands Wade-Smith Jr, Principles for Men and SU214 became concessions rather than standalone stores and the remaining stand-alone Topman stores were replaced by combined Topshop/Topman stores.

(iv) Philip Green and Arcadia

1999: Philip Green (Green) acquires UK retailer Sears group for £550 million.

2000: Green's first takeover bid for Marks and Spencer is abandoned following allegations of his wife's pre-takeover bid share purchases.

2002: Arcadia is acquired by Taveta Investments, a Jersey based company owned by Tina Green, Philip Green's wife for £850 million. Arcadia is delisted from the London Stock Exchange and became a private company.

Arcadia's Principles, Warehouse, Racing Green and Hawkshead brands were sold off shortly after the acquisition. Green transferred Sears' Warehouse, Wallis, Richards, Miss Selfridge and Outlet retail brands to Arcadia.

2004: Green's second takeover bid for Marks & Spencer fails

2005: Retail stores Etam and Tammy acquired and converted into Arcadia fascia.

Arcadia paid out dividends of £1.2 billion to Taveta/Green family funded by Arcadia borrowings.

2006: Green received a knighthood for "services to the retail industry" in 2006 Queen's Birthday honours list.

2009: British Home Stores (BHS) integrated into the Arcadia group. Green had previously acquired BHS in 2000 for £200 million. BHS hosted a number of Arcadia concessions.

2010: A strategic review of Arcadia's property portfolio led to the subsequent closure of stores. Arcadia moved from high street locations to small-medium sized stores, citing the rise in online shopping and destination centres for the change in strategic direction.

Top shop opens its first US store in New York.

Following accusations of tax avoidance by UK Tax Uncut, protestors gathered outside its flagship Topshop on Oxford Street, London.

2015: Struggling BHS sold to UK based investment vehicle Retail Acquisitions, owned by former bankrupt Domonic Chappell for £1. BHS subsequently collapsed 13 months later in 2016 with a pension deficit of £571. A public scandal ensued, with MPs passing a motion to strip Green of his knighthood. Green kept his knighthood after agreeing to pay £363 million into the BHS pension fund.

2016: Arcadia formed a joint venture with Beyonce to sell her 'Ivy Park' clothing range through Topshop stores.

2018: Green named at the centre of #MeToo controversy by Lord Peter Hain, following accusations of improper sexual behaviour. This led to a string of allegations of improper behaviour, physical and sexual abuse, racist and improper behaviour which Green has denied.

Following the allegations, Beyonce acquired Arcadia's 50% share of 'Ivy Park' [iv]. Baroness Karen Brady resigns from her role as non-executive chairman of Taveta (Arcadia's holding company[v]).

2019 Key events

Arcadia begins withdrawal from the Irish market with full closure expected in 2020/21.

March 2019: Arcadia explores the prospect of a Creditors Voluntary Agreement (CVA) in a bid to cut costs. Further shop closures and job losses expected.

April 2019: Two restructuring specialists appointed to Arcadia's board to oversee the CVA implementation.

May 2019: Arcadia confirms plans to close 23 UK stores along with the possibility of further closures worldwide.

Green offered to provide £185 million of additional fund from property assets to reduce the pension deficit as part of a bid to win approval for the seven CVA's.

June 2019: Arcadia's CVA's approved by its creditors. Lady Tina Green agreed to pay £50 million into the group to prevent a legal challenge to the CVAs.

The implementation of the CVAs led to the closure of 48 UK stores and rent cuts for 194 stores. A further 11 stores based in the US were closed.

Sept 2019: Accounts filed at Companies House for the year ended September 2018 which highlighted the extent of Arcadia's financial difficulties.

Rt. Hon Frank Field, MP and Chair of the Parliamentary Work and Pensions Committee send an open letter to the Chief Executive of The Pensions Regulator expressing concerns over the long term viability of the Arcadia pension fund[vi].

Dec 2019: TopShop CEO Paul Price resigns, and Arcadia's chief executive Ian Grabiner assumes his role.

