N BROWN GROUP PLC ANNUAL REPORT & ACCOUNTS 2015

FIT FOR THE FUTURE

N BROWN GROUP PLC

Where Fashion Fits!

OUR 3 CUSTOMER CENTRIC SEGMENTS

Power Brands

JD Williams
SimplyBe
jacamo

Support Brands

fashion WORLD
Julipa
Marisota
Premier MAN
HIGH AND MIGHTY

Specialist Brands

HOUSE of BATH
HOME OF INSPIRATION
figleaves.com

ALL THE RIGHT MEASURES

This last year was an important one for our company – a year of transformation.

We are comprehensively modernising the business in terms of organisation, capability, infrastructure and processes to adopt a digital-first mindset and to ensure that we are fit for the future of retail. We are improving our product proposition and competitive advantage by investing in quality and price.

During the year we also re-phased our seasonal product and marketing plans to more clearly reflect consumer spending patterns and to bring the business more in line with a modern clothing retail model. Our work to rationalise our brand portfolio also continues, with our focus remaining on our three Power Brands – JD Williams, Simply Be and Jacamo.

Step-changing the way the business operates and presents itself to market proved more disruptive than anticipated in some key areas and this, combined with a very challenging Autumn trading period across the sector, led to our profit performance falling below initial expectations. Importantly, however, we are improving the sustainability of future profit growth. We look to the year ahead with great confidence and enthusiasm.

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FINANCIAL HIGHLIGHTS 2015

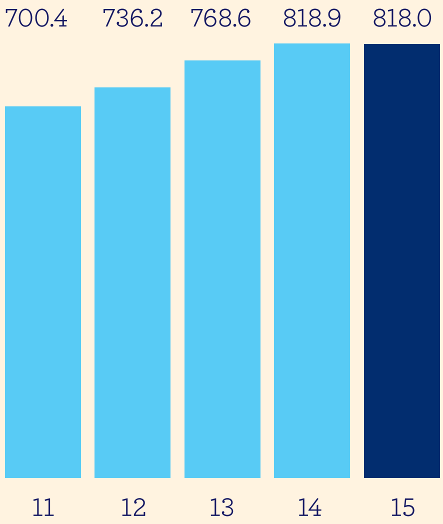
Financial Highlights	2015	2014
Continuing Operations		
Revenue	**£818.0m**	£818.9m
Operating profit before exceptional items	**£93.8m**	£106.5m
Operating profit	**£81.2m**	£106.5m
Adjusted profit before taxation*	**£86.2m**	£99.6m
Profit before taxation	**£76.3m**	£96.8m
Adjusted basic earnings per share**	**20.49p**	27.74p
Basic earnings per share	**21.23p**	26.95p
Dividends per share	**14.23p**	14.23p
Net assets	**£496.6m**	£485.3m
Net asset value per share	**175.2p**	171.2p
Gearing	**50%**	44%

* Excluding fair value adjustments to financial instruments and exceptional items.

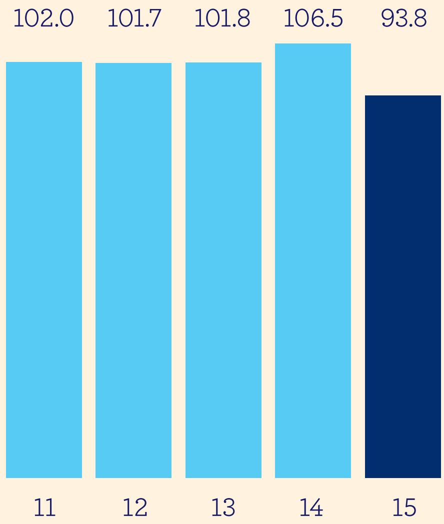
** See note 12 on page 66.

5 YEAR HISTORY

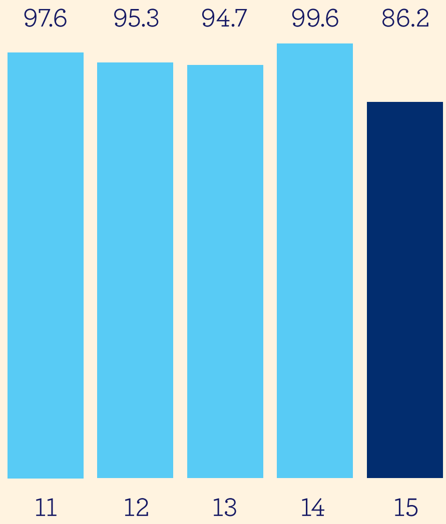
Revenue – Continuing operations (£m)



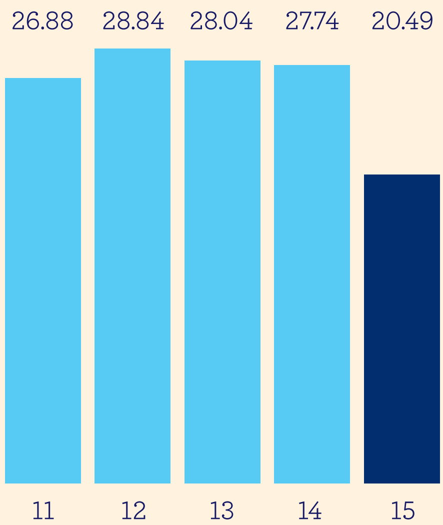
Operating profit – Continuing operations (£m)



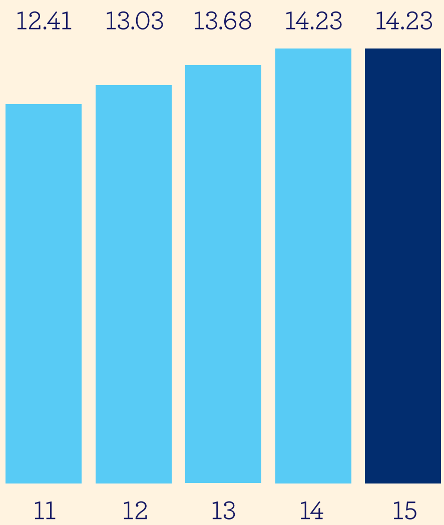
Pre-tax profit* – Continuing operations (£m)



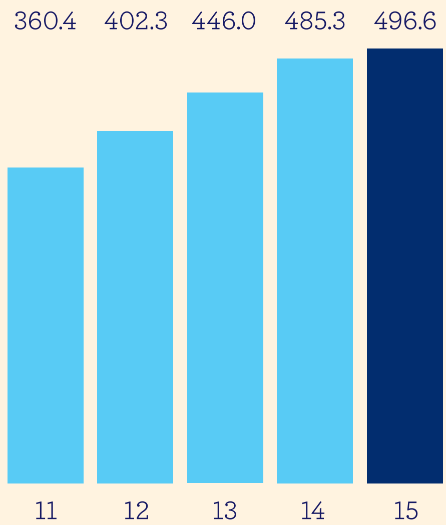
Adjusted earnings per share – Continuing operations (p)**



Dividends per share (p)



Net assets (£m)



* Excluding fair value adjustments to financial instruments and exceptional items.

** See note 12 on page 66.

THE HEART OF N BROWN

JD Williams. Our relaunch in Autumn Winter 2014 was a great success - despite the tough market backdrop - with a double-digit increase in new customer orders and a step-up in brand awareness.

As our largest brand, JD Williams is a key focus for us and in Autumn 2014 it was entirely relaunched. We ran TV advertisements for the first time, featuring our new brand ambassador Lorraine Kelly. The relaunch has been very well received by customers and this Spring saw a further step-on in our product offering and brand awareness. JD Williams is an online department store for the 50+ female, and we have exciting plans underway to further improve our offering in the seasons ahead.

SIMPLY EVERYWHERE

The opportunity for the Simply Be brand is significant. Whilst we made pleasing progress during the year our ambitions are much greater.

To keep Simply Be in the hearts and minds of our customers, we need to use every channel available to us, whether that's online, on TV or in key retail locations. So where better to fly the flag for Simply Be than Oxford Street in London? The new store provides a stage to highlight our fashion credentials to both a national and international audience and initial performance has been encouraging.

MAN ABOUT TOWN

Jacamo. Having enjoyed revenue growth of 20% last year, we saw revenue rise again by 11% this year.

The introduction of two new labels to the Jacamo portfolio has helped attract even more customers to the brand. Both Label J and Black Label have built on the continued success of the Flintoff range. We are also driving brand awareness here too, with TV advertising used for the first time, showcasing the great range of sizes, styles and brands available.

CUSTOMER SATISFACTION

Last year, we ranked among the top 5 UK clothing retailers for customer satisfaction. This year, we're number 3.

Ours is truly a customer-focused operation. The absolute foundation of our business is genuinely understanding the needs of our customers and delighting them with every purchase. We're extremely proud that they've placed N Brown even higher up the rankings for customer satisfaction this year. There's no room for complacency though, because we will always look for ways to serve our customers better.

The UK retail sector is changing at a pace, and we are changing even faster to ensure that we compete effectively and prosper in this digital-first world. Our catalogue heritage and niche position gives us many strengths — data analysis, understanding our customers and tailoring our offer to them, fit capabilities and our financial services offering. Our strategy has, and remains, to maintain these significant advantages, whilst addressing our weaknesses and investing behind the opportunities available to us.

We also, however, needed to modernise the business, and this has been a pivotal year for the company on this journey. A combination of a very difficult Autumn across the sector and the short-term impact of some of the changes we are making led to a disappointing profit performance, however, importantly, we are improving the sustainability of future profit growth.

Dividend

In addition to investing in the business, in particular in our strategic transformation plan Fit for the Future, we also continue to recognise the importance of cash returns to our shareholders. We intend to pay a final dividend of 8.56p this year, taking the total dividend to 14.23p, unchanged from last year.

Board composition

We have had a number of changes to the N Brown Group Board this year. Lesley Jones joined the board as a Non-Executive in October. She is a financial services executive with over 35 years of marketing and risk management experience.

In January we announced that Dean Moore would be stepping down to pursue other opportunities. Dean has been Chief Financial Officer for 11 successful years and the Board would like to thank him for his very significant contribution to the company during that time and wish him every success in the future.

I am very pleased to say Craig Lovelace joined us in May as the new Chief Financial Officer of the group. Craig was previously Group Chief Financial Officer of BMI Healthcare, and brings with him significant experience in multi-site, multi-platform businesses of scale. His sector experience includes technology, B to C interactive and online media, and healthcare.

Finally, following the retirement of Philip Harland, Theresa Casey was appointed as our new Company Secretary and Head of Legal Services in March this year. We thank Philip for his significant contribution during his 15 years of service and welcome Theresa to the role.

Outlook

The scale and pace of change required to modernise the business put a great deal of strain on our performance in a difficult year for the clothing sector. The fall in profits was nevertheless a disappointment. However, we laid important foundations for profit recovery and long-term growth. We have now bedded in many of these changes and this year will see us push on with executing our strategy.

The board remains confident in the outlook for the business, and we believe that we have the right strategy in place to drive sustainable profitable growth. I would like to thank all stakeholders in the business, and in particular the staff, for all of their hard work, passion and dedication throughout the year.

Andrew Higginson

Our strategy remains unchanged, and we are convinced that we are taking the right actions to fundamentally improve our business and its prospects. Over the course of the past year we have worked hard in three areas.

Firstly, the group has always had a number of important strengths. These include our customer demographics, our extensive customer file, our product fit capabilities, CRM and our credit book. We have been very careful to maintain these strengths.

Secondly, however, we had a number of weaknesses, namely: merchandising, the value for money of some of our products, our digital marketing capability, low brand awareness and an under-invested systems infrastructure. We have made progress in all of these areas, and will continue to focus on them going forward.

Finally, we have a business with significant growth opportunities. These include, but are not limited to, capitalising on our attractive market niches, broadening our appeal and growing scale. We have therefore been investing behind these opportunities – improving product quality and investing in price, introducing cash payment options to allow us to gain incremental customers, expanding internationally and in stores.

Our performance against the KPIs we use to assess long-term progress has been mixed this year:

- We have delivered an excellent performance in customer satisfaction, and we are now ranked third of all UK multi-channel clothing retailers.
- In market share terms we have seen gains of 20bps in 16-plus Ladieswear and +10bps in Menswear in the second half and, whilst encouraged by these small gains, we believe there is significantly more growth potential here.
- Our online penetration has stepped up strongly again, up over 2ppts to 59%, and we exited the year with Q4 penetration of 62%, up 3ppts.
- Our homewares strategy, to focus on 'Famous Five' categories (bedding, home décor, homewares, outdoor living and family gifts), is working well, with sales in these categories up 7% yoy.
- We have seen a pleasing international performance, albeit we deliberately constrained our growth as we bedded in a third-party credit offering. USA demand was up 13% for the year.
- Operating margin was 11.5%, down 150bps yoy.

Looking ahead, we have a number of projects in progress. From a customer standpoint we will continue to build the profile of our Power Brands, target increased share of wallet and loyalty from our existing customers, and further drive service enhancements.

On infrastructure, this is the key implementation year for our systems transformation programme, which we call 'Fit 4 the Future', and we are also building a major warehouse extension to support our growth. Finally, we are working hard on improving our processes, rationalising our product line count and completing a store efficiency review.

Customer metrics

Our active customer file increased by 2.4% and 23% of demand came from new customers. Online we have seen particularly encouraging metrics, with online demand up 3% and active customer numbers up 4% for the year. Q4 online demand was up 10% and online active customer numbers up 11%. We also continue to see very encouraging conversion rates, up to 5.5% at the year-end which is well ahead of the industry average.

We continue to see very strong demand from mobile devices, with these now accounting for over half of our online traffic.

Product drivers

Over the past year we have made significant improvements to our product quality, further improving our fit and size consistency and improving fabric quality. We are also developing unique and innovative products, which build upon our considerable skills and expertise.

From a price perspective, we decided to make a number of investments to improve our competitive positioning. We have rebalanced our pricing architecture, with clearer definition between good, better and best products. We introduced a small number of key value lines, to highlight our good value credentials to our customers. At the top of our pricing structure we have also improved the ranging of our unique and premium product, with occasionwear being a good example.

For Spring 2015, we also moved JD Williams to 'All Sizes One Price', in line with our other brands. This was following positive results from a number of trials in Autumn 2014, and based on our experience of making the same change in Marisota last year. These changes led in both cases to a percentage margin reduction but importantly, cash margin increased after three to six months. Early results in JD Williams are in line with our expectations following past experience with Marisota, and customer feedback has been very positive.

Financial Services

We are very pleased with the performance of our Financial Services business over the past year. Whilst revenue from services declined by 2.9%, this was driven by a number of policy changes we chose to make; the gross profit contribution increased year-on-year. Credit arrears are now at the lowest level on record.

Financial Services remain an important part of our business. Our focus is on three areas: maintaining our credit customer base, growing the number of incremental cash customers buying from us, and modernising our Financial Services offer. This latter target is enabled by our systems transformation project 'Fit 4 the Future', which will give us the tools to charge variable APRs, offer promotional interest free periods and allow us to make credit decisions at a product level.

It is early days in our experience of dealing with cash customers, although we are pleased with our initial results. The introduction of cash customers has not resulted in a decline in the population of our credit customers who roll a balance. Instead, cash customers are either incremental or at the expense of credit customers who immediately paid off their balance, not incurring interest charges. Cash customers share similar average order values and order frequencies as this latter group. What is encouraging from a profitability perspective, however, is that cash customers have a 6ppts lower returns rate than either group of our credit customers.

In common with the wider industry, we are now regulated by the FCA, having historically being regulated by the OFT. We are progressing with our full FCA authorisation.

Systems investment – Fit 4 the Future

Our systems transformation project, called Fit 4 the Future, is now led by our new CIO Andy Haywood. He and his team have carried out a comprehensive review of the project, with a focus on priorities, deliverability and, importantly, risk minimisation. The number of systems releases have been streamlined and the project length reduced.

The project is primarily focused on customer facing improvements. In association with the significant systems change, we are also running in parallel an organisational change programme to ensure that we maximise the benefits of our investment.

The overall project has been re-scoped by the new team and the business case reviewed, with our latest projections for costs and benefits shown below. The benefits case remains compelling. The benefit types include cost reductions, increased demand, improved margin and cost avoidance. Some of these benefits will be reinvested back into the business. The benefits case now reflects a higher level of investment in systems development, even post implementation, due to the pace of industry change.

The costs and expected benefits for the three release streams of the project are as follows:

£m	Cost	Benefits
Global multi-channel transformation	41	24
Credit transformation	9	12
Planning transformation	15	9
Total	65	45

We expect these annual benefits to start to ramp up from H2 FY16/17 onwards, with the full impact from FY19/20.

Fit 4 the Future will give us a considerable number of tools in order to drive future growth and improve efficiency, allowing us to trade with far more agility going forwards. The benefits of the programme include significantly improved speed to market, cloud-hosted technology, a new international web platform, new financial products, improved personalisation, a new customer contact centre system and a real-time single customer view.

International & stores update
USA

Our performance in the USA was pleasing, with product demand growth of 13%. We reduced the operating loss significantly, from £4.7m to £2.5m.

Revenue growth was somewhat constrained by our decision to dial-down our recruitment activity as we bedded in our third-party credit provider. This credit offer has performed strongly and has significantly improved customer loyalty, with credit customers seeing a 250% uplift in second order rates versus cash customers.

Our systems transformation programme includes the launch of a new international web platform. Until this platform is live in mid-2016, we will remain in cautious expansion mode in the USA, with a focus on further improving customer loyalty, building brand awareness and minimising operating losses.

Simply Be and Jacamo stores

Sales from our Simply Be and Jacamo stores were up 64% to £13m. The operating loss increased slightly, from £1.6m to £1.8m, which we view as a strong performance against the backdrop of a significant store opening programme.

Today we have 15 stores, of which 14 are dual-fascia. This includes five stores we opened during FY14/15, together with our Exeter store which opened in March 2015. Exeter is our best performing new store to date.

Our long-term strategy here is unchanged – we plan to open a total of 25 stores, covering 85% of the population. We continue to see a positive halo effect from our store portfolio and they are also important in terms of serving customers and building brand awareness. This year we are carrying out an efficiency review, focused on logistics, because we believe our operations could be further optimised in this area. We will update the market on this review at the interim results in October.

FY15/16 Guidance

Our guidance remains unchanged to that announced at the Q4 statement on 11th March:

- Gross margin -100bps to flat year-on-year
- Group operating costs up mid-single digit year-on-year
- Depreciation and amortisation in the range of £25m to £28m
- Net interest costs in the range of £8m to £10m
- Capital expenditure of £50m to £60m, as we accelerate our systems transformation project and invest in an extension of our warehouse to support future growth.

In addition we are today providing two further items of guidance for FY15/16:

- Tax rate of c.20%
- Exceptional costs of £5m - £7m associated with business restructuring.

Outlook

The UK retail sector is changing at a significant pace, and we are changing even faster as we modernise the business so that we can thrive in the new online-first world. Current trading is in line with our expectations.

New reporting calendar

Following the change in reporting requirements and driven by a desire to improve the quality of our communications, we are simplifying our external reporting calendar.

"FAMOUS FIVE" HOMEWARE SALES
+7%

We will now issue a Q1 statement in mid-June, followed by our interim results in October, in which our Q2 performance will be clearly highlighted. We will then issue a Christmas trading statement in mid-January, which will cover our Q3 period together with December and early-January trading figures.

For FY15/16 our scheduled announcement dates will be:

- Q1 statement – 19th June 2015
- Interims – 14th October 2015
- Q3/Christmas trading statement – 21st January 2016
- Prelims – late April 2016.

Financial results
Revenue

Total continuing group revenue was -0.1% to £818.0m. Within this, revenue from the sale of goods increased by 1.1% to £582.9m and revenue from financial services declined by 2.9% to £235.1m.

The table below shows revenue performance by brand.

£m continuing operations	Year to 28 Feb 2015	Year to 1 March 2014	% change
JD Williams	294.6	302.8	-2.7%
Simply Be	134.2	132.4	+1.4%
Jacamo	77.3	69.6	+11.1%
Power Brands	**506.1**	**504.8**	**+0.3%**
Support Brands	234.4	245.3	-4.4%
Specialist Brands	77.5	68.8	+12.6%
Continuing revenue	**818.0**	**818.9**	**-0.1%**

Whilst we are encouraged by the relaunch of JD Williams, the poor weather in September 2014 impacted sales performance, accounting for half of the year-on-year decline in revenue of this brand. Simply Be was also impacted, although to a lesser extent, by the unseasonal trading conditions. Jacamo performed strongly with sales up 11%, and we are taking learnings from the success we have seen with Jacamo to our other menswear brands.

In line with our strategy of focusing both our efforts and our marketing spend on our power brands, revenue from support brands declined by 4.4% and accounted for 28.7% of total continuing revenue, down 130bps versus last year.

Our specialist brands performed strongly in the year, with revenue +12.6% to £77.5m. This was driven by a strong result from House of Bath.

£m continuing operations	Year to 28 Feb 2015	Year to 1 March 2014	% change
Gross Profit	425.6	431.1	-1.3%
Gross Margin %	52.0%	52.6%	-60bps
Distribution costs	(73.9)	(69.4)	+6.5%
Sales & Administration costs	(257.9)	(255.2)	+1.1%
Operating profit before exceptional costs	**93.8**	**106.5**	**-11.9%**
Operating margin	11.5%	13.0%	-150bps

Gross margin

Overall gross margin was 52.0%, down from 52.6% last year. Product gross margin negatively impacted group gross margin by -130bps. This was driven by tactical markdowns and price investment, partially offset by the benefit of better buying. Financial Services margin had a +70bps impact on group gross margin, driven by a better bad debt performance. The net bad debt charge declined by 2.1% to £66.4m from £67.8m last year.