2020 Key events

March 2020: Arcadia cancelled £100 million of clothing orders, temporarily closed 444 shops and furloughed 9,294 employees due to the COVID-19 pandemic.

July 2020: Arcadia announced 500 head office staff redundancies in a cost cutting exercise. Rumours in the media suggested another restructure was imminent.

September 2020: Former London HQ put up for sale to raise funds for Arcadia.

November 2020: Deloitte appointed as administrators following unsuccessful emergency talks with lenders putting 13,000 jobs at risk.

December 2020: UK ministers said to be keeping a ‘close eye’ on the administration due to the controversy surrounding the management of the company.

2021 Key events

February 2021: Asos and Boohoo acquire Arcadia brands but not the shops.

ASOS acquired Topshop, Topman and Miss Selfridge brand for £265 million plus a further £65 million for current and pre-ordered stock which saved 300 jobs. The deal did not include any of the brands 70 stores, putting 2,500 jobs at risk.

Boohoo acquired Burton, Dorothy Perkins and Wallis brands for £25.2 million saving 260 jobs. The deal did not include any of the brands’ 214 stores, concessions or franchises, jeopardising a further 2,450 jobs.

Exhibit 2: Extracts from: “The rise & fall of Philip Green”

The Financial Times: 30 November 2020[vii]

Sir Philip’s career, which started with his selling surplus stock from a store called Bond Street Bandit, will be remembered chiefly for its deal making, often audacious and ruthless in equal measure. He made big decisions quickly and often persuaded backers — ranging from the secretive Barclay twins to leading high street banks — to lend huge amounts of money at short notice. In his early days, his bold moves were rewarded with rapid and often spectacular returns. The break-up of Sears, which he took over in 1999, resulted in a profit of almost £300m, while the refinancing of Arcadia in 2005 resulted in a £1.2bn tax-free dividend to the Green family. Sir Philip’s retailing ability is more hotly debated. “This idea that he had a Midas touch is nonsense,” said one person who has worked with him. “He is not strategic at all, there is no long-term plan.”

This person added: “He’s a rag trader. He buys things cheap and sells them more expensively. He’s very good at it and it made him very successful.” Another person who has locked horns with the tycoon several times over the years said he appeared to “sit back and milk the cow” after his second attempt to acquire Marks and Spencer, in 2004, was unsuccessful. Retail commentators say there was little in the way of investment in Arcadia’s main brands of Topshop, Burton and Wallis, whose market share has declined precipitously since their heyday in the early 2000s. Sir Philip was put off ecommerce by the heavy investment required, allowing rivals such as Asos and Boohoo to grab market share among younger consumers.

Meanwhile on the high street, Arcadia’s brands were undercut on price by the likes of Primark and faced an onslaught of competition as H&M and Zara expanded in the UK. His own attempts to open stores overseas had mixed results. As Arcadia’s decline gathered pace, senior executives and potential new hires became less willing to indulge his abrasive personality. Sir Philip’s attitude towards bankers, suppliers, staff, analysts and journalists “definitely had an effect” on recruitment, the former associate said, adding that he was increasingly reliant on long time lieutenants such as Ian Grabiner, Arcadia’s chief executive since 2009. “[Those people] might be prepared to put up with the **** but that doesn’t mean they’re the best people to run those brands,” the person said. Sir Philip’s reputation was also dented by the months of bitter recriminations that followed the collapse of BHS in 2016. He acquired the group in 2000, but sold it to serial bankrupt Dominic Chappell for £1 just 13 months before it collapsed.

He later agreed to pay £363m to shore up its underfunded pension scheme after facing allegations that he had sold the company to avoid addressing the pension obligations. Few believe he would have the appetite for another stint in a retail industry that has changed fundamentally since he started out. “Obviously I don’t know for sure, but I get the feeling this is it,” said the former associate. “He feels terribly got-at over the BHS failure and just wants out.”

Topshop would also be controversial given the impact that any administration would have on suppliers, landlords and Arcadia’s pension scheme, which has a substantial funding deficit. Sir Philip, who is 68, now spends most of his time in Monaco and has rarely been seen in the

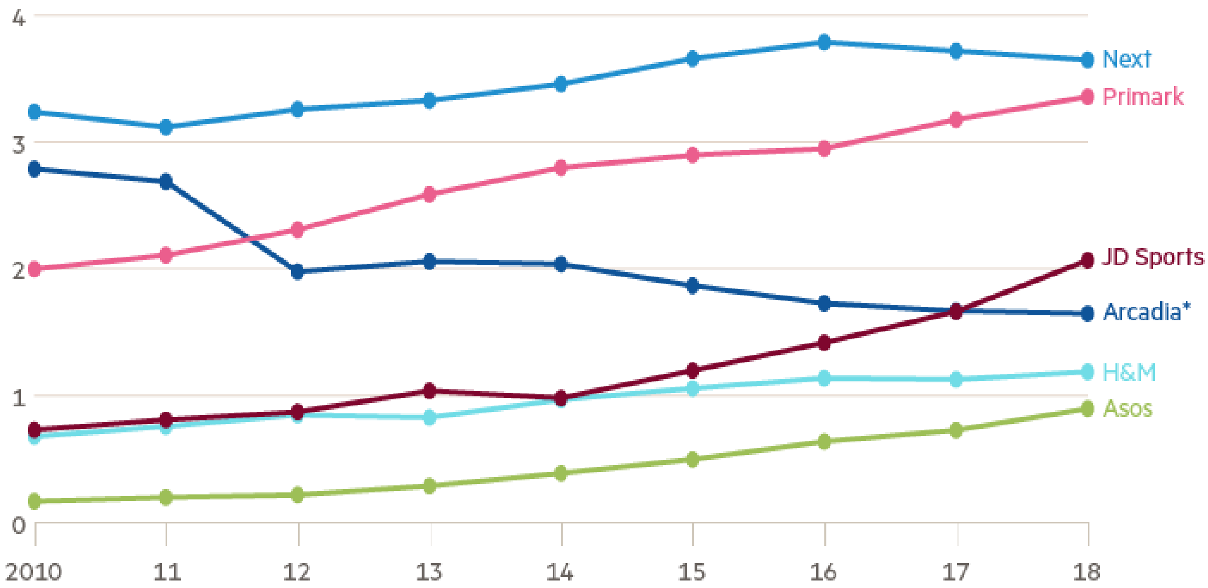
UK since allegations — which he has denied — about his conduct towards employees became public.

Another senior retail figure who has worked with Sir Philip in the past believes the opinion of his wife Tina, also the ultimate owner of Arcadia, will shape his next move. "She will be pushing him in one direction or another. She is very influential behind the scenes and very measured," he said. "Whatever he does now he cannot win." Sir Philip declined to comment.

Annual UK revenues

Arcadia has been eclipsed by rivals such as Primark

Annual UK revenues (£bn)



* Arcadia did not break out UK sales prior to 2015, but international sales only totalled about £280m a year in the 2015-18 period
Sources: Companies House; Capital IQ
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Source: Financial Times, 1 December 2020[viii]

Exhibit 3: Arcadia Group: average number of employees

	2018	2017	2016	2015	2014
Retail	18,886	20510	23,128	24,374	26,582
Head Office	2,730	2,914	2,838	2,832	2,629
	21,616	23,424	25,966	27,206	29,211

Source: Arcadia Group Ltd financial statements 2014 – 2018.

Exhibit : Extracts from 2018 Strategic review

Strategic report
for the 53 weeks ended 1 September 2018

Introduction

The directors present their strategic report of Arcadia Group Limited and its subsidiaries ("the Group") for the 53 weeks ended 1 September 2018. The financial statements have been prepared for the 53 weeks ended 1 September 2018 (2017: 52 weeks ended 26 August 2017).