Operating costs

Distribution costs increased by 6.5%, driven by volumes up 4.2% yoy. We also invested in our delivery proposition to ensure we remained competitive. Finally, our new stores also led to increased distribution costs.

Sales and administration costs were up 1.1% to £257.9m, a solid performance. Within this marketing costs were marginally down year-on-year.

Net finance costs

Net finance costs were £7.6m compared to £6.9m last year, due to higher levels of average borrowings.

Exceptional items

Exceptional costs totalled £12.6m (FY13/14: nil). These comprise £5.6m on strategy costs, which include the outsourcing of our call centre to Serco and group re-organisation costs. These exceptional items are broadly in line with the £5m previously guided to.

We also incurred £7.0m exceptional costs for VAT. This relates to a potential settlement with HMRC in respect of VAT recovery on bad debts written off over a number of years. We anticipate that this matter will be settled in the current financial year.

We are also in discussion with HMRC in relation to the VAT consequences of the allocation of marketing costs between our retail and credit businesses. At this stage it is not possible to determine when or how this matter will be resolved. However, within our year end VAT creditor is an asset of £16.7m which has arisen as a result of cash payments made under protective assessments raised by HMRC. Based on legal counsels' advice, we believe that we will recover this amount in full from HMRC.

DIVIDEND MAINTAINED AT 14.23p

REVENUE FROM THE SALE OF GOODS INCREASED BY 1.1% TO £582.9M

NET ASSETS +2.3%

Discontinued operation – Gray & Osbourn

Following a review of the business and its future profit potential, the board decided to close the Gray & Osbourn catalogue business in January 2015. The closure process is ongoing, with Spring/Summer 2015 being used to clear remaining inventory. We expect operations to cease by the end of August 2015. Given the decision to close this business it is now classified as a discontinued operation.

Taxation

The effective rate of corporation tax for the year is 21.7% (FY13/14 22.0%). The tax charge for the year is £16.5m (FY13/14, £21.3m) which meant that profit after taxation and attributable to shareholders was down by 34.9% to £49.4m (£75.9m).

Earnings per share

Adjusted earnings per share from continuing operations were 20.49p (FY13/14: 27.74p). Statutory earnings per share from continuing operations were 21.23p (FY13/14: 26.95p).

Dividends

The board is proposing a final dividend of 8.56 pence per share, flat on last year, giving a full year dividend of 14.23 pence, also unchanged on the year, and covered 1.44 times (FY13/14: 1.95 times).

Capital expenditure

Capitalised expenditure for the year was £63.3m (FY13/14, £20.8).

The breakdown of our capital expenditure is as follows:

£m	Year to 28 Feb 2015
Fit 4 the Future	17
Warehouse	7
Stores	7
IT	21
Other	11
Total capital expenditure	63

IT spend of £21m includes some necessary additional investment in our proposition in order to ensure that we remain competitive prior to our new systems coming on-stream.

Balance Sheet and Cash Flow

Inventory levels at the year-end increased by 5.4% to £94.8m (FY13/14 £89.9m). This was driven by the timing of new season intake.

Trade receivables increased by 1.6% to £587.4m (FY13/14, £577.9m). The bad debt provision decreased to £40.5m (FY13/14 £50.2m) which equates to 6.5% (FY13/14, 8.0%) of gross debtors. The reduction in the provision reflects the improvement in customer arrears profiles. The lower level of customer recruitment in the year due to the weak autumn trading conditions also had a beneficial impact on bad debt.

The deficit position of the group's defined benefit pension scheme has reduced to £3.3m compared to £4.2m at the prior year end. The movement predominately arises from a net actuarial gain of £1.4m together with service costs of £2.4m offset by contributions of £1.9m.

Cash generated from operations increased from £60.8m to £93.8m driven by an improvement in working capital as a consequence of slower growth in trade receivables. After funding capital expenditure, finance costs, taxation and dividends, net debt increased by £32.9m to £246.6m (FY13/14, £213.7m). Gearing levels increased from 44% to 50%.

Treasury

There has been no change during the year to the group's banking facilities which are in place to support its ongoing trading and development activities. The group has committed borrowings of £370m of which £287m (FY13/14, £259m) was utilised at the year end. The primary facilities are a £250m securitisation programme through an HSBC A-1/P1 rated conduit that has a matching standby facility. This facility is in place until March 2016. Additionally, the group has two revolving credit loan facilities of £50m each with HSBC Bank plc and the Royal Bank of Scotland plc which also expire in March 2016. All current facilities in place at the year-end are arranged at floating interest rates. Where appropriate, exposure to interest rate fluctuations on indebtedness may be managed by using derivatives such as interest rate swaps. There were no interest rate swaps used in the year.

Foreign exchange requirements, primarily for the purchase of stocks denominated in US dollars may be hedged for up to three years ahead to fix the costs of sterling. This hedging activity involves the use of spot, forward and option contracts. At the year end the group had outstanding forward foreign exchange contract commitments of $54m (FY13/14, $51m) with a fair value of £1.1m asset (FY13/14, £1.6m liability).

Going Concern

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

The directors have considered carefully its cashflows and banking covenants for the next twelve months from the date of signing the group's audited financial statements. These have been appraised in light of the current economic climate. Conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key trading risk identified by the directors for these assumptions is the impact that a deterioration in the economic climate might have on the performance of the group's sales and debtor book.

The group's forecast and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £370m. The group is in advanced negotiations with its bankers in relation to the extension of these facilities to ensure appropriate levels of committed funds are in place beyond 2016.

After making appropriate enquires, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the future. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and accounts.

Key Performance Indicators

The group employs a number of key performance indicators (KPIs) to monitor progress including:

Financial KPI's

- Like for like sales growth; -0.4% (FY13/14, +6.3%)
- Gross margin: 52.0% (FY13/14, 52.6%)
- The number of customer debtor accounts and their average debtor balance, which at the year-end was 1,310,000 (FY13/14, 1,440,000) and £455 (FY13/14, £409) respectively.
- Operating margin: 11.5% (FY13/14, 13.0%)
- Interest cover: 12.3 times (FY13/14, 15.4 times)
- Adjusted earnings per share: 20.49p (FY13/14, 27.74p).

Non-Financial KPI's

- Mix of sales by brand and product category (as discussed elsewhere in this report)
- Proportion of online sales: 59% (FY13/14, 57%)
- Proportion of online traffic from mobile devices: 50% (FY13/14, 40%)
- UK Institute of Customer Service index: 84% (FY13/14 84%)
- Average online delivery lead times: 3.6 days (FY13/14, 3.4 days).

Angela Spindler

Directors and Officers

Left to right:
Angela Spindler,
Andrew Higginson, Dean Moore,
Craig Lovelace,
Lord Alliance of Manchester,
Ivan Fallon, Ron McMillan,
Fiona Laird, Simon Patterson,
Lesley Jones, Theresa Casey.

Angela Spindler (52)
Chief Executive d

Appointed Chief Executive in July 2013. Previously chief executive of The Original Factory Shop since 2009 and prior to this, Angela had roles at Coca Cola, Mars Inc, Asda and Debenhams.

Andrew Higginson (57)
Non-executive Chairman

Appointed a director on 3 July 2012 and became Chairman on 1 September 2012. Having started his career in consumer products, with Unilever and Guinness, Andrew spent 22 years as an Executive Director of retail companies, first with Laura Ashley Holdings, then The Burton Group, and for fifteen years, on the Board of Tesco plc. At Tesco, he was Group Finance and Strategy Director for eleven years, then CEO of Retailing Services for four years where he was responsible for businesses including Tesco.com and Tesco Bank. He is also Chairman of Morrisons Supermarkets plc, and a non executive director of Woolworths Za (South Africa), McCurrach Ltd, and the Rugby Football Union.

Dean Moore (57)
Group Finance Director
(resigned 30 April 2015)

Appointed in 2003. Previously Group Finance Director at T&S Stores Plc and Graham Group Plc. Also held various roles with Lloyds Chemist Plc, Sketchley Plc, Blue Circle Industries and Grant Thornton.

Craig Lovelace (41)
Group Chief Financial Officer
(appointed 11 May 2015)

Appointed in May 2015. Formerly Group Chief Financial Officer for General Healthcare Group Ltd since 2011 and prior to this, held a number of senior UK and International finance roles at Regus Plc, Electronic Arts Inc and PwC. Fellow of the ICAEW.

Lord Alliance of Manchester CBE (82)
Non-executive Director c

Appointed a director and Chairman in 1968. Stood down as Chairman on 1 September 2012. Formerly Chairman of Coats Viyella Plc. He is also a director of a number of private companies, and was appointed a life peer in 2004.

Ivan Fallon (70)
Deputy Chairman
Non-executive Director a, b, c

Appointed a director in 1994 and Deputy Chairman on 1 March 2009. He was Chief Executive of Independent News & Media (UK) until March 2010 and a leading financial journalist. His latest book is A Bazaar Life, The Autobiography of David Alliance, the founder of N Brown Group Plc.

Ron McMillan (62)
Non-executive Director a, b, c

Appointed a Director on 1 April 2013. Ron is a Non Executive Director and Chairman of the Audit Committee of B&M Value Retail SA, 888 Holdings Plc and SCS PLC. Previously, he was the Deputy Chairman of PricewaterhouseCoopers in the Middle East and Northern Regional Chairman of the UK firm.

Fiona Laird (54)
Non-executive Director a, b, c, d

Appointed a director on 1 April 2013. Senior Vice President of Human Resources at Unilever plc. She has served in numerous human resources, compensation & benefits, labour relations, communications and change management roles globally for Unilever since joining the company in 1991.

Simon Patterson (42)
Non-executive Director a, b, c

Appointed a director on 1 April 2013. Managing Director at Silver Lake, a leading investment firm focused on the global technology industry. He is currently a board member of Dell and Intelsat, and a Trustee of the Natural History Museum.

Lesley Jones (60)
Non-Executive Director a, c

Retired from executive life in January 2014 after 30 years in relationship and risk management at Citigroup and latterly as Chief Credit Officer for RBS Group Plc from 2008 through January 2014. Appointed as Non Executive Director and Board Risk Committee Chair at Close Brothers in December 2013 and a Non Executive Director of N Brown Group Plc in October 2014.

Theresa Casey (46)
Company Secretary

Joined the company in January 2015. Admitted as a solicitor in 1997, Theresa has held a number of legal and company secretarial roles in the financial services and retail sectors, including the Co-operative Bank, Shop Direct, La Redoute and Brown Shipley Private Bank.

a - Audit committee member
b - Remuneration committee member
c - Nomination & Governance committee member
d - CSR committee member

THE FACTS AND FIGURES

Activities and results

The directors present their annual report and audited financial statements for the year ended 28 February 2015.

The principal activity of the group is multi-channel retailing. The activities are more fully explained and reviewed in the Chief Executive's Review on pages 9 to 14. Group profit before taxation from continuing operations for the 52 weeks ended 28 February 2015 amounted to £76.3m (2014, £96.8m). No geographical segmentation is provided because, other than small operations in the Republic of Ireland, Germany and the United States, all activities take place in the United Kingdom.

Strategic report

In accordance with the Companies Act 2006 ('Companies Act'), the company sets out in this report a review of the business of the group during the 52 weeks ended 28 February 2015 and the position of the group at the end of that period to enable shareholders to assess how the directors have performed their duty under section 172 of the Companies Act (the duty to promote the success of the company). The report also describes the principal risks and uncertainties facing the group and provides a fair review of the group's business at the end of the financial year. This information can be found within the following sections of this report, and in the Chairman's Statement and the Chief Executive's Review all of which information is incorporated by cross-reference into this report and is deemed to form part of it.

The board oversees the development of processes to manage risks appropriately. The executive directors and operating board directors implement and oversee risk management processes and report to the board on them. The board also identifies and reviews key business risks. Further detail can be found on page 26.

The board also monitors a number of financial and non-financial Key Performance Indicators ("KPIs"). These KPIs are detailed on page 14.

As required by the UK Corporate Governance Code 2012 (the "Code"), pages 4 to 14 provide an explanation of the basis on which the company generates value and preserves it over the long-term (its business model) and its strategy for delivering its objectives.

Results, dividends and reserves

The financial statements set out the group's and company results for the year ended 28 February 2015 and are contained in pages 54 to 84.

An interim dividend of 5.67p per share (2014, 5.67p) was paid on the ordinary shares of the company on 9 January 2015. The net cost of this dividend was £16.0m (2014, £15.9m).

The directors recommend a final dividend of 8.56p per share (2014, 8.56p) for the 52 weeks ended 28 February 2015, the net cost of which will be £24.1m (2014, £24.0m). The dividend will be paid on 31 July 2015.

Movements in reserves are shown in the Consolidated Statement of Changes in Equity on page 57.

Composition of the group

During the year there were no corporate acquisitions or disposals.

Share capital

Details of the company's issued share capital are shown in note 23 on page 75.

The company has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings of the company. The ordinary shares are listed on the Official List and are traded on the London Stock Exchange. There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the company's Articles of Association and prevailing legislation (except as set out below in the section entitled "Voting Rights and Restrictions on Transfers"). No person has any special rights over the company's share capital and all issued shares are fully paid.

Details of outstanding employee share options and the operation of the relevant schemes are shown in note 28 on page 77.

The directors have no current plans to issue shares other than in connection with employee share options.

Annual general meeting

The annual general meeting will be held at 12:30 pm on Tuesday, 14 July 2015. The notice convening the annual general meeting will be sent to members by way of separate circular. Explanatory notes on each resolution to be proposed at the meeting will accompany the circular.

Directors

The biographies of the current directors, are shown on page 15. With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Code and the Companies Act.

At the 2015 annual general meeting all of the current directors will retire and will offer themselves for re-election.

The directors who served throughout the year and to the date of this report were as follows:-

Andrew Higginson	Non-executive Chairman	
Lord Alliance of Manchester CBE	Non-executive Director	
Angela Spindler	Chief Executive Officer	
Dean Moore	Finance Director	(resigned 30 April 2015)
Craig Lovelace	Chief Financial Officer	(appointed 11 May 2015)
Ivan Fallon	Non-executive Director	
Fiona Laird	Non-executive Director	
Simon Patterson	Non-executive Director	
Ron McMillan	Non-executive Director	
John McGuire	Non-executive Director	(retired 1 April 2014)
Anna Ford	Non-executive Director	(retired 22 July 2014)
Lesley Jones	Non-executive Director	(appointed 1 October 2014)

Details of directors' interests (beneficial and non-beneficial) in shares of the company are given in the Remuneration Report on page 47 and are deemed to be incorporated into this report by cross-reference.

The powers of the directors are described in the board terms of reference and the Corporate Governance Statement starting on page 21. The terms of reference for the board and its committees are available on the company's website (www.nbrown.co.uk).

Other than a contract of service, no other director had any interest in any disclosable contract or arrangements with the company or any subsidiary company either during or at the end of the year.

Directors' and officers' liabilities

The company's Articles of Association provide that, in so far as the law permits, every director of the company or associated company may be indemnified by the company against liability. In accordance with section 236 of the Companies Act, qualifying third party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In addition, the group maintains insurance for directors and officers of the group, indemnifying them against certain liabilities incurred by them whilst acting on behalf of the group. Both the insurance and indemnities applied throughout the financial year ended 28 February 2015 and through to the date of this report.

Major shareholders

In addition to the directors' shareholdings shown in the Remuneration Report on page 47 and in accordance with Chapter 5 of the Disclosure and Transparency Rules, the following notifications had been received from holders of notifiable interests in the company's issued share capital at 30 April 2015:

	Holding	% of issued share capital
INVESCO Asset Management Ltd	37,093,165	13.08
Nigel Alliance OBE	31,489,256	11.11
Schroder Investment Management Ltd	14,096,907	4.97
Legal & General Investment Management Ltd	9,379,746	3.31
Tameside MBC re Greater Manchester Pension Fund	9,029,491	3.19

Governance

The board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement starting on page 21.

Charitable and political donations

During the year, the group made charitable donations of £40,818 (2014, £48,920). No political donations have been made (2014, nil). No contributions have been made to non-EU political parties (2014, nil).

Pension fund

The company has a defined benefit scheme The N Brown Group Pension Fund ("Pension Fund"). Its assets are administered by a trustee company (the "Trustee") which is controlled by a board of directors and which includes an independent trustee and others who represent the interests of pension fund members (including pensioners) and the company.

The Trustee has appointed Mercer Limited to provide various services including actuarial advice, investment advice, administration services and fiduciary management services.

The Pension Fund is required to undertake an actuarial valuation every 3 years and the last valuation took place on 30 June 2012.

The company (and some of its associated companies) are required to indemnify the Trustee company and its officers in respect of certain liabilities incurred by them in the performance of their obligations relating to the Pension Fund or in the administration of the Pension Fund. This amounts to a "qualifying pension scheme indemnity provision" (as defined in section 235 of the Companies Act).

The Pension Fund was closed to new entrants with effect from 31 January 2002. New employees joining the group after 31 January 2002 and existing employees who had not joined the Pension Fund as at that date are entitled to join a stakeholder pension scheme administered by Prudential Stakeholder Pensions which provides a defined contribution pension arrangement.

Auto-enrolment

'The People Pension' is the auto-enrolment provider for weekly paid employees, whilst Prudential auto-enrol monthly paid employees and continue to run the Stakeholder Pension for weekly employees already in the scheme. As at May 2015 80% of all employees were members of a qualifying pension scheme with 1,352 employees being auto-enrolled as at the date of this report. At the date of this report the current opt-out rate is 6.7%.

Financial risk management, objectives and policies

The group is exposed to certain financial risks, namely interest rate risk, currency risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 20 on page 73. The group's risk management policies and procedures and the table of principal risks and mitigations can be found on page 26.

Change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the group as a whole. Executive directors' service contracts are terminable by the company on giving 12 months' notice.

There are no agreements between the company and its directors or employees that provide for additional compensation for loss of office or employment that occurs because of a takeover bid. No relevant events were reported in the year.

Significant Contracts

The group has a number of contractual arrangements with suppliers (both of goods and services) and occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the group, individually none of them are essential to the business of the group and do not require disclosure under section 417(5)(c) of the Companies Act.

Tax status

The company is not a close company within the meaning of the Corporation Tax Act 2010.

Auditor

A resolution to appoint new auditors to the company will be proposed at the annual general meeting on 14 July 2015.

The auditor's fees for both audit and non-audit work are given in the audit committee report on page 25.

Voting rights and restrictions on transfer of shares

None of the ordinary shares in the company carry any special rights with regard to control of the company.

There are no restrictions on transfers of shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- pursuant to the company's code for securities transactions whereby the directors and designated employees require approval to deal in the company's shares; and
- where a person with an interest in the company's shares has been served with a disclosure notice and has failed to provide the company with information concerning interests in those shares.

The directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. The rights and obligations attaching to the company's ordinary shares are set out in the Articles of Association.

Amendment of the company's Articles of Association

The company's articles of association may only be amended by a special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of shares separately. The company currently only has one class of share.

Powers of the directors

The directors are responsible for the management of the business of the company and may exercise all powers of the company subject to applicable legislation and regulation and the company's articles of association.

At the 2014 annual general meeting, the directors were given the power to issue new shares up to a nominal amount of £10,442,189. This power will expire on the earlier of the conclusion of the 2015 annual general meeting or 22 July 2015. Accordingly, a resolution will be proposed at the 2015 annual general meeting to renew the Company's authority to issue new shares.

Directors were also given the power to issue new shares up to a further nominal amount of £10,442,189 in connection with an offer by way of a rights issue. This authority too will expire on the earlier of the conclusion of the 2015 annual general meeting or 22 July 2015, and a resolution will be proposed at the 2015 annual general meeting to renew it.

Approval was also given at the 2014 annual general meeting for a certain number of shares up to a maximum nominal value of £1,566,328 - to be allotted pursuant to the authority granted to directors set out above without being covered by statutory pre-emption rights regime. As with the previously mentioned approvals, this authority too will expire on the earlier of the conclusion of the 2015 annual general meeting or 22 July 2015, and a resolution will be proposed at the 2015 annual general meeting to renew this authority.

As in previous years, authorisation for the directors to buy back the company's shares will not be sought at the 2015 annual general meeting.

Employee share schemes – rights of control

The trustees of the N Brown Group plc Employee Share Ownership Trust hold shares on trust for the benefit of the executive directors and employees of the group. The shares held by the trust are used in connection with the company's various share incentive plans. The trustees currently abstain from voting but have the power to vote for or against, or not at all, at their discretion in respect of any shares in the company held in the trust. The trustees may, upon the recommendation of the company, accept or reject any offer relating to the shares in any way they see fit, without incurring any liability and without being required to give reasons for their decision. In exercising their trustee powers the trustees may take all of the following matters into account:

- the long-term interests of beneficiaries;
- the interests of beneficiaries other than financial interests;
- the interests of beneficiaries in their capacity as employees or former employees or their dependents;
- the interests of persons (whether or not identified) who may become beneficiaries in the future; and
- considerations of a local, moral, ethical, environmental or social nature.

Going concern

The directors have adopted the going concern basis in the financial statements and their opinion is explained on page 14.

Liability Statement

All the information contained in the Chairman's Statement on page 8, the Chief Executive's Review on pages 9 to 14, the Directors' Remuneration Report on pages 33 to 49 and the Corporate Governance Statement on pages 21 to 32 form part of this Directors' Report. Any liability for the information is restricted to the extent prescribed in the Companies Act.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Standards and applicable law. The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period.

In preparing the parent company consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's as adopted by the European Union 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.

Disclosure of Information to Auditor

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. 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.

Each person who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the group's auditor is unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

By order of the board

Theresa Casey LL.B (Hons) (Solicitor)
Secretary
22 May 2015

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Chief Executive's Review and Directors' Report, taken together, include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the board

Angela Spindler
Chief Executive
22 May 2015

Chairman's introduction

Dear Shareholder,

The board is committed to meeting a high standard of corporate governance and compliance with the principles in the UK Corporate Governance Code issued by the UK Financial Reporting Council in 2012 (the "Code"). My role is to ensure the board operates effectively, is well managed, complies with the requirements of the Code and has the correct balance of diversity skills and experience to execute the strategy set by the board. Over recent years these characteristics have been enhanced by a number of non-executive appointments. Strong governance and effective management is a key component of the company's continued success.

Statement of Compliance with the Code

The group complied with the provisions of the Code and the UK Financial Conduct Authority's Disclosure and Transparency Rules throughout the year. The following paragraphs explain how the main principles of the Code have been applied. The Remuneration Report contains further details on pages 33 to 49. Disclosures required by the Disclosure and Transparency Rules (rule 7.2.6) regarding share capital can be found in the Directors' Report.

Board composition

The board comprises nine directors of whom seven are non-executive including the chairman. Of the seven non-executive directors, Lord Alliance of Manchester and Ivan Fallon are not considered by the board to be independent. The Chairman was considered independent at the time of his appointment.

Full biographical details of all directors appear on page 15.

There is a clear division of responsibilities between the Chairman, Andrew Higginson, who is responsible for the effective operation of the board and the Chief Executive, Angela Spindler, who is responsible for the group's operational performance.

The board understands the need for non-executive directors to be and remain independent of the management in order to be able to exercise proper oversight and effectively challenge the executive directors. The non-executive directors who served during the financial year ended 28 February 2015 were:

- Andrew Higginson (Chairman);
- Lord Alliance of Manchester CBE;
- Ivan Fallon;
- John McGuire (retired 1 April 2014);
- Anna Ford (retired 22 July 2014);
- Fiona Laird;
- Simon Patterson;
- Ron McMillan; and
- Lesley Jones (appointed 1 October 2014).

During the year there was one appointment to the board. Lesley Jones was appointed as a non-executive director on 1 October 2014. John McGuire and Anna Ford retired from the Board in April and July respectively, I would like to thank them both personally for their huge contribution to the company.

The board considers that, throughout the year, at least half of the board, excluding the chairman, comprised independent non-executive directors and that the composition of the board had the necessary balance of executive and non-executive directors to provide the requisite skills, experience, challenge and judgement appropriate for the requirements of the business and full board effectiveness.

All board members remain in place as at the date of this report.

Pursuant to the Code, all directors are required to retire and submit themselves for re-election annually. Accordingly, each of the directors will retire at the forthcoming annual general meeting and offer themselves for reappointment at that meeting.

With the exception of Ivan Fallon, who remains on a three month rolling arrangement, all non-executive directors serve on letters of appointments stipulating 3 year terms. All appointments are terminable, without compensation, on between three and six months' notice by either party and are subject to other early termination provisions without compensation, for example in the event a director is not re-elected at the annual general meeting.

The board, having carried out a performance evaluation, believes the performance of all directors and their commitment to the role of director continues to be fully effective. Further details of this evaluation can be found on page 22.

Appointments to the board are made solely on merit based on the skills and experience offered by the candidate and required by the role. This ensures that all appointees have the best mix of skills and time to devote themselves effectively to the business of the board and to discharge their duties to the best of their ability.

Details of directors' contract terms are shown in the Remuneration Report on page 40. In accordance with the Code, the company has made the terms and conditions of appointment of the non-executive directors available for inspection.

Diversity

The board recognises the importance of diversity, including gender, at all levels of the company as well as on the board. The company is committed to equal opportunities and increasing diversity across our operations in terms of relevant skills, experience, ethnicity and gender. The board now comprises six male directors and three female directors. The board will continue to consider how diversity can be enhanced through the board and the senior management teams and across the group generally, whilst ensuring that it appoints only the most appropriate candidates to the board.

Gender Diversity

We currently have 33% female diversity at board level and 40% on the Home Shopping board. This is over the current Government target of 25% by 2015, established in the Davies review, and significantly higher than the current FTSE 250 who have achieved representation at 18%. We believe that gender representation makes good business sense, given that women make up over half of the UK population and almost 60% of our total workforce.

Strengthening our executive pipeline remains a permanent task for us and we continue to open up new opportunities for women in the business, working with head-hunters and agencies that can provide true gender diversification in their candidate bases.

To provide role models in the business and break the glass ceiling we are members of “Women on Boards” and have 2 representatives who serve in that organisation (Caroline Massingham – People and Retail director and Linda Quinn – trading director). Our aim is to allow development of board directors and to allow directors to take up non-executive roles in other businesses where opportunities arise.

Gender Split

At the date of this report the gender split (male/female, senior management and entire workforce) is as follows:-

	Male		Female	
	Heads	%Split	Heads	%Split
Senior Management	54	65	29	35
All Employees	1,354	43	1,827	57

Board operation and evaluation

An effective board of directors leads and controls the group. The members of the board are named below. The board met 8 times during the year. Directors’ attendance at board meetings was as follows:

	Attendance
Andrew Higginson	8
Lord Alliance of Manchester CBE	8
Angela Spindler	8
Ivan Fallon	7
Dean Moore	8
John McGuire (retired 1 April 2014)	1
Anna Ford (retired 22 July 2014)	4
Fiona Laird	8
Simon Patterson	8
Ron McMillan	8
Lesley Jones (appointed 1 October 2014)	2

The board is responsible for all major policy decisions and for determining the operational and strategic risks it is willing to take in achieving its objectives. The board has, where necessary, delegated operational matters to its committees and sub-committees, and to its executive and operational directors and senior officers. The board is collectively responsible for providing effective leadership and promoting the success of the group and works to a formal list of matters reserved for the board (a copy of which is available on the company’s website, www.nbrown.co.uk). Matters reserved to the board include, amongst other things, decisions on business strategy, the approval of financial statements, the annual capital and operating expenditure plans, investment, treasury and dividend policies, governance issues, major capital projects, overseeing the group’s risk control procedures, board membership and the composition of its committees and the group’s ethical, social and environmental policies.

The board governs through clearly mandated committees, accompanied by robust monitoring and reporting systems. Further detail is given below.

Day-to-day management of the group’s activities is delegated to the operational board, known as the Home Shopping board, on which Angela Spindler, Dean Moore (until 30 April) and Craig Lovelace (from 11 May) sit as chief executive officer and finance director respectively. Other members of the Home Shopping Board are Paul Kendrick (Customer, Financial Services and International Director), Andrew Haywood (CIO and Change Director), Ian Carr (Logistics Director), Caroline Massingham (People and Retail Director), Ann Steer (Marketing Director), Ralph Tucker (Product Director, Ed Watson (Global Communications and Creative Director) and Linda Quinn (Ladieswear and Design Director).

In January of each year the members of the board meet with members of the Home Shopping Board over a two day period to review the progress being made against, and the future development of, the group’s long-term rolling strategic plan.

Board papers include detailed management reports from the Chief Executive and the Finance Director, management accounts, broker analyses, compliance and regulatory briefings and bespoke reports. A comprehensive pack of papers is electronically circulated to each director not less than seven days prior to each board meeting. Budgetary performance and forecasts are reviewed and revised at each meeting. Outside of the meeting there is a regular flow of information between the directors including the weekly dissemination of management information statistics.

Non-executive directors meet with operational teams and the Home Shopping Board and undertake site visits to ensure that they have the most up-to-date knowledge and understanding of the company and its activities and also so that the broader population of the group can derive benefit from the skills and experience of the non-executive directors.

All board members are permitted to obtain independent professional advice in respect of their own fiduciary duties and obligations and have full and direct access to the Company Secretary, who is a qualified solicitor and who attends all board and committee meetings as secretary. The Company Secretary provides an on-going programme of briefings for directors covering legal and regulatory changes and developments relevant to the group’s activities and director’s areas of responsibility. The Company Secretary is also responsible for the induction of new directors. New directors are provided with a comprehensive pack of information (including terms of reference, information regarding the business and guidance on their roles and duties as directors) and meetings/site visits with key employee contacts are arranged as appropriate. Inductions to the business for new directors are designed to expose them to all areas of the group’s operations but with particular emphasis on each director’s area of expertise.

Board Effectiveness appraisal

In accordance with Main Principle B.6 of the Code the board appointed an external evaluator to carry out an independent effectiveness review of the board and its committees. The review was carried out by Consilium who has no other connection to the company.

The appraisal included:

- Review of:- Board Agendas, Minutes and Papers, strategy inputs, analysts notes Board & Committee Remits Internal Board evaluations.
- Interviews with all directors, the Company Secretary and HR director.
- Observation of a Board meeting and the annual strategy session.
- A report of findings.
- A Discussion of the report and recommendation with the Board.
- Guidance for Senior Independent Director's leadership of the Board's process to evaluate the Chairman.

Overall, the review concluded that "the Board has achieved much in the last year; improving its own processes, the structure and rigour of governance and supporting Angela in developing her team." In particular the review noted that the board are professional, self-disciplined and highly committed and that the board operates in an open and productive climate. Areas for Board focus in 2015 included processes and communications, focus and agenda planning and information and metrics.

Based on the findings of the external review, the Board has agreed a set of objectives for 2015/16.

Beyond the annual evaluation, the performance of the executive directors is continuously monitored throughout the year by the Chairman and the senior non-executive director.

The Chairman reviews and agrees with each director their training and development needs.

Directors' conflicts of interest

The Articles of Association of the company give the directors the power to consider and, if appropriate, authorise conflict situations where a director's declared interest may conflict or does conflict with the interests of the company.

Procedures are in place at every meeting for individual directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the board at least annually. The board has complied with these procedures during the year.

One potential conflict of interest was reported in the year ended 28 February 2015 in circumstances where the non-executive concerned was neither directly or indirectly involved in any potential dealings between the group and the company concerned. The conflict was authorised by the board with appropriate safeguards being put in place.

Board activities in 2014/15

Some of the key activities that the board has covered over the past year are:-

- Strengthening the board through the appointment of a new independent director who is an experienced financial services executive and the appointment of our new CFO who has experience in dealing with multi-site multi-platform businesses;
- Reviewing the progress and costs of the Fit 4 the Future Project;
- Assessing the progress of the group's international and High Street strategies; and
- Reviewing and improving communications with our investors and appointing a director of investor relations

Committees of the Board

The board delegates authority to a number of committees to deal with specific aspects of management and to maintain supervision over the internal control policies and procedures of the group. These committees meet regularly and have formal written terms of reference which are available for inspection on the company's website. The minutes of the meetings of these committees are circulated to all committee members in advance of the next following committee meeting, at which they are ratified. The following committees of the board have been established:

- an audit committee;
- a remuneration committee;
- a nominations and governance committee; and
- a corporate social responsibility committee.

After each committee meeting the chairman of that committee makes a formal report to the board of directors detailing the business carried out by the committee and setting out its recommendations.

Audit Committee Report

Introduction by Ron McMillan, Chairman of the Committee

Dear Shareholder,

The Audit Committee exercises oversight of the group's financial policies and reporting. It monitors the integrity of the financial statements and reviews and considers significant financial and accounting estimates and judgements. The committee satisfies itself that the disclosures in the financial statements about these judgements and estimates are appropriate and obtains from the external auditor an independent view of the key disclosure issues and risks.

Amongst other things, during the year the committee considered:-

- The regulatory environment in which the group operates;
- The group's approach to and methodology for provisioning for bad and doubtful receivables;
- The group's approach to and methodology for provisioning for inventory;
- The group's exposure to corporate tax and VAT risks;
- The valuation of the group's defined benefit pension scheme;
- The presentation and appropriateness of exceptional items;
- Treasury and cash management;
- Group security;
- Business continuity planning; and
- Fraud.

A key responsibility of the committee is to review the scope, nature and effectiveness of internal and external audits. The committee ensures that the head of internal audit has appropriate independence and authority, that the scope of internal audit's work is not restricted and that the function has adequate resources.

The head of internal audit has a direct reporting line to me. The committee will also continue to monitor and review the key aspects of the group's external audit.

In relation to risk and control, the committee ensured that the three lines of defence model which clearly attributes responsibilities and accountability for controls, was fully embedded.

Further information on the committee's responsibilities and the way in which they have been discharged is set out below.

I will be available at the annual general meeting in July to answer any questions you may have on this report and would like to thank my colleagues on the audit committee for their help and support this year.

Ron McMillan

Chairman of the Audit Committee

Audit committee report

Committee Composition

The committee comprises a minimum of three members, all of whom are non-executive directors. Two members constitute a quorum. The committee requires the inclusion of one financially qualified member with recent and relevant financial experience. The committee chairman fulfils that requirement. All members are expected to have an understanding of financial reporting, the group's internal audit control environment, relevant corporate legislation, the roles and functions of internal and external audit and the regulatory framework of the business.

The members of the committee during the year were:

Ron McMillan (Chairman)

Simon Patterson

Fiona Laird

Lesley Jones (appointed 1 October 2014)

The Chief Executive, the Finance Director, the head of internal audit and the external auditor are invited to attend audit committee meetings where appropriate.

The committee met 3 times during the year and attendance was as follows:-

Ron McMillan	3
Simon Patterson	3
Fiona Laird	3
Lesley Jones	0

In addition to scheduled meetings, the chairman of the committee met with the Finance Director, the head of internal audit and the external auditor on a number of occasions during the year.

Responsibilities

The committee is responsible for:

- Monitoring the integrity of the group's financial statements and reviewing significant financial judgements and estimates in advance of these being considered by the board;
- In conjunction with internal audit and the external auditor, reviewing internal financial controls and managements' response to required corrective action;
- Monitoring and reviewing the role and effectiveness of the group's internal audit function, including activities and resources; and
- Overseeing the role and effectiveness of the group's external auditors, reviewing and monitoring their objectivity and independence and agreeing the scope of this work, and related materiality and fees for audit and non-audit services.

Activities

The key matters considered by the committee during the year were:

Regulatory environment

The regulatory environment in which the group operates is both complex and changing with the transfer of regulatory supervision from the OFT to the FCA. Changes in laws and regulations may impact the groups business, sector and market. The committee reviewed updates on the work carried out by the group's compliance committee and satisfied itself that action is being taken to address the changes that are required to comply with new regulations.

Bad and doubtful debts

The methodology for provisioning for bad and doubtful debts is complex and requires significant judgements and assumptions. The committee reviewed the outputs of the detailed work undertaken by the external auditor in this area and satisfied itself as to the appropriateness of the provision.

Exposure to corporate tax and VAT

The group has a number of open items with the tax authorities and the calculation of the group's potential liabilities or assets in respect of these necessarily involves a degree of estimation and judgement. The Board sets and oversees the group's tax strategy which evaluates tax risk. In undertaking this task the group uses its tax advisors and legal counsel. During the year the group's tax advisers have kept the committee appraised of existing and emerging risks and the committee has considered the appropriateness of related tax provisions and assets.

In addition to the matters referred to in the letter from the chairman of the committee on page 23, the work of the committee during the year included:

- Reviewing the draft interim and annual reports and considering:

  (1) The accounting principles, policies and practices adopted and the adequacy of related disclosures in the reports;

  (2) The significant accounting issues, estimates and judgements of management in relation to financial reporting;

  (3) Whether any significant adjustments were required arising from the audit; and

  (4) Compliance with statutory tax obligations and the group's tax policy.
- Meeting with the internal and external auditor, both with and in the absence of the executive directors.
- Reviewing and approving the resources of, the scope of work undertaken by and the reports prepared by internal audit.
- Reviewing the reports prepared by the external auditor on key audit findings

and any significant deficiencies in the financial control environment.

- Reviewing and considering the group's systems of internal risk control, sources of assurance and exposure to fraud and overseeing the development of a new risk model for aligning identified risks with mitigating actions.
- Overseeing the management of the group's whistleblowing procedures which contain procedures for the committee to receive, in confidence, complaints on all operational matters.
- Reviewing the performance of the external auditor, including their relationship with the group, the group's use of the auditor for non-audit services and the balance of audit and non-audit fees paid to the auditors. Non-audit services are generally subject to tender processes and the allocations of work are done on the basis of competence, cost effectiveness, regulatory requirements, the potential for conflicts to arise and knowledge of the group's business. Deloitte LLP has, during the year, provided non-audit services in the form of corporate tax, and VAT advisory work and regulatory compliance. It was considered that Deloitte LLP was best placed to provide such advice in view of its knowledge of the group's financial position. The committee is satisfied that, in relation to these services, Deloitte LLP has taken actions to ensure that any potential conflicts of interest are properly managed.
- Reporting to the board on how it has discharged its responsibilities, and
- Making recommendations to the board in respect of its findings in respect of all of the above matters.

The committee has established a continuous process for identifying, evaluating and managing the significant risks the group faces. This monitoring is principally based on reviewing reports from senior management to consider whether significant operational risks are being identified, evaluated, managed and controlled and whether any significant weaknesses exist which need to be addressed. During the year, committee members have continued to receive, consider and approve updated risk evaluations from the operational directors. Further details are given later in the Risk Management section of this report.

The board considers that the processes undertaken by the audit committee continue to be appropriately robust and effective and in compliance with the guidance issued by the Financial Reporting Council. During the year the board has not been advised by the audit committee of, nor identified itself, any failings, frauds or weaknesses in internal control which it has determined to be material in the context of the financial statements.

Deloitte LLP has been the group's auditor for 13 years and, as indicated in our last Annual Report we have reviewed their appointment in light of changes to the Code. Consequently, Deloitte LLP will not seek re-appointment as the Company's auditors at the 2015 AGM. The committee has commenced a competitive tender process to appoint new external auditors for 2015 onwards. A resolution at the AGM will ask shareholders to confirm the appointment of the successful firm following the tender process.

The total fees paid to Deloitte LLP for the year ended 28 February 2015 were £2.2m, of which £1.9m was in respect of non-audit services. Further details are set out in note 6 to the financial statements.

Risk Management

The directors have overall responsibility for ensuring that the group maintains a sound system of internal control. There are inherent limitations in any system of internal control and no system can provide absolute assurance against material misstatement, loss or failure. Equally no system can guarantee elimination of the risk of failure to meet the objectives of the business. Against this background, the board has established a continuous process for identifying, evaluating and managing the significant risks the group faces in order to give it reasonable assurances regarding its operations and compliance with laws and regulations.

In order to ensure key business developments and emerging risks are appropriately factored into the risk management process, the group's internal auditors facilitated two board level risk sessions in the year. The Chief Executive and Finance Director along with the operational directors identified, ranked and reviewed the key risks facing the business and appraised the structure of internal controls and identified current and proposed activities to mitigate these risks. The committee was provided with the outputs from this process and given the opportunity to conduct its own assessment of risk across strategic, financial and operational areas. The results were circulated by internal audit as a key driver in the annual internal audit plan.

An enterprise wide mapping of activities across business functions was also undertaken by internal audit during the year to assess the level of risk within each activity. Output from this process has also been reflected in the annual audit plan.

Appropriate responsibilities and accountabilities have been set to ensure that there is ownership of the actions required to mitigate risk across the business.

Risk committee

The risk committee is a sub-committee of the audit committee on which the Chief Executive, Finance Director, the Company Secretary and head of internal audit sit, to focus on reviewing management's activities and to continually monitor and manage the risks identified. Operational management is asked to present to the risk committee on a cyclical basis on the progress of agreed actions against the major risks identified by the process. The output from the risk committee is shared with the audit committee and the full board.

The com mittee believes that appropriate internal controls are in place throughout the group, the most significant of which have been specifically referred to in this report. The group has a well-defined organisational structure, with clear lines of responsibility and explicit authority delegated to divisional boards and executive management. The group also has a comprehensive financial reporting system with good communication of plans, budgets and monthly results to relevant levels of management and the board.

The group has complied, and continues to comply, with the provisions of the Code on internal controls. There is an on-going process in place for identifying, evaluating and managing the significant risks facing the group that has been in place throughout the year and to the date of this report. The process has been reviewed by the committee and the board and accords with guidance appended to the Code.

The principal risks which the group has identified, together with actions to mitigate those risks are set out below:

Risk	Mitigating activities
Failure to recognise the need for change The business does not recognise the need for change, is unsuccessful in delivering the best course of action or fails to execute chosen strategy.	• Board strategic planning away-days. • Fit 4 the Future two year business transformation programme which will facilitate the omni-channel retail vision. • Monitoring of performance against strategic objectives and targets. • Robust change management programme. • Responsive to market demands. For example the credit transformation programme and new product capabilities.
Competition Failure to compete effectively through product and service propositions.	• Continuous monitoring and benchmarking of competitor activity. • Dedicated Customer Insight team undertakes customer perceptual gap surveys. • Investment in price programmes. • Fit 4 the Future two year business transformation programme which provides platforms to meet customer requirements. • Warehouse expansion project to develop and expand the customer delivery proposition.
Regulatory environment Failure to ensure the Group complies with existing and emerging UK and overseas legislation and regulation.	• The Group employs specialists in relevant fields to provide in-house and external expertise. • Governance and change control strengthened through incorporation of additional committee oversight. • Dedicated regulatory compliance function. • Pro-active engagement with appropriate regulatory bodies. • Membership of the British Retail Consortium.
IT systems The replacement of core legacy IT systems is too slow, expensive or ineffective.	• Group recruits specialist in-house and external resources. • Regular review of IT strategy and it's implementation. • Fit 4 the Future two year business transformation programme which is focused on the replacement and standardisation of IT platforms. • Monitoring of performance against targets and post-investment implementation reviews.
Overseas ventures Overseas ventures under-perform against expectations and expose the group to additional risk.	• Employment of dedicated executive and management teams. • Recruitment of specialist external consultancy services. • Introduction of credit offer in the USA. • Review of performance against targets.
People Over-reliance on key personnel and inability to recruit and retain required skill sets.	• Organisation capability review undertaken. • Group internal opportunities and reward systems. • Introduction of talent identification programme. • Employee engagement surveys. • Benchmarking of competitors' reward packages and terms and conditions.
Business interruption A significant event impacts the ability of the business to continue trading.	• Business Continuity Planning programmes. • Crisis management plan, team and communication systems. • IT disaster recovery plans including penetration testing. • Fit 4 the Future two year business transformation programme.