The retail landscape has changed dramatically over recent years and the increased competition from other high street and online retailers in particular has had a significant impact on our performance.

After coming through a challenging year, we are now very clear on our strategic direction. Our stakeholders have supported us by voting in favour of the 7 Company Voluntary Arrangements ("CVAs") which have reduced our cost base and given us a platform for the future. Our Business and Recovery Plan is focused on our product, service, stores and maximising the potential of all the partners and channels that we are operating through, details of which are outlined below.

We have some of the strongest brands in the fashion market and we are confident that we will deliver on our plan, improve the way we work and win the hearts and minds of more and more of our customers.

We are already making good progress. We are building on our very strong partnership with Nordstrom, who are Topshop/Topman's exclusive American retail partner and who also offer Topshop/Topman product successfully online. We have built a very substantial business with Zalando across all of our brands, which continues to grow.

We are also very pleased to be developing our relationship with ASOS, with whom Burton and Miss Selfridge already trade, to see the exciting launch of Topshop and Topman brands on ASOS this autumn.

Similarly, we are growing our relationship with Very, where the existing brand offering of Wallis, Evans and Miss Selfridge has been developed to introduce all of our other brands to Shop Direct/Very customers.

We are also looking forward to expanding our brand presence on Next online to include both Topshop and Topman in addition to our other brands who have seen a strong launch through this channel over the last year.

Our new 1.2 million square feet distribution centre in Daventry has now opened with Topman having moved in successfully in July, and Topshop due to go live next spring. With state of the art technology and automation integral to the operation, the distribution centre is already delivering efficiency and an improved customer experience.

We are also taking our digital channels to the next level. The launch of our new platform following two years of development and investment, and the introduction of digital delivery passes across all of our brands, have already given our customers more choice and there are plenty of enhancements and initiatives in the pipeline.

In addition, we are looking forward to investing in key stores within our more focused retail estate to ensure that we are able to continue to give our customers an exciting shopping experience on the High Street.

None of these developments would be possible without all of our stakeholders including our incredible team, our loyal supplier base and our wholesale partners. We are very grateful for their continued support.

Principal activities

The Group's principal activities are the retailing, wholesaling and franchising of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet. The Group trades under the brand names Topshop, Topman, Dorothy Perkins, Burton, Wallis, Evans, Miss Selfridge and Outfit.

Our portfolio of brands aim to deliver great value, up to the minute fashion to our customers through multiple trading channels.

The Company's principal activity is that of a holding company.

Strategic report
for the 53 weeks ended 1 September 2018

Group restructure

On 22 May 2019, the Group launched 7 individual entity Company Voluntary Arrangement ("CVA") proposals relating to 5 property companies, Arcadia Group Limited and Top Shop/Top Man Limited. These CVAs were approved by the requisite number of creditors on 12 June 2019.

These CVAs and parallel agreements with the Group's pension trustees have allowed the Group to reduce future cash outgoings, and will enable the Group to implement its 3 year Business and Recovery Plan.

As part of the restructure the Group will receive £50.0 million of equity financing from its ultimate shareholder, £10.0 million of which was received on 25 June 2019 and the balance (which will be held by the supervisor of the CVAs to fund a Creditors Compensation Fund required to ensure that no compromised creditors are worse off as a result of the CVAs than they would have been in an insolvency) which falls due 14 days after the CVAs became challenge free. In addition, the Group has received a £50.0 million interest free loan from the ultimate shareholder, which is secured on the new distribution centre in Daventry. The majority shareholder will continue to provide support in the form of a rent subsidy, up to £9.1 million per annum for the 3 years following the agreement of the CVAs.

Business review

The business operates in a challenging environment with UK and overseas consumer habits changing, and underlying consumer confidence low. In addition, the digital arena continues to see significant competition, particularly in the younger fashion market, from newer entrants who do not have the high fixed cost base associated with retail stores.