Remuneration committee

A Remuneration Report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), together with a letter from the chairman of the remuneration committee, are included on pages 33 to 49. Information concerning the committee's activities during the year is set out in those reports.

Nomination and governance committee

Introduction by Simon Patterson, Chairman

Dear Shareholder,

In July 2014, the remit of the Nomination Committee was expanded and re-named. The objectives of the committee are to ensure the board comprises individuals possessing the requisite skills, knowledge and experience and to review and make recommendations to the Board to ensure that the Company's arrangements are consistent with best practice corporate governance standards.

Lesley Jones completed a full induction programme, which involved spending time with the main functions and departments of the business. She is a member of the Nominations and Governance Committee and the Audit Committee.

The nomination and governance committee is chaired by me, and the members are Andrew Higginson, Lesley Jones, Ron McMillan and Fiona Laird. The formal terms of reference for this committee require it to make recommendations to the board for appointments of directors including, when appropriate, the Chairman of the board and also directors of the operating board and other senior executive staff of the operating company. Where appropriate, the Chief Executive and Company Secretary are invited to attend meetings of the committee.

The committee evaluates board candidates on merit, against objective criteria, taking into account the skills and experience required to perform the duties of the post with due regard to diversity and gender. Where appropriate, external search consultants are engaged.

MWM Consulting LLP ("MWM") were appointed by the Committee to assist in the discharge of its duties. The appointment of Lesley Jones as a non-executive director on 1 October 2014 was as a result of an external candidate search and selection process conducted by MWM. MWM have no other connection with the company.

During the year the committee met on two occasions with full attendance by all members.

Activities undertaken during the year included review of the company's succession planning and capital expenditure policy.

In accordance with Listing Rule 9.2.2AR(2) (a) the company has entered into a written and binding relationship agreement with Lord Alliance of Manchester CBE.

Simon Patterson

Chair of the Nominations Committee

Corporate social responsibility (CSR)

Introduction by Fiona Laird, Chairman of the CSR Committee.

Dear Shareholder

I am pleased to report that during the year the group has undertaken an extensive review of all aspects of the CSR (Corporate Social Responsibility) Policies and Procedures. We will be launching our CSR Charter later this year with the overarching title of "Taking Care of Our World - Our passion for fair fashion" which comprises three main pillars – All People, One Planet, Every Product as explained below.

We believe we should be a major force for good as well as a major force in fashion. It's a huge responsibility, and a purpose way beyond profit.

Fiona Laird

Chairman of the CSR Committee

Corporate Social Responsibility

During the year the group has undertaken an extensive review of all aspects of the CSR (Corporate Social Responsibility) Policies and Procedures. We will be launching our CSR Charter later this year with the overarching title of "Taking Care of Our World" Our passion for fair fashion which comprises three main pillars as listed below.

We believe we should be a major force for good as well as a major force in fashion. It's a huge responsibility, and a purpose way beyond profit.

All People

Where people are concerned, so are we

We want everyone who works for us, wherever they are, to be treated with fairness, dignity and respect. Because everything we achieve as a business, we achieve through people.

One Planet

Protecting the earth begins with respecting it

We're determined to understand our effect on the world, and find better smarter and more sustainable ways of working. To learn and to teach, to recycle, reuse and respect, wherever we are on our big beautiful planet.

Every Product

Our products should make people feel as good as they look

That means partnering suppliers who share our standards, working together to create ever more responsible, sustainable products that our customers can enjoy with confidence and with conscience.

It's a big word and a huge task to change it. We've taken our first steps on this important journey, but we have a long way to go. Making a positive impact is our obligation not an option. We know that achieving all this will take collaboration and co-operation with others. And because we are in a position to lead, we are ready to stand up and be counted.

Everything that we will do going forward will link back to these three main pillars.

We have reviewed and updated our policies and procedures. As part of this we have adopted the following policies:

Human Rights Policy – This covers our support of the United Nations Declaration of Human Rights and International Labour Organisation Core Conventions. We are developing our Human Rights Impact Assessments and will begin reporting on these next year.

Animal Welfare Policy - Covers all aspects of animal welfare including endangered species, fur free, leather, wool, cashmere, feather and down and animal testing.

As part of a gap analysis we will this tear work on a Forestry Strategy and Deforestation Policy.

We continue to be signatories to the United Nations Global Compact and have recently published our first Communication on Progress report. During the year our Ethical Trading Manager was selected to be a member of the Advisory Group on Supply Chain Sustainability.

We continue to play an active role as members of the ETI (Ethical Trading Initiative). This year we have participated in a number of programmes:-

Leicester Programme – Along with a number of other retailers we commissioned an independent review of Leicester's garment manufacturing. It was felt that some substantive research was needed to help understand the wider issues before we could decide on what action to take. The report highlighted a number of issues surrounding excessive working hours, low wages and regular unauthorised sub-contracting. We are currently working on a programme of work to tackle all the issues raised together with trade unions and civil society. We are committed to support our suppliers in Leicester to raise the standards of the industry as a whole.

Tamil Nadu, Southern India – Again together with other retailers and NGO's we are tackling the wider Sumangali scheme. This scheme is where young, usually women workers, are attracted to employment in mills and factories in the Tiripur region with the promise of paid work, safe accommodation and a final lump sum payment. However recent research has shown that some of these schemes are the equivalent of bonded labour, with excessive working hours, poor living conditions and lump sums not being paid at the end of the scheme. We are working with other retailers and textile suppliers to set up a regulation, inspection and service model in the region that can be up scaled across all mills and factories. The project is currently engaging 2,650 workers across six spinning mills and one factory.

During the year we continued our support for the Bangladesh Accord Agreement. http://bangladeshaccord.org/. We are signatories to the Accord along with over 180 global retailers who source from Bangladesh. The Accord was formed in 2013 following the tragic Rana Plaza building collapse in April 2013. It is a five year commitment to improve the standards in the Bangladeshi garment industry specifically in the areas of fire, electrical and structural safety. We were founding board members of the Accord and committed significant time and resources during the first year of set up. All our factories manufacturing in Bangladesh have had independent inspections with the reports and corrective action plans publically disclosed on the website.

We have successfully bid for funding to undertake a project as part of the TGVCI (Trade in Global Value Chains Initiative) jointly funded by DFID (Department for International Development) and ourselves. This project will focus on gender sensitisation of workers and managers in ten of our garment factories in Bangladesh. We wish to focus on attitude change with the factories by encouraging worker/management dialogue, build local capacity to support this on the ground and empower factories to initiate and complete improvement projects as a result of the dialogue. This will be through a train the trainer approach in a safe environment. This project is planned to run to April 2016.

Through our membership of BSR (Business for Social Responsibility), we are part of a working group of six brands on responsible sourcing from Myanmar. This is a year long project to try and tackle some of the more systemic issues left in Myanmar after years of sanctions. We are focussing on freedom of association and child labour remediation. We will also work to develop intercultural communications training to begin the process of dialogue and understanding of what good industrial relations can achieve. We are currently working with UNICEF and the ILO to progress the work of the group over the next year.

We are also focussing our work in the area of Living Wage within the garment industry. We are working together with 13 global brands and a global trade union, IndustriALL, to find a co-ordinated approach across the industry in a very complex and difficult area.

We are introducing a clothing recycling scheme as a trial with our customers. We will be distributing 250,000 bags and will utilise our current courier network to collect any unwanted clothing. This is aiming to encourage less clothing to go to landfill. We are partnering with a charity called Traid http://www.traid.org.uk/ who will either sell the clothes in their network of 12 charity shops or recycle the fabric if the clothes are not saleable. All profits are then invested in projects in garment producing countries all around the world, including the UK. We will also be able to report on the amount we have saved going to landfill and the impact this has had on waste and water usage.

The group's policy for the payment of suppliers is to ensure that terms of payment are negotiated with suppliers when agreeing the terms of each transaction and to ensure that all suppliers are made aware of and accept agreed payment terms. The group continually reviews payment procedures and liaises with suppliers to eliminate difficulties and to maintain good working relationships. Agreed payment terms are then abided by and payment is made in accordance with those terms. Trade creditors of the group at 28 February 2015 represented 30 days (2014, 36 days) of purchases.

We have also undertaken a full review of the group's charity support. We have engaged with customers and employees to find the most relevant type of charities they wish to support. We are in the process of shortlisting to find the best strategic partners for a three year commitment going forward. We are ensuring these will be relevant for our core power brands JD Williams, Jacamo and Simply Be. More information on the choice of charities will be released later in the year. We are working with the Charities Aid Foundation to find the best way to maximise our impact in this area.

Environment

Overview

Our sustainability strategy and environmental performance has become an integral element of our core business strategy. As a responsible multi-channel retailer, we have formally committed to reduction targets and continually strive to exceed expectations of our customers, staff and investors. Group-wide sustainability responsibility has been assigned to Ian Carr, director of logistics, who sits on the operational board of J D Williams & Company Limited and who reports to the Chief Executive Officer and, through him, to the board of directors.

Since 2007, the group has been actively working alongside its environmental partners, Envantage Limited and Viridor Limited, to boost environmental performance and increase group-wide environmental awareness and accountability. Ongoing investment into energy, carbon, waste and water minimisation initiatives has led to a considerable reduction in our carbon emissions and water footprint profiles.

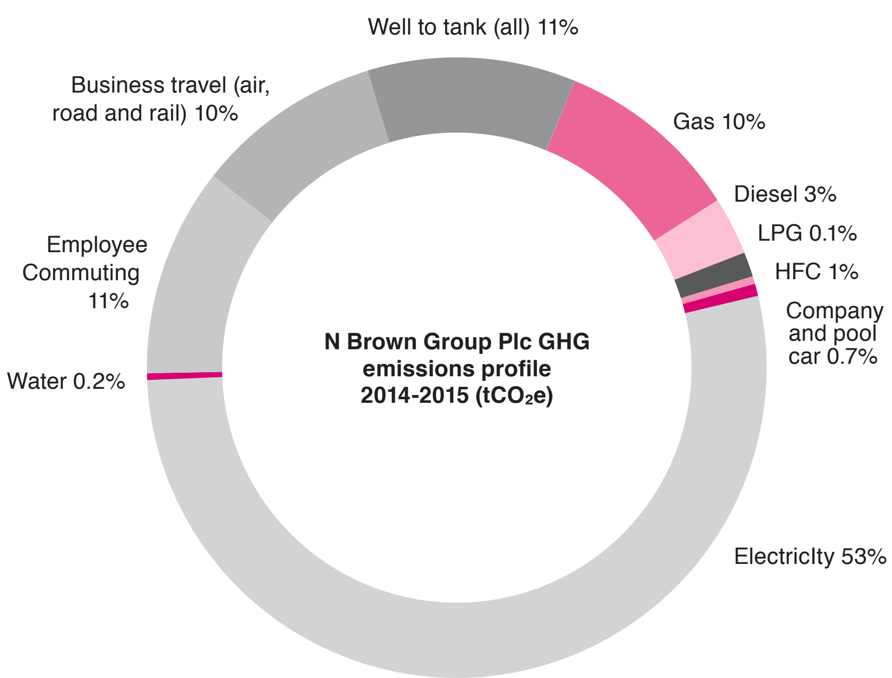
Emissions profile

Our Green House Gas (GHG) emissions inventory is calculated for the global Group under the operational control approach, in accordance with the GHG Protocol and GHG emissions factors published by DECC (Department of Energy & Climate Change). The inventory is independently calculated by our partner carbon consultants Envantage Limited.

Under GHG reporting guidelines, scope 1 and 2 emissions are the key mandatory areas to report, illustrating the environmental impact of the Group for activities where we have direct control- i.e. operation of our sites and vehicles. As a responsible retailer we have also taken steps to quantify as many extra optional scope 3 emission sources related to our operation to boost our environmental impact assessment and emissions reduction plan.

		Total GHG tCO2e	
Scope	**Source**	**2013 – 2014 (Comparison year)**	**2014 – 2015 (Current year)**
Scope 1	Gas	2,386.2	1,890.1
	Diesel	477.3	573.2
	HFC	259.8	261.0
	Gas oil	101.2	56.6
	LPG	-	10.2
	Company and pool car	149.5	137.8
Scope 2	Electricity	8,996.9	10,306.6
Total scope 1 and 2		**12,370.9**	**13,235.5**
Scope 3	Water	37.3	37.9
	Employee Commuting	3,000.9	2,137.0
	Business travel (air, road and rail)	1,100.0	1,883.4
	Well to tank (all)	2,023.8	2,117.1
Total		**18,532.9**	**19,410.9**
Outside scopes- Biogenic element- Diesel		11.9	13.8

This table and chart illustrate our GHG emissions across all our reporting areas, for the global Group from March 2014 to February 2015 and the previous year.



As a growing organisation, evaluation of scope 1 and 2 emissions performance using intensity ratios allows a more meaningful comparison to be made between inventory periods. The table below shows the scope 1 and 2 GHG emissions by GHG emissions in relation to both Group turnover (£million) and million items dispatched.

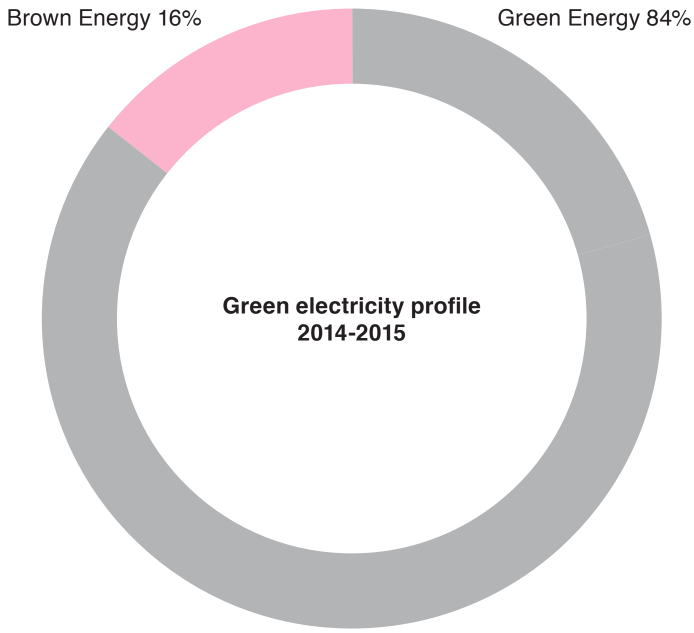
Intensity ratios	2013-2014 Comparison year	2014-2015 Current year	% Change
Scope 1 & 2 GHG emissions tCO2e / group turnover (£million)	14.8	**15.9**	7.4% increase
Scope 1 & 2 GHG emissions tCO2e / million items dispatched	400.4	**370.2**	7.5% decrease

Since the last annual report the Group has increased operational hours and activities across its main distribution sites to meet an increased demand for products. This increased demand is illustrated in the increased number of dispatched items during the 2014 - 2015 period. We have also increased the number of facilities and supporting services we operate as we have developed and grown our Simply Be brand. Due to continued investment into carbon reduction and energy efficiency, we have successfully reduced GHG emissions per unit dispatched by 7.6% since the previous reporting period.

The majority of the Group's scope 1 & 2 GHG emissions (tCO_2e), as outlined in the table on the previous page, are associated with electricity, natural gas and diesel (internal haulage) across our facilities and vehicles. Since the last reporting period our actual energy consumption in kWh across electricity, gas and diesel has reduced by 3.7%, despite a significant increase in business activities. Assessment of energy in kWh on a relative basis to the number of items we dispatched in 2014-2015, shows a significant reduction of 16.8% when compared to the previous year.

Electricity

Although our overall Group energy consumption in kWh has reduced since the last reporting period, our electricity consumption in kWh has increased by 5.6% due to the growth of the Simply Be high street brand. However, electricity consumption across all other divisions has remained static despite increased working hours and increased handled goods. The Group have been working to reduce electricity demand by ongoing energy management and investment into new technologies such as LED lighting. Although electricity consumption has slightly increased since the last reporting period, our electricity GHG emissions (tCO_2e) are indirectly higher due to an increase in published electricity emissions factors for 2014. Effectively the electricity grid is less green on average in 2014 than it was in 2013, making the associated GHG emissions higher per kWh.



As a responsible retailer, we have been purchasing green electricity for a number of years. During the last inventory period our green electricity accounted for 83.5% of our total profile. In addition to purchasing green electricity, we will now be generating our own green energy onsite following the recent installation of a solar PV plant at our main distribution centre.

Diesel (haulage)

Diesel consumption has also grown since the last year due to an increase in distance travelled and vehicle utilisation in order to support our growing brand. However, on a relative basis achieved miles per gallon (MPG) have actually improved due to driver training, journey planning and improved load management.

Natural Gas

Our gas consumption has significantly dropped across the group by 20.7% since the previous period, despite a colder winter and an increase in the number of handled items and steam cleaned returned goods. Gas consumption has successfully reduced due to significant investment into heating controls, energy efficiency boilers and more efficient steam tunnels for returns cleaning.

Mandatory GHG reporting notes

This data disclosed is in conformance the companies Act 2006 (strategic report and directors' report regulations). GHG emissions disclosed under the required reporting categories fall within the groups consolidated financial statement. Scope 1 and 2 emissions have been calculated on a global scale where the group have operation control using the GHG protocol. The quantified emissions are for the reporting year 1st March 2014 to 28th February 2015.

GHG emissions factors published by DECC for 2014 have been used to calculated GHG emissions.

Note change in emission for 2013-2014

- Data accuracy: Some data for the 2013-2014 inventory has been updated based on actual data or more accurate data for some sources.
- Update in DECC emissions factors: Emissions from the previous published report for the period 2013-2014 have been recalculated with the newly published factors for 2014, affecting the months of January and February 2014 (2014 factors were not available at time of publish). This has resulted in a slight change in emissions reported.

Data records

- Natural Gas and electricity: Data is primarily calculated based on actual metered consumption from invoices or meter readings. Where actual metered data is not available as energy is billed as part of a landlord service charge, energy consumption has been estimated using floor areas and published benchmarks. Some data has been estimated where quarterly bills have not yet been published.
- Gas oil: Fuel is used in stand by generators and onsite transport (forklifts etc.). Data for onsite transport is calculated using actual fuel usage from invoices. Generator fuel usage has been estimated using generator fuel demand per hour and activation information.
- LPG: Fuel has been used in 2014 for space heating at one site. Data is based on invoices.
- Diesel: Data is calculated based on actual fuel consumption from invoices.
- Company car: Data is primarily calculated for the group using data logged in our global expense system which records distance travelled, and vehicle information for each business travel expense claimed. Any company cars not logged on this system have been estimated based on milometer readings.
- HFC: Refrigeration emissions have been calculated from the F-Gas register for applicable plant. Emissions for plant not affected by this regulation (smaller systems) have been calculated using data provided by full service records. Where service records were not available for a very small number of shops refrigeration losses have been estimated using DECC leakage tables.

Employees

The Chief Executive has board level responsibility for employment matters.

Employee involvement - Our success has been substantially contributed to by an engaged, enthusiastic, motivated and well-trained workforce. Considerable resources are devoted to employee training, with a large dedicated training team based in the contact centre with around 40 people providing customer service and systems training to ensure our customers receive the highest possible levels of service.

A management development team based at head office provides learning and development support for head office teams and all subsidiary and support divisions. The entire management team undergoes a bespoke 360 degree appraisal process every two years with the intention of ensuring that everyone understands the impact they have on the teams around them. In 2013 we launched ‘simplybefrank’, an employee survey used to validate engagement levels across the group’s divisions and subsidiaries. The Customer Service team also run a separate engagement survey which provides results on a team level within the division. A Consultative Forum operates within the logistics division where employees from all levels contribute and share ideas that help shape the culture of the business. This year the Logistics division achieved Investors in People accreditation at Gold standard, joining the Customer Service division which achieved this standard in 2013.

A large proportion of the group’s training and development work is delivered by the HR learning and development team, which is supplemented by external training in specialist technical and IT training areas where necessary as well as individually tailored training. There is also a suite of self-training and e-learning tools available via an online database, “simply development”, which enables employees to access a wide range of self-development activities, tools and information.

The company has developed close relationships with local universities to retain talent within the northwest. We now offer graduate schemes in Buying, Quality & IT. In addition we offer placements within the Buying and Merchandising function with many graduates returning post degree.

An employee profit share scheme has been introduced to enable employees to participate in the company’s success. The scheme provides an enhanced bonus for junior grades, providing greater benefit differentials for employees promoted to non-management grades.

Over 500 group employees either hold shares in the company or have options/awards to acquire them through the group’s various share option and long-term incentive schemes.

Consultation - Constructive relationships exist with the trade unions that represent the group’s employees (principally USDAW and SATA). Elements of the group are covered by a collective bargaining arrangement with USDAW. Union membership is encouraged and regular communication with the union is facilitated through ‘partnership forums’ established on the principle of shared commitment to business success, employment security and development with a particular emphasis on quality of life, openness and adding value.

Equal opportunities

The group supports the principle of equal opportunities in employment and is opposed to all forms of discrimination, including those on the grounds of colour, race, nationality, ethnic or national origin, religion, gender, age, sexual orientation, marital status or disability.

Our selection processes for recruitment, promotion, training and development are non-discriminatory. We believe it is in the best interests of employees and the group to provide these opportunities to the most suitable candidates, and to achieve a balanced working population spread across a diverse range of ethnic origins, gender and age groups.

Applications for employment by disabled persons are thoroughly and sympathetically considered, with the aptitude of the applicant being regarded foremost. In the event of any employee becoming disabled during their employment, every effort is made to ensure that their employment with the group continues and the group will endeavour to assist the employee by offering additional training, adapting the job if appropriate or by offering a transfer to another position. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and safety

The health, safety and welfare at work of its employees, contractors, visitors and customers is paramount as is ensuring compliance with all relevant legislation. The group is also committed to best practice initiatives.

As the number of our retail outlets increases, we ensure that we maintain our high health and safety standards by having robust procedures, training, supervision and guidance. Our audit programme for the group ensures that all sites are meeting the same exacting standards that we demand throughout.

Cumulative group accident statistics show that for the year in review, reportable accidents under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) have fallen as a percentage of our employees from 0.03% in the previous year to 0.02%.

In the year in review, the group ratio of accidents per employee remained static at 0.6%. This reflects the work completed to ensure that our new retail sites maintain the high safety standards expected within the group.

The group's Health & Safety and Human Resources departments are complemented by an Occupational Health department, whose focus is to look after the well-being of the group's employees. The Department provides advice, guidance and support on people's fitness to work, on-site physiotherapy, chiropody and a counselling service.

We endeavour to ensure that all products and services sold by the group or used in the workplace are safe and without risk to employees and customers when used properly.

Customers

A key factor of the group's success is the strength of relationships with our customers and their levels of satisfaction with our group products and services.

We aim to attract and retain customers through a highly competitive product and service offering, regularly monitoring retail and home-shopping sector developments to stay in touch with our marketplace. Insights into our customers' needs and expectations are regularly updated through customer satisfaction surveys conducted both directly and through third parties.

Our overall strategy is to adopt a "multi-channel" approach to managing customer contacts, with the key aim of a joined-up and consistent customer experience across channels. Our multi-channel service platforms cover web, telephone, mobile/tablet and post, and will extend to our new store operations.

We continually develop our web-sites for richer product content, ease of use, and improved performance. Optimisation for mobile/tablet devices is a priority due to the rapid growth of demand in this channel. Web self-service capabilities are delivered through a "my account " facility for customer orders and account management information. Web-enabled contact centre capabilities are being deployed to support our web-trading customers, including multimedia, web chat, click-to-call and social media.

The group operates both in-house and outsourced contact centres, predominantly located in the UK. Our international businesses are supported through local contact centres in the USA and Eire. Enquiries and complaints have been pro-actively reduced over recent years as a proportion of customer order transactions, reflecting the introduction of more customer-oriented policies, processes and product/service standards. Telephone, email and letter contacts received from customers are analysed and remedial actions taken to improve our levels of service.

Our speed of answering calls and responding to emails has been improved and made more consistent. Automated speech services handle a significant proportion of customer telephone payments and parcel collection requests. We continue to invest in improved speed of product deliveries to our customers and to offer more delivery service options such as next-day or nominated day of delivery. E-mails inform customers about their order and account status.

Service developments are planned to further enhance our multi-channel customer experience with new capabilities to offer personalisation and choice. Individual customer needs and preferences will drive their relationship with us across brands, products, services, channels, offers, trading terms, and communications.

Relations with investors

The company places considerable importance on good communication with all shareholders, be they institutional or individual investors. Institutional investors, fund managers and analysts are kept informed of the company's overall strategy through regular meetings and investor 'road-shows' and site visits. All non-executive directors are kept informed of shareholders' views through detailed feedback on surveys and polls and analyst and broker reports are tabled at each board meeting. The senior non-executive director is available to meet with, and understand, the views of major shareholders. Other non-executive directors are available to meet major shareholders as appropriate.

The company aims to ensure that all shareholders have full and timely access to the information it discloses in the annual report, the yearly and half yearly announcements and interim management statements and that shareholders have the opportunity to meet with the executive management team (and certain members of the operating division) at the announcement of the group's results and also at the annual general meeting. Non-executive and executive directors also attend meetings with major shareholders on request. As well as being provided with a copy of the annual report and results announcements, the group recently overhauled its website to provide shareholders with up to date and comprehensive material about the group and its activities and also real-time market information and prices. Shareholders also have the opportunity to ask questions, make observations and represent their views to the board of directors by constructive use of the annual general meeting.

Introduction by Fiona Laird, the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for 2014/15 on behalf of the Board and to summarise the remuneration committee's main activities during the year.

During the year the group's strategy of comprehensive modernisation and the move towards digital first has been accelerated. This, together with weak Autumn sales across the sector has resulted in a year of mixed performance against KPIs. As a result, no bonus will be paid this year.

The remuneration committee now consists entirely of independent non-executive directors. I am current chairman and the current members are Ron McMillan, and Simon Patterson.

The remuneration committee met on three occasions during the year. Members' attendance was as follows:

	Attendance
Fiona Laird (Chairman)	3
Ron McMillan	3
Simon Patterson	3
John McGuire (retired 1 April 2014)	0
Anna Ford (retired 22 July 2014)	2

The remuneration committee reviews, formulates and determines the reward and remuneration package of each executive director and other senior employees of the company including the Home Shopping board. It also considers how the company is applying the principles of the UK Corporate Governance Code (the "Code") in respect of directors' remuneration. We have created a remuneration framework that rewards both long and short-term performance as we believe this is in the best interests of all of our shareholders.

This reports sets out the remuneration of the Company's directors for the year and is separated into the following parts:

- This "Annual Statement" which identifies the key messages on remuneration for the year under review and explains the business context in which the Committee's major decisions during the period were taken;
- The directors remuneration policy which was approved by shareholders at the 2014 AGM and is included for information in this year's report; and
- An "Annual Report on Remuneration" which provides shareholders with details of the remuneration that was actually delivered to the company's directors during 2014/15. This final part of the report will be subject to an advisory vote at the forthcoming annual general meeting.

Annual bonus is paid 60% in cash and 40% deferred as a conditional award of shares payable at the end of 3 years after the award. The principal performance metric for the normal annual bonus was based on group profit. The committee determined that this element of the annual bonus targets had not been met. The remainder of the normal annual bonus was based on meeting corporate and personal objectives. Again, the committee determined that these were not met and therefore no bonus was awarded to Dean or Angela.

The committee reviewed the TSR performance of the company in respect of the 2012 Long Term Incentive Share Plan ("LTISP") award. The company was ranked below median against its peers at the end of the three year performance period, as a result of which the award lapsed.

The committee reviewed the salaries of the executive directors in April 2015 and determined that these should be increased by 2%, in-line with most of the general workforce. The review date for salaries has been changed to October, bringing it into line with the majority of retailers.

The weighting of performance measures used in the annual bonus has been reviewed and amended to reflect the revised strategic priorities of the group, with an increased weighting on corporate measures and a reduced weighting on personal performance. Subject to commercial confidentiality, performance against these targets is set out in this report.

Awards with a face value of 150% of salary were granted to both Angela Spindler and Dean Moore in July 2014. Vesting of these awards is subject to growth in adjusted EPS in excess of RPI (60% weighting) and relative TSR against a peer group of retailers (40% weighting). In 2015 Angela Spindler will again receive an award with a face value of 150% of salary. The award will be granted in July 2015 and will be again subject to EPS and relative TSR performance conditions with the same weighting as the 2014 awards. The committee has also reviewed the TSR comparator group to ensure that it is appropriate for the awards in 2015. Details of the comparator group are provided in the Annual Report on Remuneration.

Dean Moore stepped down as Finance Director at the end of April 2015. In accordance with the Remuneration Policy, Dean has been paid the balance of his notice period. Payments are phased over the remaining 9 months of his contractual notice period and are subject to an obligation to mitigate. Craig Lovelace joined the company as Chief Financial Officer in May 2015. Details of his package are set out in the Remuneration Report below.

I will be available to answer any questions at the annual general meeting in July and very much hope that you will support the Directors' Remuneration Report and Annual Report on Remuneration at our forthcoming meeting.

I would like to thank all of my colleagues on the remuneration committee for all their hard work in implementing the new reporting requirements of the Director's Remuneration Report and generally with the day to day tasks of the committee over the last year.

Fiona Laird

Chair of the Remuneration Committee

Remuneration policy

This report sets out the information required by Part 4 of the Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008, as amended. The report also satisfies the relevant requirements of the Listing Rules of the Financial Conduct Authority, and describes how the board has applied the principles and complied with the provisions relating to directors' remuneration in the Code.

It summarises the current remuneration policy for the executive directors which was approved by shareholders at the 2014 annual general meeting. The policy report has been reproduced for information and updated to reflect the passage of time, such as change in tense and page references and the Directors current packages for the purposes of the scenario chart.

The committee's policy is designed to ensure that the main elements of the remuneration package are linked to the company's annual and long-term strategy, are appropriate in quantum and capable of attracting, motivating and retaining executive directors. The policy aims to reward executive directors and senior executives by offering them competitive remuneration packages, which are prudently constructed, sufficiently stretching and linked to long-term profitability and which do not encourage excessive risk taking.

In particular, the committee strives to ensure that remuneration packages are:

- aligned with the group's strategic plan;
- aligned with shareholders' interests;
- measured against stretching targets, both in absolute and relative terms;
- competitive and sufficiently flexible to support the recruitment needs of the business;
- paid in a combination of cash and shares; and
- linked to performance measured over annual and three-year performance periods.

Summary of components of executive directors' remuneration

The table below summarises the committee's policy for the main components of remuneration.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	Reflects the performance of the individual, their skills and experience, and the responsibilities of the role. Provides an appropriate level of basic fixed income.	Reviewed annually, taking account of absolute group profitability and performance against personal & corporate objectives. Set with reference to the levels of base salary for similar positions with comparable status, responsibility and skills in competitor organisations of comparable size and complexity, in particular those in the home shopping and retail market sectors. When reviewing salary increases the committee takes into account the impact of any increase to base salaries on the total remuneration package. Any changes normally take effect from 1st June.	Salary increases will normally be in line with increases awarded to other employees of the group. More significant increases may be awarded at the discretion of the committee, for example: where there is a change in responsibilities or scope of the role; to reflect individual development and performance in the role (e.g. for recent hires); or in exceptional circumstances.	None, although overall individual performance is a factor considered when setting and reviewing salaries.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Annual Bonus	Drives and rewards annual delivery of financial, corporate and personal goals. Annual performance targets are aligned to the long-term strategic KPIs of the company and aimed at increasing shareholder value, whilst being prudent and safeguarding the future of the company. Deferral provides alignment with shareholders and assists with retention.	Targets are reviewed annually to ensure that they are appropriate to the current market conditions, the long-term strategy of the company and that they continue to remain stretching and challenging. From 2014/15 onwards, bonuses will be paid 60% in cash, with 40% deferred as a conditional award of shares. Vesting of future deferred shares is at the end of three years from the award of the bonus, subject to continued employment (save in "good leaver" scenarios). The payment of any earned bonus remains ultimately at the discretion of the committee. Executives may also be entitled to receive the value of dividends that would have been paid on vested shares during the deferral period.	Chief executive: up to 150% of base salary p.a. Other executive directors: up to 125% of base salary p.a.	A significant majority of the annual bonus will normally be determined by reference to performance against stretching group profit measures. Additional targets linked to corporate performance and individual targets will be applied. Personal objectives will be measurable and linked to goals that are consistent with the group's longer-term goals. Performance below threshold results in zero payment. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum, with 50% of the maximum normally payable for on-target performance. Includes a "clawback" mechanism in the event of material misstatement of the group's financial results or individual misconduct.
Long-term incentive plan "LTIP"	Provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby aligning the interests of shareholders and executives.	Annual grants of nil-cost options or conditional awards of shares, which vest subject to the group's performance measured over three years. Participation and all awards are subject to the discretions given to the committee in the plan rules. Executives may also be entitled to receive the value of dividend payments that would otherwise have been paid on vested awards during the vesting period.	Normal maximum of 150% of salary. Exceptional circumstances maximum of 200% of salary.	Awards made from 2014 onwards are subject to targets based on growth in adjusted EPS in excess of RPI (60% of the award) and relative TSR against a peer group of other retailers (40% of the award). The committee will have the discretion to set different weightings and select different peer groups for future awards. The peer groups for 2015 and prior years are disclosed in the Annual Report on Remuneration. EPS targets are set by the remuneration committee prior to each grant. Targets for both EPS and TSR will be based on a sliding scale. For each measure performance below threshold results in zero payment. Payment rises from 25% at threshold or median to 100% of the maximum opportunity at a maximum or upper quartile performance level. Includes a "clawback" mechanism in the event of a material misstatement of the group's financial results or individual misconduct.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
All-employee share schemes (SAYE and SIP)	All employees, including executives, are able to acquire shares by participating in the Group's all-employee share plan at the discretion of the Committee.	The group operates an HM Revenue & Customs approved savings related share option scheme for the benefit of group employees provided that they have completed at least six months' service. Participation in the SIP may also be offered.	The plans are subject to statutory individual limits as amended from time-to-time. These are broad-based plans and are not subject to performance targets.	N/A
Pension	Provides retirement benefits that reward sustained contribution.	The company operates a defined contribution plan and may also provide cash pension contributions or cash supplements in lieu.	Up to 15% of salary as a company contribution to a defined contribution pension scheme and/or as a cash allowance.	N/A
Other Benefits	Provides a competitive package of benefits that assists with recruitment and retention.	Main benefits currently include private medical insurance and a car allowance.	Car and fuel allowance up to £20,000 per annum. Other benefits will be in-line with market. The value of each benefit it based on the cost to the company and is not predetermined.	N/A

Notes:

1. A description of how the company intends to implement the policy set out in this table for 2015/16 is set out in the Annual Report on Remuneration.
2. The remuneration policy for the executive directors and other senior executives is designed with regard to the policy for employees across the group as a whole. However, there are some differences in the structure of the remuneration policy for senior executives. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and senior executives, a greater emphasis tends to be placed on performance-related pay in the market.
3. All-employee share plans do not have performance conditions. Executive directors are eligible to participate in the SAYE and SIP on the same terms as other employees.
4. Copies of the LTIP rules are available on request from the company secretary.
5. LTISP awards granted prior to 2014 are subject to performance conditions described in the Annual Report on Remuneration.
6. The company also operates share ownership guidelines requiring executive directors to acquire and hold a specified level of shareholding. The current level of holding expected under the guidelines is described in the Annual Report on Remuneration.

How employees' pay is taken into account

The remuneration policy for the executive directors is designed with regard to the policy for employees across the group as a whole. The company's ability to meet growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. As a result our employment policies, remuneration and benefit packages for employees are regularly reviewed. Whilst there are some differences in the structure of the remuneration policy, these reflect individuals' differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior executives within the organisation.

Although the committee does not consult directly with employees on directors' pay, the committee does take into consideration the pay and employment conditions of all employees when setting the policy for directors' remuneration. The committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for directors' pay.

Committee discretions

The committee operates the group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans and to be consistent with market practice, the committee will retain certain operational discretions. These include:

- selecting plan participants;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events, and special dividends);
- determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year.

If an event occurs which results in the Annual Bonus Plan, Deferred Share Bonus Plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the company's major shareholders.

Legacy arrangements

In approving the remuneration policy, authority is given to the company to honour any commitments previously entered into with the current or former directors in accordance with the relevant plan rules, where applicable. It is also part of this policy that the company will honour payments or awards crystallising after the effective date of this policy but arising from commitments entered into at a time when the relevant individual was not a director at the company. Details of any payments to former directors will be set out in the Annual Report on Remuneration.

Selection of performance metrics and targets

All incentives are subject to the individual review and scrutiny of the committee, particularly in the case of share incentives, both at award and vesting to ensure that performance has been correctly adjudicated and to safeguard against excessive overall reward. Variable pay and remuneration is linked to both corporate and individual performance and is benchmarked to attract and retain the highest quality people.

The annual bonus is designed to thoroughly stretch the performance of the executive and is linked to absolute growth in annual group profit, the achievement of certain business targets and of personal objectives. These targets are reviewed and agreed by the committee at the beginning of each financial year to ensure that they are appropriate to the current market conditions and the long-term strategy of the company, and that they continue to remain stretching and challenging. The targets are linked to KPIs which are drawn from, and relate to, the achievement of 'milestones' contained in the company's strategic long-term plan. This ensures they are aligned to the strategic objectives of the company and designed to increase shareholder value, whilst being prudent and safeguarding the long-term future of the company.

The committee has decided to apply a condition based on growth in adjusted EPS alongside the existing measure; TSR to awards made under the PSP. Adjusted EPS is considered appropriate as it is easily understood, is a key measure of financial performance and closely aligned to the company's objectives of driving profitable growth. The measure takes account of fair value adjustments to financial instruments (net of tax) as well as other non-recurring items such as unplanned investments in IT infrastructure, acquisitions and/or disposals. As the targets are set as a rate of growth in excess of RPI it also takes into account inflation. TSR provides an external assessment of the company's performance against its peers and aligns rewards received by the executives with the returns received by shareholders. The committee determines from time to time which companies are to be added or removed from this comparator group, including the treatment of any company which ceases trading during any performance period.

The committee considers the group's performance on environmental, social and governance ('ESG') issues when setting the remuneration of any executive director and is of the opinion that the incentive arrangements for senior managers do not raise ESG risks by inadvertently motivating irresponsible behaviour or the taking of undue risks with the business.

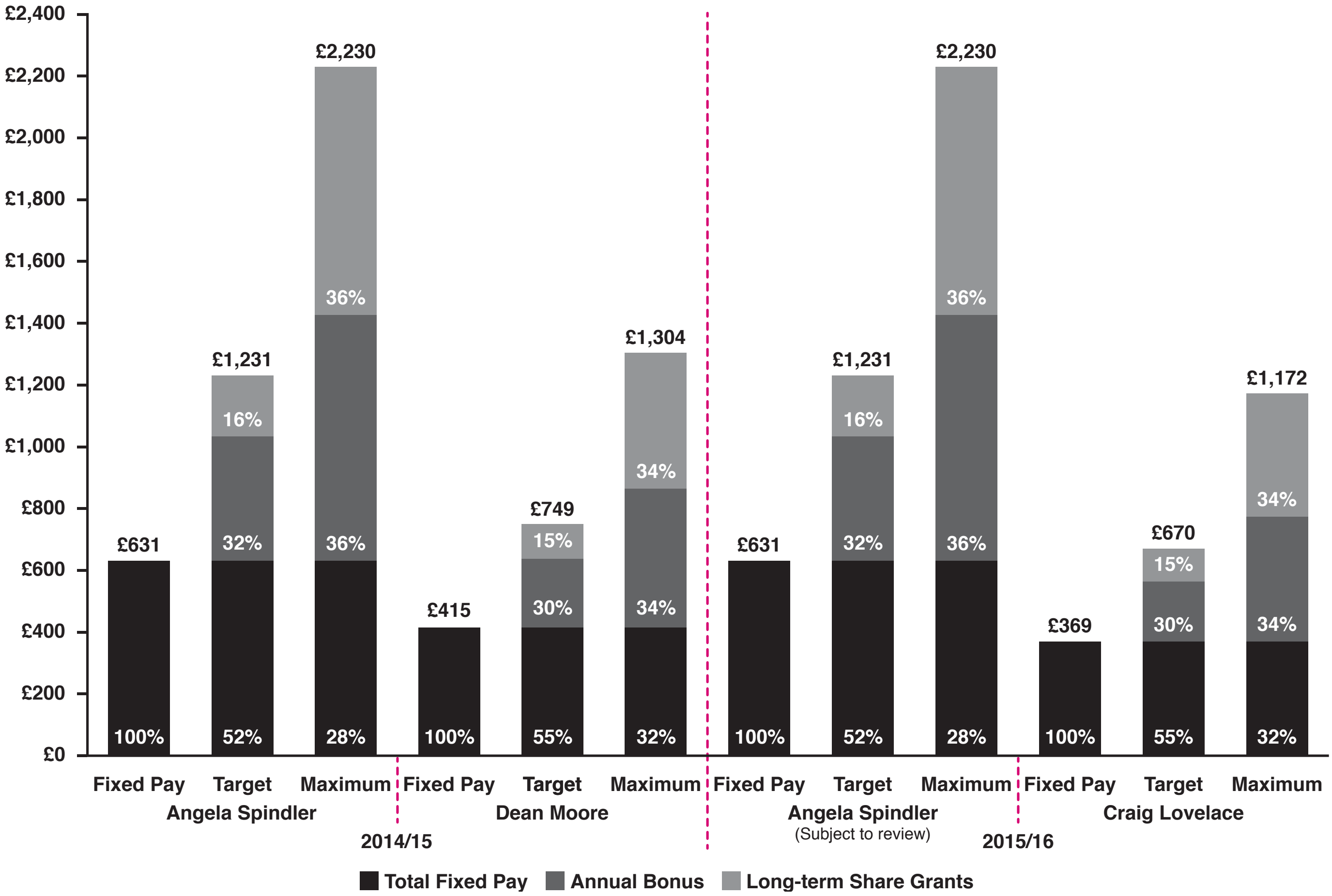
Shareholding guidelines

It is the board's policy that executive directors build and retain a minimum shareholding in the company. Under these guidelines the chief executive and the finance director are respectively required to hold company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary, respectively and to have met this guideline within 5 years of appointment. Details of the current shareholdings of the executive directors are provided later in this report.

How shareholders' views are taken into account

The committee considers shareholder feedback received regarding the directors' remuneration report and guidance from shareholder representative bodies more generally. As appropriate, the committee also seeks feedback from shareholders on specific matters. These views are key inputs when shaping remuneration policy.