The Group has looked to respond to the changes in shopping habits and reduction in high street footfall through developing a multi-channel offering that will allow customers to interact through the stores of and the websites of the individual brands in a seamless way. We believe that high quality stores in the right location can enhance the customer experience and the brands' relationships with their customers.

The Group also continues to invest in its infrastructure, with £29.4 million spent during the period on a new distribution centre in Daventry, which has opened and started to operate its first brand in July 2019. In addition, the Group continued with its on-going investment in the digital web platform, developing an agile capability which will enable a programme of continuous investment once the project is delivered.

In order to compete in this rapidly changing environment, the Group continues to recruit new personnel into senior management roles and is focused on ensuring that it has the correct skill sets at both senior and more junior levels to implement its Business and Recovery Plan.

The Group continues to look for opportunities to expand into new territories with appropriate wholesale partners when suitable opportunities arise.

Future developments

In autumn 2018, the Group took the decision to close the Outfit Kids childrenswear brand and in May 2019, as a result of on-going losses, the Group placed the subsidiary responsible for operating the Topshop/Topman stores in the USA, Arcadia Group (USA) Limited, into administration. The Topshop/Topman brands will continue to be available in the USA through our wholesale arrangement with Nordstrom, and through our own digital channels.

Following the CVAs referred to above, and the closure of Outfit Kids and the US stores business, the Group is now expected to remain in its current form.

The reduced cost base and more flexible lease portfolio will allow the Group to focus on a well defined strategy aimed at growing the wholesale and digital businesses after the CVA and as part of the restructuring, together with targeted investment in the remaining retail estate. The Group will continue to operate a portfolio of diverse, market-leading brands.

The Group continues with its goal to produce fashionable products in an ethical way. The Fashion Footprint initiative is in its fourteenth year and responsible retailing remains a key focus.

Extracts from 2018 Strategic review (cont)

Strategic report
for the 53 weeks ended 1 September 2018

Our brands and culture

The Group operates 8 brands covering a diverse range of the clothing market. Brief details on each brand are set out below:

Burton – mid-market menswear specialising in formal wear but with a strong casual offer
Dorothy Perkins – mid-market affordable fashion for women looking for casual or work wear
Evans – specialises in size 14+ fashionable womenswear
Miss Selfridge – young fashion womenswear
Outfit – out-of-town multi-brand fashion retailer, including the Group's brands and complementary concessions
Topman – leading young fashion retailer of menswear
Topshop – leading young fashion retailer of womenswear targeting fashion conscious young people seeking affordable fashion and quality
Wallis – fashionable womenswear retailer

Each brand has its own intrinsic culture but the Group's overall values can be summarised within 5 key areas:

Customer focus
It is critical to the success of the business to ensure our customers are satisfied, so every aspect of their experience – whether online or in any stores worldwide – is important and every effort is made to ensure that customer service is tailored to suit the customers of each individual brand. We would like to thank our customers for their continued loyalty in shopping with our brands across multiple channels.

Commercial flair
Being intuitive and spotting opportunities ahead of the market is essential to sustaining growth. The Group continues to explore exciting new ways to develop the business and actively encourages original ideas and innovation. Our recruitment efforts are directed at introducing new talent with flair and forward thinking into the Group.

Strategic focus
An ability to innovate rapidly is important but it is also key to maintain a longer term view to ensure value can be sustained. The Group looks to the future to spot challenges and opportunities that allow the Group to adapt to the fast-changing global retail environment. The Group continues its wholesale expansion with key partners such as Nordstrom, Zalando and ASOS.

Energy and drive
The Group has high expectations, based upon having confidence in people who are driven by the passion and determination they have for their work. It's the ambition, energy and drive of its employees which helps underpin the success of the Group.

Our people
People are at the heart of all the Group's activities and great effort is made to place employees in the brand that is right for them and their personality. Our people are friendly and sociable but they're also professional, supportive, passionate and knowledgeable.

We would like to thank all of our people for their commitment and energy which has enabled us to continue to provide value to our customers in challenging times.

The Fashion Retail Academy ('FRA') is a unique, employer-led college with charitable status. It was founded in 2005 via a private-public partnership between Arcadia, Next, Marks and Spencer, Tesco and Experian who funded its start-up, matched by investment from the Government.

FRA offer a wide range of specialist fashion courses for students of all ages. The courses are developed to provide the student with a combination of an in-depth knowledge of fashion retail and hands on practical experience of the work environment.

During the period to 1 September 2018, the Group offered 114 placements (2017: 110) to graduates of the Academy. Placement roles varied from visual merchandising to buying and merchandising which demonstrates the Group's commitment to finding and developing the top fashion talent of the future.

Extracts from 2018 Strategic review (cont)

Strategic report
for the 53 weeks ended 1 September 2018

Store portfolio
As at 1 September 2018, the Group traded from 2,765 (2017: 2,805) outlets representing 6 million (2017: 6.3 million) square feet of space. During the year the Group closed 339 and opened 299 solus, external business and franchise stores. The Group continues to review its store portfolio to ensure that it best fits with the fast-changing retail industry by closing loss-making stores as leases expire and, where appropriate, investing in improving existing outlets and opening new retail outlets across the world either wholly-owned, external business concessions or through franchise operations. In total £114.2 million (2017: £124.9 million) was invested in capital projects of which £20.1 million (2017: £27.1 million) related to new stores. The CVAs outlined above have assisted the Group in accelerating this review of the store portfolio as well as improving profitability in a number of stores through moving rents closer to market rates.

Digital
The Group now trades 39 brand specific desktop websites and 28 mobile sites, as well as trading on other retailers' websites where there are synergies. This is a key area of growth for the Group and our objective is to keep abreast of technological developments to ensure these websites allow us to provide the service and inspiration that our customers expect both online and in stores. We continue to grow our social media presence and look to communicate with our customers through whichever channels they choose.

Infrastructure
During the year the Group has invested £29.4 million (2017: £49.5 million) in infrastructure improvements, including development of a new distribution centre in Daventry.

Key performance indicators

The board uses a range of KPIs to monitor the Group's performance and progress towards its strategic objectives. The principal KPIs, which are reviewed regularly at both Group and brand level and include best and least performing stores/product lines, margins, mark downs, profitability of different channels, EBITDA, cash flow, returns on capital invested in store openings/refits and like-for-like (LFL) sales.

See page 2 for an assessment of the Group's performance in respect of EBITDA which is the Group's main KPI.

Extracts from 2018 Strategic review (cont)

Strategic report
for the 53 weeks ended 1 September 2018

Changing market dynamics
The current retail environment is very challenging as competitors seek to attract value-conscious customers using a variety of routes to market. Failure to keep pace with the changing retail environment would adversely impact on the Group's profitability. The Group regularly reviews both its own sales channels and those of its competitors. It has a continuing investment programme in its infrastructure in order to be able to respond to customers' changing requirements to interact in different ways and improving the customer experience. The ongoing performance and opportunities presented by all sales channels is monitored closely.

Product development and brand equity
It is crucial that our brands maintain a strong product offering giving our customers confidence that we have spotted and developed current and future trends and that our products are of consistent quality. The business has a mix of experienced buying teams and new talent and looks to develop all of its buying, merchandise and design teams through bespoke competency programmes. Our buyers continually review emerging trends and seek customer based feedback on our existing offerings. In addition, the Group is developing capabilities to gain greater insight into our customers and their needs. The Group has specific expertise and a programme to ensure compliance with the requirements of GDPR.

Key suppliers and supply chain management
The Group relies on its suppliers to deliver goods on time, to the required quality standards and within a robust ethical framework. Meeting such targets is key to delivering the options and quality that customers expect, and hence maintaining and enhancing the reputation of the Group's brands. The Group also analyses its supplier performance in terms of cost, quality and delivery times in order to maintain the efficiency of its supply chain.