Potential remuneration scenarios for executive directors (£000s)



Assumptions

1. Fixed pay = salary as paid in year, benefits and pension provision.
2. On target = fixed pay plus target annual bonus (50% of the maximum) of 75% of salary for the chief executive and 62.5% of salary for the finance director plus target LTIP awards of 37.5% of salary for the chief executive and 31.25% for the finance director.
3. Maximum = fixed pay plus maximum annual bonus of 150% of salary for the chief executive and 125% for the finance director plus maximum LTIP awards of 150% of salary for the chief executive and 125% for the finance director.
4. Salary levels (on which other elements of the packages are calculated) are based on those effective from 1 June 2014.
5. The value of taxable benefits is based on an estimated cost of £19,000 in respect of the chief executive and £17,000 for the financial director and includes a car allowance and health insurance.
6. Pension provision is 15% of salary for the chief executive and 12% for the finance director.

Executive directors' service agreements and termination policy

It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of 12 months' notice.

The policy is that the company does not make payments beyond its contractual obligations on termination. In addition, executive directors are expected to mitigate their loss or, within existing contractual constraints, accept phased payments. The committee seeks to ensure that there are no unjustified payments for failure. Neither of the executive directors' contracts provides for liquidated damages. There are no special provisions contained in any of the executive directors' contracts that provide for longer periods of notice on a change of control of the company. Furthermore, there are no special provisions providing for additional compensation on an executive director's cessation of employment with the company. Where the director may be entitled to pursue a legal claim, the company will be entitled to negotiate settlement terms that the committee considers to be in the best interests of the company and to enter into a settlement agreement to effect the terms agreed under the service contract and any additional statutory or other claims. Potential termination payments are summarised below:

Name	Date of contract	Potential termination payment
Angela Spindler	1 July 2013	12 months' salary and benefits
Dean Moore	20 December 2004	12 months' salary and benefits
Craig Lovelace	6 January 2015	12 months' salary and benefits

Other than in certain "good leaver" circumstances (including, but not limited to, redundancy, ill-health or retirement or on a change of control), no bonus would be payable unless the individual remains employed and is not under notice at the payment date. Any bonuses paid to a "good leaver" would be based on an assessment of their individual and the company's performance over the period, and pro-rated for the proportion of the bonus year worked.

Deferred bonus share awards will also normally lapse on cessation of employment, unless the executive director is deemed to be a "good leaver" by the Committee. Awards will vest early on a change of control subject to the plan rules.

With regards to long-term incentive awards, the LTIP rules provide that other than in certain "good leaver" circumstances, awards lapse on cessation of employment. Where an individual is a "good leaver", the committee's policy for future LTIP awards will be to permit awards to remain outstanding until the end of the original performance period, when a pro-rata reduction will be made to take account of the proportion of the vesting period that elapsed prior to termination of employment, although the committee has discretion to partly or completely disapply pro-rating and the performance conditions in certain circumstances. On a change of control awards would vest, subject to the extent to which the performance conditions have been achieved and, normally, pro-rating for time. The committee has discretion to determine "good leaver" treatment. In doing so, it will take account of the reason for their departure and the performance of the individual.

For awards granted under the LTIP, awards lapse if cessation occurs during the financial year in which an award is granted. Thereafter awards held by good leavers may vest subject to performance without pro-rating. On a change of control existing awards would not be pro-rated.

Apart from service contracts, no executive director has any material interest in any contract with the company or its subsidiaries.

Copies of executive directors' service contracts (and also non-executive directors' letters of appointment) are available for inspection at the company's registered office on application to the company secretary.

Recruitment of executive directors

Base salary levels will be set in accordance with the company's remuneration policy, taking account of the executive's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of above inflation increases to the desired salary positioning may be given over subsequent years subject to individual and company performance.

Benefits and pension will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For an overseas appointment, the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits set out in the policy table). Assistance with relocation may be provided where appropriate. Tax equalisation may also be considered as may payment of the executive's legal fees in connection with the appointment.

The variable pay opportunity will be in accordance with the company's approved policy as detailed above. However, different performance measures and targets may be set for the first year in the case of the annual bonus and long-term incentives taking into account the responsibilities of the individual, and the point in the financial year at which they joined.

If it is necessary to buy-out incentive pay, which would be forfeited by reason of leaving the previous employer, in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited and such other specific matters as it considers relevant. Existing arrangements may be bought out on terms that are no more favourable than the committee considers is required to provide reasonable compensation to the incoming director for the awards they will be losing. Existing plans will be used to the extent possible (subject to the exceptional limits contained in the plan rules), however, the committee retains discretion to agree bespoke arrangements and, if required, to make use of the flexibility provided by the Listing Rules to make awards without prior shareholder approval when buying out existing entitlements. There is no intention to use this flexibility to offer a "golden hello" unrelated to remuneration lost.

The service contract for a new appointment would be in accordance with the policy for the current executive directors.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new chairman or non-executive director will be set in line with the approved policy.

Policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Non-executive directors' and Chairman's fees	Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre non-executives	All non-executive directors have specific terms of engagement and their remuneration is determined by the board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The chairman is paid a single fee for all his responsibilities. The non-executives are paid a basic fee. The Chair of committees and senior independent director receive additional fees to reflect their extra responsibilities. Non-executive directors may not participate in any of the company's share incentive schemes or performance-based plans and are not eligible to join the company's pension scheme. Limited benefits relating to travel, accommodation, secretarial support and hospitality provided in relation to the performance of their duties. When reviewing fee levels, account is taken of market movements in non-executive director fees, board committee responsibilities, ongoing time commitments, the general economic environment and the level of increases awarded to the wider workforce. In exceptional circumstances, additional fees may be paid where there is a substantial increase in the time commitment required of non-executive directors.	N/A	N/A

Non-executive directors' letters of appointment

Non-executive directors are retained on letters of appointment. Other than the chairman and Lord Alliance, whose letters of appointment provide for six months notice in the event of early termination and Ivan Fallon who remains on a three month rolling arrangement, all non-executive appointments are on three-year rolling terms terminable upon three months' notice. All appointments are subject to successful re-election upon retirement at the annual general meeting. Termination carries no right to compensation other than that provided by general law.

Brief details of non-executive directors' contracts are summarised below:

Name	Date of contract/ letter of appointment	Date current term commenced	Notice period
Lord Alliance of Manchester CBE	16 May 2007	10 April 2013	6 months
Ivan Fallon	1 October 1994	10 April 2013	3 months
John McGuire (retired 1 April 2014)	17 March 2004	10 April 2013	3 months
Anna Ford (retired 22 July 2014)	1 March 2009	10 April 2013	3 months
Andrew Higginson	3 July 2012	3 July 2012	6 months
Fiona Laird	1 March 2013	1 April 2013	3 months
Simon Patterson	13 March 2013	13 April 2013	3 months
Ronald McMillan	1 March 2013	1 April 2013	3 months
Lesley Jones	30 September 2014	1 October 2014	3 months

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2015 annual general meeting. The information on pages 41 to 49 has been audited.

The remuneration committee and its advisers

Members of the Remuneration Committee

Name	From	To
Fiona Laird	1 April 2013	Date
John McGuire	17 March 2004	1 April 2014
Anna Ford	1 March 2009	22 July 2014
Ivan Fallon	1 October 1994	1 October 2014
Ron McMillan	1 April 2013	Date
Simon Patterson	1 April 2013	Date

The group head of legal & company secretary, Theresa Casey, acts as secretary to the committee and the chief executive, Angela Spindler, the chairman, Andrew Higginson, and the group HR director, Caroline Massingham, may also attend meetings by invitation. However, no director played any part in discussion about his or her own remuneration.

The committee members have no personal financial interest (other than as shareholders) in matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business and are considered by the company to be independent. The committee has formal written terms of reference which are available for shareholders to inspect and on the corporate website. The committee met 3 times during the year. See page 33 for details of attendance.

Advisers

The committee received advice from New Bridge Street (a trading name of Aon Hewitt Limited, part of Aon plc). New Bridge Street was formally appointed by the committee. In addition, Mercer Human Resource Consulting Limited ("Mercer") provided advice to the company during the year which materially assisted the committee in relation to the former chief executive's pension arrangements and Pinsent Masons LLP provided advice on compliance with legislation. Pinsent Masons LLP are the group's general legal advisers and were not specifically appointed by the committee. Mercer were not specifically appointed by the committee and also provide other services to the company in relation to pension matters. These advisors have no other connections with the group other than as set out above.

New Bridge Street is a signatory to the Remuneration Consultants' Group Code of Conduct, which sets out guidelines to ensure that its advice is independent and free from undue influence. The company received no other services from New Bridge Street, or any other part of the Aon group of companies, during the year. The fees paid to New Bridge Street in 2014/15 were £100,365 (2013/14: £39,226). The committee reviews the performance and independence of its advisers on an annual basis and it satisfied that the advice received is objective and independent.

The advisors' terms of engagement are available on request from the company secretary.

Application of the remuneration policy for 2014/15

Base salary

The executive directors' salaries were reviewed in April 2015. The salary increases, take place from 1 October 2015 and are set out below. The salary increases are in line with most of the general workforce.

	Salary as at 1 June 2014	Salary as at 1 October 2015	Increase
Angela Spindler	£533,000	£543,660	2%
Dean Moore	£355,531	n/a	n/a
Craig Lovelace	n/a	£320,000	n/a

Fees for the chairman and non-executive directors

As detailed in the remuneration policy, the company aims to set remuneration for non-executive directors at a level which is sufficient to attract and retain non-executive directors of the right calibre. Details of the fees are detailed below:

	Fees as at 1 March 2014	Fees as at 1 March 2015	Increase
Chair's fees	£250,000	£250,000	–
Other non-executive directors' base fee	£47,000	£47,000	–
Senior independent non-executive director	£5,000	£5,000	–
Chair of a committee's fees	£5,000 - £8,000	£5,000 - £8,000	–

Annual bonus plan performance targets

The annual bonus plan for 2015/16 will be payable 60% in cash and 40% as an award of deferred shares. Deferred bonus shares will vest, subject to continued service, three years after award.

For 2015/16, the performance measures and weightings will be as follows:

	As a percentage of maximum bonus opportunity	
Measure	Angela Spindler	Craig Lovelace
Group profitability	70%	70%
Corporate objectives	20%	20%
Individual objectives	10%	10%

The personal objectives of the executive directors for 2014/15 were as follows:	Angela Spindler	Dean Moore
	• Restructure of the JD Williams board; • Ensure Fit for the Future project is on track; and • Deliver a "credit business to be proud of". Each objective carried equal weighting.	• Successful delivery of Oracle Financials; • Establishing a Commercial Planning Function; • Establishing an MI/BI Centre of Excellence; and • Implementing cost reductions of £4m in year. Each objective carried equal weighting.

Long term incentive targets

Awards granted to the executive directors under the LTIP in 2015/16 will be subject to two metrics, namely growth in adjusted EPS and relative TSR measured against a peer group of retail sector companies listed below. The performance targets are as follows:

	Percentage of each part of the award that will vest	Annual growth in adjusted EPS in excess of RPI over 3 financial years (60% of award)	Relative TSR vs peer group (40% of award)
Below threshold	0%	Less than RPI +2.5%	Below median
Threshold	25%	At least RPI +2.5%	Median
Maximum	100%	At least RPI +7.5%	Upper quartile

For performance that is between the threshold and maximum levels awards vest on a straight-line pro-rata basis with interpolation between intermediate ranking positions for TSR.

The retail sector peer group for the 2014/15 awards comprises: ASOS; Carpetright; Darty; Debenhams; Dixons Carphone; Dunelm; Halfords; Home Retail Group; Inchcape; J.D. Sports; Kingfisher; Marks & Spencer; Mothercare; Next; Sports Direct; and WH Smith.

Directors' emoluments (Audited)

	Year	Salaries & fees £000s	Taxable benefits[1] £000s	Bonus (cash and deferred shares) £000s	LTISP and Matching Share Awards £000s	Pension and salary supplement £000s	Other[2] £000s	Total £000s
Executives (salaries)								
Angela Spindler[2]	**2014/15**	**530**	**19**	**-**	**-**	**79**	**100**	**728**
	2013/14	347	12	433	-	52	520	1,364
Dean Moore	**2014/15**	**353**	**17**	**-**	**473**	**42**	**-**	**885**
	2013/14	344	17	59	575	42	-	1,037
Alan White	**2014/15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013/14	361	16	58	2,280	19	-	2,734
Non-executives (fees)								
Lord Alliance of	**2014/15**	**47**	**-**	**-**	**-**	**-**	**-**	**47**
Manchester CBE[3]	2013/14	45	-	-	-	-	-	45
Andrew Higginson	**2014/15**	**250**	**-**	**-**	**-**	**-**	**-**	**250**
	2013/14	237	-	-	-	-	-	237
Ivan Fallon	**2014/15**	**55**	**-**	**-**	**-**	**-**	**-**	**55**
	2013/14	55	-	-	-	-	-	55
John McGuire	**2014/15**	**5**	**-**	**-**	**-**	**-**	**-**	**5**
	2013/14	54	-	-	-	-	-	54
Fiona Laird	**2014/15**	**55**	**-**	**-**	**-**	**-**	**-**	**55**
	2013/14	46	-	-	-	-	-	46
Anna Ford	**2014/15**	**22**	**-**	**-**	**-**	**-**	**-**	**22**
	2013/14	51	-	-	-	-	-	51
Simon Patterson	**2014/15**	**55**	**-**	**-**	**-**	**-**	**-**	**55**
	2013/14	46	-	-	-	-	-	46
Ron McMillan	**2014/15**	**60**	**-**	**-**	**-**	**-**	**-**	**60**
	2013/14	49	-	-	-	-	-	49
Lesley Jones appointed	**2014/15**	**19**	**-**	**-**	**-**	**-**	**-**	**19**
1 October 2014	2013/14	-	-	-	-	-	-	-

Notes:

1. Taxable benefits comprise private medical cover and car allowance.
2. Angela Spindler was entitled to relocation expenses of £100,000 and has been included in the Other column. The prior year number relates to one-off share awards which are shown on page 46.
3. Lord Alliance has waived his non-executive director's fee.

Total pension entitlements (Audited)

Angela Spindler receives a cash supplement of 15% of salary in lieu of pension contributions.

Dean Moore was a member of the contributory defined contribution pension scheme ("scheme") and received matching contributions from the company up to a maximum of 6% of salary.

In addition, he received an additional 6% of salary as a cash allowance. Contributions paid by the company into the scheme during the year in respect of Dean Moore amounted to £21,745 (2014, £20,685).

Details of variable pay earned in the year

Annual bonus (Audited)

The table below gives details of executive directors' bonuses for 2014/15

Director	Measure	Weighting (as a percentage of maximum bonus opportunity)	Performance required threshold (0% payout)	Maximum (100% payout)	Actual[1] Performance	Payout % of salary
Angela Spindler	Group Profit	70%	£102m	£107m	£73.6m	Nil
	Corporate objectives	15%				Nil
	Personal objectives	15%				Nil
Dean Moore	Group Profit	70%	£102m	£107m	£73.6m	Nil
	Corporate objectives	15%				Nil
	Personal objectives	15%				Nil

Notes:

1. In assessing the performance achieved against the group profit performance condition the remuneration committee did not consider that the group profit achieved was supported by the underlying trading profit performance of the group. It therefore determined that the targets for the profit, corporate and personal objectives bonus element had not been met.

Long term share awards (Audited)

Details of the performance conditions for the relevant awards vesting in 2014/15 are set out below:

Grant	Condition	Performance period	Threshold target	Stretch target	Actual performance	Vesting
2011 LTISP award	TSR	3 years to 1 March 2014	25% vests at median performance	100% vests at upper quartile	5th out of 20	100%
2012 matching DABS award	EPS	2 years to 1 March 2014	100% vests if growth in EPS at least equal to growth in RPI	n/a	Growth in EPS below growth in RPI	0%

Summary of awards granted in 2014/15 (Audited)

The table below provide details of the long-term incentive awards granted to executive directors during the year.

Executive	Type of award	Condition	% of salary	Face value	Number of shares	Share price at grant*	Performance Period	Threshold target	Stretch target
Angela Spindler	LTIP	60% EPS 40% TSR	150%	£799,500	185,198	431.7p	EPS: 3 years to end of financial year 2016/17. TSR: 3 years to June 2017.	EPS: 0% vests if EPS growth compounded annually less than 2.5%. TSR: 25% vests at median performance.	EPS:100% vests if EPS growth compounded annually greater than 7.5%. TSR: 100% vests at upper quartile.
Dean Moore	LTIP	60% EPS 40% TSR	125%	£533,296	102,945	431.7p	EPS: 3 years to end of financial year 2016/17. TSR: 3 years to June 2017.	EPS:0% vests if EPS growth compounded annually less than 2.5%. TSR: 25% vests at median performance.	EPS:100% vests if EPS growth compounded annually greater than 7.5%. TSR: 100% vests at upper quartile.
	Deferred share bonus matching award	EPS	3.9%	£13,970	2,963	471.5p	2 financial years to February 2016.	Growth in EPS must at least equal growth in RPI.	Growth in EPS must at least equal growth in RPI.

On an exceptional basis, and only to the extent necessary to compensate for awards which were forfeited as a result of taking up her appointment with the company, Angela Spindler was granted two one-off share awards as detailed in the 2013 Annual Report on Remuneration. Vesting of the first, over shares worth £520,000 at the time of grant, is subject to employment conditions over two years. The value of this award is included in the single figure for 2013/14. The second, over shares worth £1,040,000 at the time of grant is also subject to the achievement of strategic objectives measured over a period of three years.

The specific strategic targets are commercially sensitive but include the following:

- Further development of the retail space strategy;
- Development and delivery of segmented marketing strategy and multi-channel offering including international;
- Improving the impact and effectiveness of customer insight through access to and analysis of big data; and
- Delivery of our systems infrastructure programme.

The recruitment awards described above were granted pursuant to the exemption from the need for prior shareholder approval contained in Listing Rule 9.4.2. The awards are non-pensionable and non-transferable (other than on death). The committee considered that the awards were necessary to facilitate Angela Spindler's recruitment as chief executive.

Summary of awards (Audited)

The table below summarises each of the executive directors' long-term share awards and the changes that have taken place in the year.

Executive	1 March 2014	Awarded during the year	Lapsed during the year	Vested and exercised during the year	28 February 2015	Date granted	Type of award
Angela	110,169	-	-	-	110,169	Aug 2013	Recruitment
Spindler	220,338	-	-	-	220,338	Aug 2013	Recruitment
	151,834	-	-	-	151,834	Aug 2013	LTISP
	-	185,913	-	-	185,913	Aug 2014	LTIP
Dean	109,467	-	-	(109,467)	-	July 2011	LTISP
Moore	132,777	-	-	-	132,777	July 2012	LTISP
	81,023	-	-	-	81,023	June 2013	LTISP
	-	102,945	-	-	102,945	Aug 2014	LTIP
	9,273	-	(9,273)	-	-	May 2012	Matching share award
	11,017	-	-	-	11,017	May 2013	Matching share award
	-	2,963	-	-	2,963	May 2014	Matching share award
	8,413	-	-	(8,413)	-	Aug 2009	SAYE

The current deferred annual bonus scheme was introduced in 2010. Under its terms, executive directors (excluding Angela Spindler) invest up to 25% of their base salary into shares and defer receipt for two years. Matching shares could be earned subject to employment conditions and were subject to a financial performance condition requiring that growth in the company's EPS must at least equal the growth in RPI over the deferral period. The matching element of the deferred annual bonus scheme operated for the last time in respect of the finance director's bonus outcome for 2013/14.

Directors' shareholdings (Audited)

It is the board's policy that executive directors build up and retain a minimum shareholding in the company. Under these guidelines the chief executive officer and the finance director are expected to hold company shares equal in value (at the time of acquisition) to 200% and 100% of their base salary respectively and to have met this guideline within 5 years of appointment.

The beneficial interests of directors who served during the year, together with those of their families, in the shares of the company are as follows:

Executive	Owned shares (Number of shares)		Value of shares counting towards guideline holding (as a % of salary)	Guideline met?	Other interests in shares			
	1 March 2014	28 February 2015			Outstanding awards subject to performance conditions	Outstanding awards not subject to performance conditions	Outstanding Share options	Total as at 28 February 2015
Angela Spindler	-	-	n/a	n/a	557,370	110,169	-	667,539
Dean Moore	84,485	156,175	197%	Yes	330,815	-	-	486,990
Lord Alliance of Manchester CBE	95,047,966	95,047,966	n/a	n/a	-	-	-	95,047,966
Andrew Higginson	86,514	91,331	n/a	n/a	-	-	-	91,331
Ivan Fallon	11,425	11,425	n/a	n/a	-	-	-	11,425
John McGuire	7,007	-	n/a	n/a	-	-	-	-
Lesley Jones	-	-	n/a	n/a	-	-	-	-
Ron McMillan	-	-	n/a	n/a	-	-	-	-
Fiona Laird	-	-	n/a	n/a	-	-	-	-
Simon Patterson	10,000	10,000	n/a	n/a	-	-	-	10,000

The directors' share interests shown above include shares held by members of the director's family, as required by the Companies Act 2006.

There have been no changes to the directors' interests in shares between 28 February 2015 and the date of this report.

Termination payments (Audited)

Dean Moore stepped down as Finance Director on 30 April 2015. After due consideration the committee determined that Dean was a "good leaver" and the terms in relation to "good leaver" will therefore apply.

Performance graph and table

The graph shows the company's five year performance, measured by TSR, compared with the performance of the FTSE 250 Index, also measured by TSR. The company is a member of this index and accordingly it is felt to be the most appropriate comparator group for this purpose.

Total shareholder return performance: N Brown vs FTSE 250

Analysis of chief executive's pay over 5 years

	Alan White				Angela Spindler	
	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15
Total remuneration (£000)	3,738	2,734	1,780	2,734	1,364	728
Annual bonus (% of maximum)	90.63%	38.7%	71.4%	15.8%	83.2%	0%
Long term share awards vesting (% of maximum)	100%	100%	100%	85%	n/a	n/a

Percentage change in the chief executive's remuneration

The table below shows the percentage change in the chief executive's total remuneration (excluding the value of any long term share awards and pension benefits receivable in the year) between the 2013/14 and 2014/15 financial years, compared to that of the average for all employees of the group.

	% Change from 2013/14 to 2014/15		
	Salary	Benefits	Annual bonus
Chief Executive	+2.5%	nil	nil
Average of other employees	+2.5%	nil	nil

The chief executive's bonus metrics are principally financial.

Relative importance of spend on pay

The following table shows the company's actual spend on pay (for all employees) relative to dividends.

	2015	2014	% change
Staff costs (£'m)	74.2	69.8	+6.3%
Dividends (£'m)	40.0	38.9	+2.8%

The figures relate to amounts payable in respect of the relevant financial year.

Shareholder voting on the directors' remuneration report at the 2014 annual general meeting

Remuneration Policy

	Total number of votes	% of votes cast
For	181,513,469	95.90%
Against	7,751,806	4.09%
Total votes cast (for and against (for and against excluding withheld votes)	**189,265,275**	**99.99%**
Votes withheld[1]	17,120	0.01%
Total votes cast (including withheld votes)	**189,248,155**	**100%**

Notes:
1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

Annual Report on Remuneration

	Total number of votes	% of votes cast
For	150,590,339	79.57%
Against	34,112,688	18.03%
Total votes cast (for and against (for and against excluding withheld votes)	**184,703,027**	**97.60%**
Votes withheld[1]	4,545,128	2.40%
Total votes cast (including withheld votes)	**189,248,155**	**100%**

Notes:
1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

Approval of the directors' remuneration report

The directors' remuneration report was approved by the board on 22 May 2015.

Signed on behalf of the board

Fiona Laird

Chairman of the Remuneration Committee

Opinion on financial statements of N Brown Group plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes 1 to 40. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 14 that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of customer receivables	
The impairment provision is a critical judgement in preparing the accounts and is estimated using a model which contains a number of inputs and assumptions that includes the arrears stage of a customer, previous payment history, the historical performance of other customers and the length of time that the borrower has been a customer.	We have focussed our audit challenge in a number of areas, including benchmarking the methodology and assumptions, comparing the assumptions to objective evidence, evaluating the design and implementation of the key controls, checking the calculation methodology for compliance with accounting standards and industry practice and assessing the movement in the provision compared to trends in arrears, write-offs, recoveries and the size and mix of the customer receivables portfolio. We consulted with our internal credit specialists to design the audit methodology and to enhance our challenge of assumptions and methodology through benchmarking. We used our own data specialists and checked the integrity of the calculations by performing an independent recalculation of the provision and checked the completeness and accuracy of data inputs by testing the underlying transactions on a sample basis.

Risk	How the scope of our audit responded to the risk
Regulatory The group operates in a regulated environment not only because it is a listed entity, but also because of the unsecured credit it provides to customers. Specifically: • The Financial Conduct Authority (FCA) began to regulate the consumer credit market on 1 April 2014. The FCA has the power to suspend or withdraw a firm's regulatory permissions, so there is a risk that if a firm does not comply with regulations, then their permission to lend to customers may be suspended or terminated. • Regulated companies must ensure that their governance arrangements are appropriate, that only authorised people within the group are approved to carry out work in this regulated environment and that their boards and subcommittees are operating effectively. • Payment Protection Insurance ('PPI') remains an area of focus for the group given the media exposure this has received in recent years.	We involved our own regulatory specialists in our evaluation of the design and implementation of controls and practices in place in relation to the processes the group has put in place to manage regulatory compliance and governance and benchmarked these against sources of best practice. We reviewed correspondence with regulators and selected a sample of customer complaints for testing and used analytical procedures to assess the completeness of provisions for such complaints. When assessing the complaints procedures that the Group has implemented, we considered how many of those complaints that were rejected were then referred to the Financial Ombudsman Service and the uphold rate of those referrals, to consider whether the Group were right to reject those claims.
Taxation provisions The group has ongoing debates with HMRC in respect of open taxation positions and certain areas of expense. The most significant matters which are most likely to have an impact upon the financial statements and require the greatest degree of judgements relates to VAT, specifically Bad Debt Relief and Partial Exemption. In addition, there are a number of smaller Corporation Taxation debates that remain open at the balance sheet date. The outcomes of these cases are uncertain and therefore are subject to estimates by management.	Our audit team included taxation specialists who have reviewed correspondence with HMRC to date and considered whether this correspondence has been interpreted and applied correctly, having also considered current industry practice. We have reviewed and recalculated the amounts provided and agreed these to supporting documentation to assess the integrity of the data provided. We have considered the judgements taken and considered whether these judgements made are within a reasonable range of possible outcomes.
Inventory provisioning The inventory provision is based on the amount of current and non-current stock on hand at the year end and the forecast disposal plan, which estimates inventory items to be sold both above and below cost. Therefore the provision is the subject of considerable management judgement.	We recalculated the arithmetic accuracy of the provisioning methodology used by management. We utilised data analytics to test the inventory provision by comparing the selling price of inventory in the year to the cost of the inventory as well as analysing the ageing of inventory items. In addition, we considered the appropriateness of the provisioning methodology through analysing the inventory disposal channels utilised in the year and comparing these to the forecast disposal plan. To confirm existence of the inventory and the inventory counting procedures, we test counted inventory independently twice in the year in both the Shaw warehouse and a sample of stores operated by the Group.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 23.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £3.7 million (2014: £4.9 million), which is 5% (2014: 5%) of pre-tax profit from continuing operations, and below 1% (2014: equated to 1%) of equity. In the prior year, all operations were continuing operations. Therefore the only change in the calculation of materiality from the prior year is to exclude discontinuing operations in the current year. There were no discontinuing operations in 2014.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £76,000 (2014: £97,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Given the nature of the group's corporate structure where all evidence relating to each trading component is compiled at the group's head office, we performed an audit covering 100% of the group's trading components and accordingly our samples were selected from 100% of the group's total assets, revenue and profit. All group companies are subject to the same group-wide controls and consolidation processes, which were audited as part of our work.

The group has a significant trading component, J. D. Williams & Company Limited, which was focused on as part of the audit. The audit of this company was completed to a lower materiality than for the consolidated accounts.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Damian Sanders

(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
22 May 2015.

Consolidated Income Statement

For the 52 weeks ended 28 February 2015		2015 £m	2014 £m (restated see note 1)
Continuing operations			
Revenue	3	**818.0**	818.9
Operating profit before exceptional items	6	**93.8**	106.5
Exceptional items	6	**(12.6)**	–
Operating profit		**81.2**	106.5
Investment income	8	**0.1**	0.1
Finance costs	9	**(7.7)**	(7.0)
Profit before taxation and fair value adjustments to financial instruments		**73.6**	99.6
Fair value adjustments to financial instruments	19	**2.7**	(2.8)
Profit before taxation		**76.3**	96.8
Taxation	10	**(16.5)**	(21.3)
Profit for the year from continuing operations		**59.8**	75.5
(Loss)/ Profit for the year from discontinued operations	5	**(10.4)**	0.4
Profit attributable to equity holders of the parent		**49.4**	75.9
Adjusted earnings per share from continuing operations			
Basic	12	**20.49p**	27.74p
Diluted		**20.43p**	27.55p
Earnings per share from continuing operations			
Basic	12	**21.23p**	26.95p
Diluted		**21.17p**	26.77p
Earnings per share from continuing and discontinued operations			
Basic	12	**17.54p**	27.09p
Diluted		**17.49p**	26.91p

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 28 February 2015	Note	2015 £m	2014 £m
Profit for the period		**49.4**	75.9
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit pension schemes	29	**1.4**	(2.7)
Tax relating to items not reclassified	10	**(0.3)**	0.6
		1.1	(2.1)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(0.9)**	(0.4)
Total comprehensive income for the period attributable to equity holders of the parent		**49.6**	73.4

Consolidated Balance Sheet

As at 28 February 2015	Note	2015 £m	2014 £m
Non-current assets			
Intangible assets	13	**98.3**	73.3
Property, plant & equipment	14	**70.5**	63.2
Deferred tax assets	21	**3.2**	4.8
		172.0	141.3
Current assets			
Inventories	16	**94.8**	89.9
Trade and other receivables	17	**609.9**	599.0
Derivative financial instruments	19	**1.1**	–
Cash and cash equivalents	25	**40.4**	45.3
		746.2	734.2
Total assets		**918.2**	875.5
Current liabilities			
Bank loans	18	**(7.0)**	(9.0)
Trade and other payables	22	**(108.9)**	(98.0)
Derivative financial instruments	19	**-**	(1.6)
Current tax liability		**(13.9)**	(18.8)
		(129.8)	(127.4)
Net current assets		**616.4**	606.8
Non-current liabilities			
Bank loans	18	**(280.0)**	(250.0)
Retirement benefit obligation	29	**(3.3)**	(4.2)
Deferred tax liabilities	21	**(8.5)**	(8.6)
		(291.8)	(262.8)
Total liabilities		**(421.6)**	(390.2)
Net assets		**496.6**	485.3
Equity			
Share capital	23	**31.3**	31.3
Share premium account		**11.0**	11.0
Own shares	24	**(0.3)**	(0.5)
Foreign currency translation reserve		**1.0**	1.9
Retained earnings		**453.6**	441.6
Total equity		**496.6**	485.3

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 22 May 2015.

They were signed on its behalf by:

Angela Spindler

Director

Consolidated Cash Flow Statement

For the 52 weeks ended 28 February 2015	Note	2015 £m	2014 £m
Net cash from operating activities		**73.1**	40.7
Investing activities			
Proceeds on disposal of property, plant and equipment		**0.1**	–
Purchases of property, plant and equipment		**(14.9)**	(3.9)
Purchases of intangible assets		**(44.6)**	(16.9)
Interest received		**0.1**	0.1
Net cash used in investing activities		**(59.3)**	(20.7)
Financing activities			
Interest paid		**(7.4)**	(5.7)
Dividends paid		**(40.0)**	(38.9)
Increase in bank loans		**28.0**	9.0
Purchase of shares by ESOT		**(0.2)**	(1.1)
Proceeds on issue of shares held by ESOT		**0.9**	0.7
Net cash used in financing activities		**(18.7)**	(36.0)
Net decrease in cash and cash equivalents		**(4.9)**	(16.0)
Cash and cash equivalents at beginning of period		**45.3**	61.3
Cash and cash equivalents at end of period	25	**40.4**	45.3

Reconciliation of Operating Profit to Net Cash from Operating Activities

For the 52 weeks ended 28 February 2015	2015 £m	2014 £m (restated see note 1)
Operating profit from continuing operations	**81.2**	106.5
Operating (loss)/profit from discontinued operations	**(11.0)**	0.5
Adjustments for:		
Depreciation of property, plant and equipment	**8.0**	7.1
Gain on disposal of property, plant and equipment	**(0.1)**	–
Amortisation of intangible assets	**15.0**	13.2
Impairment of intangible assets	**8.0**	–
Share option charge	**2.1**	2.4
Operating cash flows before movements in working capital	**103.2**	129.7
Increase in inventories	**(4.9)**	(3.4)
Increase in trade and other receivables	**(9.9)**	(51.0)
Increase/(decrease) in trade and other payables	**5.1**	(12.7)
Pension obligation adjustment	**0.3**	(1.8)
Cash generated by operations	**93.8**	60.8
Taxation paid	**(20.7)**	(20.1)
Net cash from operating activities	**73.1**	40.7

Consolidated Statement of Changes in Equity

	Share capital £m Note 23	Share premium £m	Own shares £m Note 24	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 28 February 2015						
Balance as at 1 March 2014	31.3	11.0	(0.5)	1.9	441.6	**485.3**
Profit for the period	–	–	–	–	49.4	**49.4**
Other items of comprehensive income for the period	–	–	–	(0.9)	1.1	**0.2**
Total comprehensive income for the period	**–**	**–**	**–**	**(0.9)**	**50.5**	**49.6**
Equity dividends	–	–	–	–	(40.0)	**(40.0)**
Purchase of own shares by ESOT	–	–	(0.2)	–	–	**(0.2)**
Issue of own shares by ESOT	–	–	0.4	–	–	**0.4**
Adjustment to equity for share payments	–	–	–	–	0.5	**0.5**
Share option charge	–	–	–	–	2.1	**2.1**
Tax on items recognised directly in equity	–	–	–	–	(1.1)	**(1.1)**
Balance at 28 February 2015	**31.3**	**11.0**	**(0.3)**	**1.0**	**453.6**	**496.6**
Changes in equity for the 52 weeks ended 1 March 2014						
Balance as at 2 March 2013	31.3	11.0	(0.9)	2.3	402.3	446.0
Profit for the period	–	–	–	–	75.9	75.9
Other items of comprehensive income for the period	–	–	–	(0.4)	(2.1)	(2.5)
Total comprehensive income for the period	–	–	–	(0.4)	73.8	73.4
Equity dividends	–	–	–	–	(38.9)	(38.9)
Purchase of own shares by ESOT	–	–	(1.1)	–	–	(1.1)
Issue of own shares by ESOT	–	–	1.5	–	–	1.5
Adjustment to equity for share payments	–	–	–	–	(0.8)	(0.8)
Share option charge	–	–	–	–	2.4	2.4
Tax on items recognised directly in equity	–	–	–	–	2.8	2.8
Balance at 1 March 2014	31.3	11.0	(0.5)	1.9	441.6	485.3

1 General information

N Brown Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is listed at the end of the report. The nature of the group's operations and its principal activities are set out on page 17 of the directors' report.

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

The group's financial statements for the 52 weeks ended 28 February 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU.

The accounting policies have been applied consistently in the current and prior periods, other than that as set out below.

Adoption of new and revised Standards

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

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

- Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2015): Investment Entities: Applying the Consolidation Exception.
- Amendments to IAS 1 (Dec 2015): Disclosure Initiative.
- Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014): Annual Improvements to IFRSs: 2012-2014 Cycle.
- Amendments to IFRS 10 and IAS 28 (Sept 2014): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 27 (Aug 2014): Equity Method in Separate Financial Statements.
- IFRS 9: Financial Instruments.
- Amendments to IAS 16 and IAS 41 (Jun 2014): Agriculture: Bearer Plants.
- IFRS 15: Revenue from Contracts with Customers.
- Amendments to IAS 16 and IAS 38 (May 2014): Clarification of Acceptable Methods of Depreciation and Amortisation.
- Amendments to IFRS 11 (May 2014): Accounting for Acquisitions of Interests in Joint Operations.
- IFRS 14: Regulatory Deferral Accounts.

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

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Discontinued operations

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

2 Accounting policies

Adoption of International Financial Reporting and Accounting Standards (IFRS)

The group has adopted Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations.

Individual standards and interpretations have to be adopted by the European Commission (EC) and the process leads to a delay between the issue and adoption of new standards and interpretations and in some cases amendments by the EC. Where the group has applied a new standard or interpretation in advance of EC adoption this will be noted below in the relevant policy statement.

Basis of accounting

The financial statements have been prepared in accordance with IFRS. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out as follows.

Accounting period

Throughout the accounts, the directors report and financial review, reference to 2015 means at 28 February 2015 or the 52 weeks then ended; reference to 2014 means at 1 March 2014 or the 52 weeks then ended unless otherwise stated.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 10 are recognised at their fair value at the acquisition date. Acquisition costs are expensed as incurred.

Goodwill

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the total amount receivable for goods and services provided in the normal course of business net of returns, VAT and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed and it is probable that the economic benefits associated with the transaction will flow to the entity. Sales of rendering of services include interest, administrative charges and arrangement fees. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount. Such revenues are recognised only when collectability is reasonably assured. Revenue from non-interest related financial income is recognised when the services have been performed.

Property, plant & equipment

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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

Borrowing costs

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

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

Intangible assets

Computer software development costs that generate economic benefits beyond one year are capitalised as intangible assets and amortised on a straight-line basis over five years.

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

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

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Assets held under finance leases are included in tangible fixed assets at a value equal to the original costs incurred by the lessor less depreciation, and obligations to the lessor are shown as part of creditors. The interest element is charged to the income statement over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Inventories

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Foreign currencies

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

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

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

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

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

Financial instruments

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

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

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

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

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

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

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

income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables are not interest bearing and are stated at their nominal value.

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

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

The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives.

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

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

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

Share-based payments

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Fair value is measured by use of a Black-Scholes model.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

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

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

The group presents the first two components of defined benefit costs within operating expenses (see note 29) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net-interest expense or income is recognised within finance costs (see note 9).

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

Going concern

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

The group has considered carefully its cash flows and banking covenants for the next twelve months from the date of signing the audited financial statements. These have been appraised in light of the current economic climate. As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key trading risk identified by the directors for these assumptions is the impact that a deterioration in the economic climate might have on the performance of the group's sales and debtor book.

The group's forecasts and projections, after sensitivity to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities of £370m. The group is in advanced negotiations with its bankers in relation to the extension of these facilities to ensure appropriate levels of committed funds are in place beyond 2016. After making appropriate enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and accounts.

Exceptional items

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

Critical judgements and key sources of estimation uncertainty

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

Trade receivables

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates which, although based on the group's historical experience of customer repayment patterns, remains inherently uncertain.

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

Taxation

The group's tax balances comprise income tax, which is the sum of the total current and deferred tax balances, and VAT. The group has on-going discussions with HMRC in respect of open taxation positions and the calculation of the group's potential liabilities or assets in respect of these necessarily involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from the group's best estimation and judgement and, where appropriate, legal counsel's opinion has been sought. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the group's results and cash flows.

Inventory

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

Regulatory

The regulatory environment in which the group operates is both complex and changing with the transfer of regulatory supervision from the OFT to the FCA. This can be a critical area of judgement when considering any liabilities that could arise as a result of the legislation in place.

3 Revenue	**2015 £m**	**2014 £m**
An analysis of the group's revenue is as follows:		
Continuing operations		
Sale of goods	**582.9**	576.7
Rendering of services	**235.1**	242.2
Revenue - continuing operations	**818.0**	818.9
Investment income	**0.1**	0.1
	818.1	819.0
Discontinued operations		
Subsidiary catalogue business	**14.5**	16.0
Revenue	**832.6**	835.0

4 Business segments	**2015 £m**	**2014 £m**
Revenue		
Continuing operations		
Home Shopping	**818.0**	818.9
Operating profit		
Segment result & operating profit – Home Shopping	**81.2**	106.5
Fair value adjustments to financial instruments	**2.7**	(2.8)
Investment income	**0.1**	0.1
Finance costs	**(7.7)**	(7.0)
Profit before taxation	**76.3**	96.8
Taxation	**(16.5)**	(21.3)
Profit after tax	**59.8**	75.5

The group has one business segment and one significant geographical segment that operates in and derives revenue from UK. Revenue derived from international markets amounted to £30.2m (2014, £31.4m) and incurred operating losses of £1.3m (2014, £3.5m). All segment assets are located in the UK and Ireland.

The analysis above is in respect of continuing operations.

For the purposes of monitoring segment performance, all assets and liabilities are allocated to the sole business segment, being Home Shopping, with the exception of current and deferred tax assets and liabilities. There are no impairments of goodwill, intangible assets or tangible assets in the current period (2014, £nil).

4 Business segments (continued)	2015 £m	2014 £m
Other information		
Capital additions	**63.3**	20.8
Capital disposals	**(0.1)**	–
Depreciation and amortisation	**(23.0)**	(20.3)
Brand impairment	**(8.0)**	–
Depreciation eliminated on disposal	**0.1**	–
Balance sheet		
Total segment assets	**915.0**	870.7
Total segment liabilities	**(399.2)**	(362.8)
Segment net assets	**515.8**	507.9
Unallocated assets	**3.2**	4.8
Unallocated liabilities	**(22.4)**	(27.4)
Consolidated net assets	**496.6**	485.3

5 Discontinued operations

Following a review of the business and its future profit potential, the board decided in January 2015 to close the Gray & Osbourn catalogue business. The process is ongoing and will continue into the next financial year. The results of the discontinued operation, which have been included in the consolidated income and cash flow statement were as follows.

	2015 £m	2014 £m
Revenue	**14.5**	16.0
Expense	**(17.5)**	(15.5)
Brand impairment	**(8.0)**	–
	(11.0)	0.5
Attributable tax credit/(expense)	**0.6**	(0.1)
Net (loss)/profit attributable to discontinued operations	**(10.4)**	0.4

6 Profit for the period	2015 £m	2014 £m
Continuing operations		
Revenue	**818.0**	818.9
Cost of sales	**(392.4)**	(387.8)
Gross profit	**425.6**	431.1
Distribution costs	**(73.9)**	(69.4)
Sales and administration costs	**(257.9)**	(255.2)
Exceptional items	**(12.6)**	–
Operating profit	**81.2**	106.5

6 Profit for the period (continued)

Exceptional costs totalled £12.6m (2014, nil). These comprise £5.6m on strategy costs, which include the outsourcing of our call centre to Serco and group re-organisation costs. The group also incurred £7.0m of exceptional costs for VAT. This relates to a potential settlement with HMRC in respect of VAT recovery on bad debts written off over a number of years. We anticipate that this matter will be settled in the current financial year.