Personnel
The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would disrupt the operation of the business. Competitive incentive arrangements exist, with specific initiatives in place designed to retain key individuals. The Group regularly reviews talent and recruitment opportunities with continuous programmes of development and succession planning, including specific recruitment required in order to facilitate the implementation of the 3 year Business and Recovery Plan. Following the launch of the recovery plan a process of employee engagement has begun, with the key aim being to inform, mobilise and motivate our team to deliver the plan.

IT systems and business continuity
The Group's operations rely on the availability and integrity of its IT systems in order to trade efficiently. A failure in these systems could have a significant impact on the Group's operations and its reputation. A number of key controls are in place to maintain the integrity and efficiency of the Group's IT systems, including recovery plans which would be implemented in the event of a major failure. The Group's Business Continuity Plan is tested and reviewed on a regular basis. IT security is continually monitored and updated accordingly to ensure data is protected from corruption, unauthorised use and cyber-attacks.

Fashion Footprint

Fashion Footprint is the Group's programme to monitor and manage the social and environmental impacts of the business and has been established for over ten years. Fashion Footprint continually reinforces the Group's commitment to sustainability; a commitment that makes just as much sense from a business perspective as it does from an ethical one. In 2017 the Group published its Modern Slavery Act statement, which the Group continues to endorse and which has become an integral part of its existing Fashion Footprint programme.

The Fashion Footprint vision leads to a mission statement that all employees can support: to produce fashionable products in an ethical way and demonstrate a responsible attitude towards people and the environment.

Extracts from 2018 Financial Statements: Strategic review (cont)

Strategic report
for the 53 weeks ended 1 September 2018

Pension schemes

In January 2017, the Group completed its triennial actuarial valuation as at 31 March 2016 with the Group's pension schemes trustees and a Schedule of Contributions was agreed at £50.0 million per year (previously £24.3 million) for the next three years, with the intention of removing the deficit over ten years. Since then, as part of the Group restructuring, an agreement has been reached with the trustees of the Group's UK pension schemes to revise the schedule of contributions to £25.0 million per year (plus costs) for the next 3 years (with the potential for this to be increased by up to £5.0 million per annum if EBITDA exceeds the Business and Recovery Plan by more than a certain amount). Certain security (totalling £185.0 million, plus up to a further £25.0 million) has been given to the pension trustees in return for agreeing the revised schedule of contributions. In addition, the majority shareholder has committed to pay £100.0 million to the pension schemes over the next 3 years. The March 2019 triennial actuarial valuation is underway, but is not expected to lead to any change in the agreed contributions over the next 3 years.

This report was approved by the board and authorised for issue and was signed on its behalf on 30 August 2019.

G. Hague

Gillian Hague
Director
Date: 30 August 2019

[i] https://www.theguardian.com/business/2020/nov/30/philip-green-arcadia-group-collapses-into-administration#:~:text=Sir%20Philip%20Green's%20Arcadia,administrators%20from%20Deloitte%20on%20Monday.

[ii] https://www.theguardian.com/business/2020/nov/30/philip-green-arcadia-group-collapses-into-administration#:~:text=Sir%20Philip%20Green's%20Arcadia,administrators%20from%20Deloitte%20on%20Monday.

[iii] https://www.retailsector.co.uk/465956-arcadia-collapse-what-went-wrong/

[iv] https://www.theguardian.com/business/2018/nov/15/beyonce-cuts-ties-with-sir-philip-green-and-buys-out-ivy-park-share

[v] https://www.bbc.co.uk/news/business-47356788

[vi] Https://www.parliament.uk/globalassets/documents/commons-committees/work-and-pensions/correspondence/letter-from-chair-to-chief-executive-the-pensions-regulator-re-arcadia-pension-schemes-20190906.pdf

[vii] https://www.ft.com/content/cd2e9b8a-c9b6-4a2f-8810-cb749ea37421

[viii] https://www.ft.com/content/cd2e9b8a-c9b6-4a2f-8810-cb749ea37421

END OF CASE MATERIAL