Profit for the period has been arrived at after (crediting)/charging:	2015 £m	2014 £m
Net foreign exchange gains	**(2.4)**	(2.8)
Depreciation of property, plant and equipment	**8.0**	7.1
Depreciation eliminated on disposal	**(0.1)**	–
Amortisation of intangible assets	**15.0**	13.2
Cost of inventories recognised as expense	**263.4**	248.1
Staff costs	**89.3**	85.2
Auditor's remuneration for audit services (see below)	**0.3**	0.3
Doubtful debts recognised as an expense	**66.4**	67.8
Brand impairment	**8.0**	–

Amounts payable to Deloitte LLP and their associates by the company and its UK subsidiary undertakings in respect of non-audit services were £1.9m (2014, £1.3m).

A more detailed analysis of auditor's remuneration is provided below:	2015 £m	2014 £m
Audit fees:		
The audit of the company's subsidiaries pursuant to legislation	**0.3**	0.3
Other services:		
Tax services	**1.9**	1.3

Fees payable for tax services relate to tax advisory services of £1.8m (2014, £1.2m) and compliance of £0.1m (2014, £0.1m).

Fees payable to the company's auditor for the audit of the company's annual accounts were £10,000 (2014, £10,000).

Within the fees for audit of the company's subsidiaries pursuant to legislation there are other assurance fees totalling £30,000 (2014, £30,000).

In addition to the amounts shown above, the auditors received fees of £4,000 (2014, £4,000) for the audit of the group pension scheme.

A description of the work of the audit committee is set out in the corporate governance statement and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditor.

7 Staff costs

	2015 Number	2014 Number
The average monthly number of employee (including executive directors) was:		
Distribution	**1,109**	1,005
Sales and administration	**2,268**	2,427
	3,377	3,432

Their aggregate remuneration comprised	2015 £m	2014 £m
Wages and salaries	**74.2**	69.8
Social security costs	**7.5**	7.9
Other pension costs (see note 29)	**5.5**	5.1
Share options costs (see note 28)	**2.1**	2.4
	89.3	85.2

Details of individual directors' remuneration is disclosed in the remuneration report on page 43.

8 Investment income	2015 £m	2014 £m
Interest on bank deposits	**0.1**	0.1

9 Finance costs	2015 £m	2014 £m
Interest on bank overdrafts and loans	**7.5**	7.0
Net pension finance charge (see note 29)	**0.2**	–
	7.7	7.0

10 Tax	2015 £m	2014 £m
Current tax – charge for the period from continuing operations	**16.5**	21.4
Current tax – adjustment in respect of previous periods from continuing operations	**0.7**	0.4
Deferred tax (see note 21) from continuing operations	**(0.7)**	(0.5)
	16.5	21.3
Current tax – (credit)/charge for the period from discontinued operations	**(0.6)**	0.1
	15.9	21.4

UK corporation tax is calculated at 21.17% (2014, 23.08%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit per the income statement as follows:	2015 £m	2014 £m
Profit before tax from continuing operations:	**76.3**	96.8
Tax at the UK corporation tax rate of 21.17% (2014, 23.08%)	**16.1**	22.3
Effect of change in deferred tax rate	**–**	(1.1)
Tax effect of expenses that are not deductible in determining taxable profit	**0.5**	0.6
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(0.8)**	(0.9)
Tax effect of adjustments in respect of previous periods	**0.7**	0.4
Tax expense for the period	**16.5**	21.3

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

	2015 £m	2014 £m
Deferred tax – retirement benefit obligations	**0.3**	(0.6)
Tax charge/(credit) in the statement of comprehensive income	**0.3**	(0.6)

	2015 £m	2014 £m
Current tax – share based payments	**(0.8)**	(2.0)
Deferred tax – share based payments	**1.9**	(0.8)
Tax charge/(credit) in the statement of changes in equity	**1.1**	(2.8)

11 Dividends

	2015 £m	2014 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 1 March 2014 of 8.56p (2013, 8.23p) per share	**24.0**	23.0
Interim dividend for the 52 weeks ended 28 February 2015 of 5.67p (2014, 5.67p) per share	**16.0**	15.9
	40.0	38.9
Proposed final dividend for the 52 weeks ended 28 February 2015 of 8.56p (2014, 8.56p) per share	**24.1**	24.0

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

12 Earnings per share

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

Earnings	2015 £m	2014 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**49.4**	75.9

Number of shares ('000s)	2015 Number	2014 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**281,612**	280,127
Effect of dilutive potential ordinary shares:		
Share options	**856**	1,929
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**282,468**	282,056

	2015 £m	2014 £m
Earnings from continuing operations		
Net profit attributable to equity holders of the parent	**49.4**	75.9
Adjustments to exclude loss/(profit) for the period from discontinued operations	**10.4**	(0.4)
Earnings from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**59.8**	75.5
Fair value adjustment to financial instruments (net of tax)	**(2.1)**	2.2
Adjusted earnings for the purposes of adjusted earnings per share	**57.7**	77.7

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

From discontinued operations	2015 Pence	2014 Pence
Basic	**(3.69)**	0.14
Diluted	**(3.68)**	0.14

13 Intangible assets	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
At 2 March 2013	16.9	146.0	1.9	164.8
Additions	–	16.9	–	16.9
At 1 March 2014	16.9	162.9	1.9	181.7
Additions	–	48.0	–	48.0
At 28 February 2015	**16.9**	**210.9**	**1.9**	**229.7**
Amortisation				
At 2 March 2013	–	93.3	1.9	95.2
Charge for the period	–	13.2	–	13.2
At 1 March 2014	–	106.5	1.9	108.4
Charge for the period	–	15.0	–	15.0
Impairment charge for the period	8.0	–	–	8.0
At 28 February 2015	**8.0**	**121.5**	**1.9**	**131.4**
Carrying amount				
At 28 February 2015	**8.9**	**89.4**	**–**	**98.3**
At 1 March 2014	16.9	56.4	–	73.3
At 2 March 2013	16.9	52.7	–	69.6

Assets in the course of construction included in intangible assets at the year end total £40.6m (2014, £16.4m), of which £17.0m relates to the Fit for the Future project (2014, £16.4m). No depreciation is charged on these assets.

All software additions relate to internal development.

Amortisation of intangible assets is split equally between cost of sales and administration costs and is disclosed in note 6.

The amortisation periods for intangible assets are:	Years
Software	5
Customer Database	5

The brand names arising from the acquisition of High and Mighty, Slimma, Figleaves, Diva and Dannimac are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows and are subject to annual impairment tests.

As a result of the decision to close the Gray & Osbourn catalogue business the carrying value of the brand has been permanently impaired to a value of £nil (2014, £8.0m).

The carrying value of the brand names have been determined from a value in use calculation. The key assumptions for this calculation are those regarding the discount rates, growth rates and the forecast cash flows.

The group prepares cash flow forecasts based on the most recent three year financial budgets approved by management and thereafter extrapolates cash flows in perpetuity (with 2.7% growth assumed) to reflect that there is no foreseeable limit to the period over which cash flows are expected to be generated. The rate used to discount the forecast pre-tax cash flows is 7.4% (2014, 7.2%). The directors consider that the value in use calculation has sufficient headroom above the carrying value of the brand names.

The carrying value in relation to Gray & Osbourn is £nil (2014, £8.0m), £7.1m (2014, £7.1m) for Figleaves and for High and Mighty is £1.0m (2014, £1.0m). Whilst the directors do not consider that either brand name is impaired as at the balance sheet date, should there be a downturn in future or forecasted cashflows, then there is a risk of impairment to these brand names.

The discount rates applied by the directors have been reviewed in the year and the directors are satisfied that they are reflective of the capital structure and debt to equity ratio of the group.

14 Property, plant and equipment	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
At 2 March 2013	46.2	112.3	158.5
Additions	–	3.9	3.9
At 1 March 2014	46.2	116.2	162.4
Additions	7.0	8.3	15.3
Disposals	–	(0.1)	(0.1)
At 28 February 2015	**53.2**	**124.4**	**177.6**
Accumulated depreciation and impairment			
At 2 March 2013	10.4	81.7	92.1
Charge for the period	0.9	6.2	7.1
At 1 March 2014	11.3	87.9	99.2
Charge for the period	0.9	7.1	8.0
Eliminated on disposals	–	(0.1)	(0.1)
At 28 February 2015	**12.2**	**94.9**	**107.1**
Carrying amount			
At 28 February 2015	**41.0**	**29.5**	**70.5**
At 1 March 2014	34.9	28.3	63.2
At 2 March 2013	35.8	30.6	66.4

Assets in the course of construction included in property, plant and equipment at the year end date total £3.1m (2014, £2.8m), and in land and buildings total £7.0m (2014, £nil). No depreciation has been charged on these assets.

At 28 February 2015, the group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2014, £nil).

15 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 33 to the company's separate financial statements.

16 Inventories	2015 £m	2014 £m
Finished goods	**93.7**	88.1
Sundry stocks	**1.1**	1.8
	94.8	89.9

17 Trade and other receivables	2015 £m	2014 £m
Amount receivable for the sale of goods and services	**627.9**	628.1
Allowance for doubtful debts	**(40.5)**	(50.2)
	587.4	577.9
Other debtors and prepayments	**22.5**	21.1
	609.9	599.0

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 258 days (2014, 253 days). Interest is charged at 44.9% (2014, 44.9%) on the outstanding balance. Generally, receivables over 150 days past due are written off in full. Trade receivables that reach the trigger point of 56 days past due are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £97.1m at 28 February 2015 (2014, £97.3m). Interest income recognised on trade receivables which have been impaired was £10.6m (2014, £10.9m).

Before accepting any new customer, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Credit limits and scores attributed to customers are reviewed every 28 days. The credit quality of trade receivables that are neither past due nor impaired, with regard to the historical default rate has remained stable.

Ageing of trade receivables	2015 £m	2014 £m
Current – not past due	**506.9**	485.6
0 – 28 days – past due	**56.0**	67.5
29 – 56 days – past due	**24.9**	29.4
57 – 84 days – past due	**16.5**	18.2
85 – 112 days – past due	**12.0**	14.2
Over 112 days – past due	**11.6**	13.2
Total	**627.9**	628.1

Movement in the allowance for doubtful debts	2015 £m	2014 £m
Balance at the beginning of the period	**50.2**	55.7
Amounts charged net to the income statement	**66.4**	67.8
Net amounts written off	**(76.1)**	(73.3)
Balance at the end of the period	**40.5**	50.2

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.3 million (2014, 1.5 million) customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

18 Bank overdraft and loans	2015 £m	2014 £m
Bank loans	**287.0**	259.0
The borrowings are repayable as follows:		
Within one year	**7.0**	9.0
In the second year	**280.0**	–
In the third to fifth year	**–**	250.0
Amounts due for settlement after 12 months	**280.0**	250.0
All borrowings are held in sterling		

The weighted average interest rates paid were as follows:	2015 %	2014 %
Bank overdrafts	**2.0**	2.0
Bank loans	**0.7**	0.7

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

(i) Bank overdrafts which are nil at the current and prior year ends are repayable on demand, unsecured and bear interest at a margin over bank base rates.

(ii) The group has a bank loan of £250m (2014, £220m) secured by a charge over certain 'eligible' trade debtors (current and 0-28 days past due) of the group and is without recourse to any of the group's other assets. The facility has a current limit of £250m for which finance costs are linked to US commercial paper rates which is committed until March 2016.

The group also has unsecured bank loans of £37m (2014, £39m) drawn down under various medium term bank revolving credit facilities, of which £120 million is committed until March 2016.

(iii) All borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk. The group may use derivatives such as interest rate swaps where appropriate to manage this risk. None have been used in the current or prior year. Based on weighted average interest rates and the value of bank loans at 28 February 2015 the estimated future interest cost per annum until maturity would be £2.0m (2014, £1.8m).

Financial liabilities other than financial instruments include bank loans and overdrafts and trade and other payables. Other than as disclosed above, all are due within one year. The maturity analysis of the group's financial liability to its lenders on an undiscounted basis, assuming that the facilities are retained until the end of the committed period are as follows:

	2015 £m	2014 £m
On demand or within one year	**9.0**	10.8
In the second year	**280.2**	1.8
In the third year	**–**	250.2
	289.2	262.8

At 28 February 2015, the group had available £83m (2014, £111m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The CEO Review on page 14 summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the period.

There is no material difference between the fair value and book value of the group's borrowings and other financial assets and liabilities.

19 Derivative financial instruments

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

	2015 £m	2014 £m
Notional amount – Sterling contract value	**33.9**	32.2
Fair value of asset/(liability) recognised	**1.1**	(1.6)

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £2.7m (2014, charge of £2.8m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2014, same).

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

There were no transfers between Level 1 and Level 2 during the year (2014, same).

20 Financial instruments

Capital risk management
The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 25 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 24 and the statement of changes in equity.

Gearing ratio
The gearing ratio at the year end is as follows:

	2015 £m	2014 £m
Debt	**287.0**	259.0
Cash and cash equivalents	**(40.4)**	(45.3)
Net Debt	**246.6**	213.7
Equity	**496.6**	485.3
Gearing ratio	**50%**	44%

Debt is defined as long and short-term borrowings, as detailed in note 18.
Equity includes all capital and reserves of the group attributable to equity holders of the parent.

Externally imposed capital requirement
The group is not subject to externally imposed capital requirements.

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

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

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

It is the policy of the group to enter into forward foreign exchange contracts to cover specific foreign currency payments for the purchase of overseas sourced products. Group policy allows for these exposures to be hedged for up to three years ahead.

20 Financial instruments (continued)

At the balance sheet date, details of the notional value of outstanding US dollar forward foreign exchange contracts that the group has committed to are as follows:

	2015 £m	2014 £m
Less than 6 months	**14.7**	15.3
6 to 12 months	**13.4**	13.2
12 to 18 months	**5.8**	3.7
	33.9	32.2

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.51 and 1.68.

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

	Liabilities		Assets	
	2015 £m	2014 £m	2015 £m	2014 £m
Euro	**1.1**	1.0	**7.3**	8.2
US dollar	**9.8**	4.1	**0.9**	1.6

Foreign currency sensitivity analysis

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

	Euro Currency Impact		US Dollar Currency Impact	
	2015 £m	2014 £m	2015 £m	2014 £m
Income statement				
Sterling strengthens by 10%	**(0.6)**	(0.7)	**0.8**	0.3
Sterling weakens by 10%	**0.7**	0.8	**(1.0)**	(0.2)

Categories of financial instruments

Financial assets	2015 £m	2014 £m
Cash and bank balances	**40.4**	45.3
Derivatives at fair value through profit and loss - held for trading	**1.1**	–
Loans and receivables	**587.4**	577.9
	628.9	623.2
Financial liabilities		
Derivatives at fair value through profit and loss - held for trading	**–**	(1.6)
Amortised cost	**(357.3)**	(320.5)
	(357.3)	(322.1)

20 Financial instruments (continued)

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

Interest rate sensitivity analysis
If interest rates had increased by 0.5% and all other variables were held constant, the group's profit before tax for the 52 weeks ended 28 February 2015 would have decreased by £1.4m (2014, £1.25m).

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

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

All customers who wish to trade on credit terms are subject to credit verification procedures, supplied by independent rating agencies. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The concentration of credit risk is limited due to the customer base being large and unrelated, and did not exceed five percent of gross monetary assets at any one time during the period.

Liquidity risk management
The group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the group has at its disposal and details of the group's remaining contractual maturity for its non-derivative financial liabilities.

Fair value of financial instruments
Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

21 Deferred tax

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

	Share based payments £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 2 March 2013	2.4	(7.1)	0.8	(1.8)	(5.7)
Credit/(charge) to income	0.6	0.1	(0.6)	0.4	0.5
Credit to equity	0.8	–	0.6	–	1.4
At 1 March 2014	3.8	(7.0)	0.8	(1.4)	(3.8)
Credit/(charge) to income	0.5	(0.2)	0.1	0.3	0.7
Charge to equity	(1.9)	–	(0.3)	–	(2.2)
At 28 February 2015	**2.4**	**(7.2)**	**0.6**	**(1.1)**	**(5.3)**

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

	2015 £m	2014 £m
Deferred tax assets	**3.2**	4.8
Deferred tax liabilities	**(8.5)**	(8.6)
	(5.3)	(3.8)

At the balance sheet date, the group has unused tax losses of £0.1m (2014, £0.1m) and capital losses of £4.4m (2014 £4.4m) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams within the relevant subsidiary.

22 Trade and other payables

	2015 £m	2014 £m
Trade payables	**70.3**	61.5
Other taxes and social security	**5.0**	7.8
Other creditors	**0.4**	0.2
Accruals and deferred income	**33.2**	28.5
	108.9	98.0

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (2014, 36 days).

For most suppliers no interest is charged on the trade payables. The group has financial risk management policies in place to ensure that all payables are paid within agreed credit terms.

Within ‘Other taxes and social security’ includes a net VAT creditor, comprising the VAT liability which arises from day to day trading, together with amounts in relation to matters which are in dispute with HMRC. These include an asset of £16.7 million which arises as a result of protective assessments raised by HMRC, the recoverability of which cannot be finally determined until resolution has been reached with HMRC, or, as appropriate, through a formal legal process.

23 Share capital	2015 Number	2014 Number	2015 £m	2014 £m
Authorised				
Ordinary shares of 11 1/19p each	**352,857,142**	352,857,142	**39.0**	39.0
Allotted, called-up and fully paid				
Ordinary shares of 11 1/19p each				
At 28 February 2015 & 1 March 2014	**283,429,454**	283,429,454	**31.3**	31.3

The company has one class of ordinary shares which carry no right to fixed income.

24 Own shares	2015 £m	2014 £m
Balance at 1 March 2014	**0.5**	0.9
Additions	**0.2**	1.1
Issue of own shares on exercise of share options	**(0.4)**	(1.5)
Balance at 28 February 2015	**0.3**	0.5

The own shares reserve represents the cost of shares in N Brown Group plc held by the N Brown Group plc Employee Share Ownership Trust to satisfy options under the group's various share benefit schemes (see note 28).

At 28 February 2015 the employee trusts held 1,370,506 shares in the company (2014, 2,519,955).

25 Cash and cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

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

	2015 £m	2014 £m
Sterling	**38.5**	42.9
Euro	**1.5**	1.3
US Dollar	**0.4**	1.1
	40.4	45.3

26 Contingent liabilities

Parent company bank overdrafts which at 28 February 2015 amounted to £49.4m (2014, £29.6m) have been guaranteed by certain subsidiary undertakings.

27 Operating lease arrangements	2015 £m	2014 £m
Minimum lease payments under operating leases recognised as an expense for the period	**8.0**	6.8

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating pleases, which fall due as follows:

	2015 £m	2014 £m
Within one year	**0.3**	0.7
In the second to fifth years inclusive	**20.8**	15.2
After five years	**11.0**	6.4
	32.1	22.3

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

28 Equity settled share based payments

The remuneration report on pages 33 to 49 contains details of management and sharesave options/awards offered to employees of the group.

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

	Option price in pence	Exercise period	Number of shares 2015	Number of shares 2014
Option scheme				
2000 Savings related scheme	186 – 420	August 2014 – February 2020	**1,462,239**	1,586,937
2000 Executive scheme	146 – 459	June 2008 – August 2024	**1,380,799**	1,791,982
Unapproved executive scheme	211 – 459	May 2009 – August 2014	**1,296,532**	1,694,745
Long-term incentive scheme awards				
July 2011	–	July 2014 – January 2015	**–**	721,989
June 2012	–	June 2015 – December 2015	**891,609**	1,010,154
July 2013	–	July 2016 – December 2016	**579,981**	644,124
August 2013	–	August 2016 – January 2017	**151,834**	151,834
August 2014	–	August 2017 – August 2024	**872,955**	–
Deferred annual bonus scheme awards				
May 2012	–	May 2014 – November 2014	**–**	106,794
May 2013	–	May 2015 – November 2015	**89,133**	112,519
May 2014	–	May 2016 – November 2016	**32,559**	–

28 Equity settled share based payments (continued)

Movements in share options are summarised as follows:

	2015		2014	
	Number of share awards	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	**5,073,664**	**2.53**	4,826,645	2.31
Granted during the period	**807,176**	**4.09**	1,297,936	3.19
Forfeited during the period	**(1,257,659)**	**2.81**	(239,665)	2.50
Exercised during the period	**(483,611)**	**2.07**	(811,252)	2.32
Outstanding at the end of the period	**4,139,570**	**2.80**	5,073,664	2.53
Exercisable at the end of the period	**456,542**	**2.38**	501,482	2.37

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 426 pence (2014, 499 pence). The options outstanding at 28 February 2015 had a weighted average remaining contractual life of 5.1 years (2014, 5.6 years). The aggregate estimated fair values of options granted in the period is £851,009 (2014, £2,583,000).

Movements in management share awards are summarised as follows:

	2015		2014	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	**2,747,414**	**–**	3,807,885	–
Granted during the period	**905,514**	**–**	943,878	–
Forfeited during the period	**(328,656)**	**–**	(563,746)	–
Exercised during the period	**(706,201)**	**–**	(1,440,603)	–
Outstanding at the end of the period	**2,618,071**	**–**	2,747,414	–
Exercisable at the end of the period	**–**	**–**	–	–

The awards outstanding at 28 February 2015 had a weighted average remaining contractual life of 1.8 years (2014, 1.8 years).

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

	2015	2014
Weighted average share price at date of grant (pence)	**441**	475
Weighted average exercise price (pence)	**193**	185
Expected volatility (%)	**26.0 – 36.2**	28.1 – 37.4
Expected life (years)	**2.5 – 5.5**	2.5 – 5.5
Risk-free rate (%)	**1.2**	0.4
Dividend yield (%)	**3.4**	3.0

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

The group recognised total expenses of £2.1m and £2.4m related to equity-settled share based payment transactions in 2015 and 2014 respectively.

29 Retirement benefit schemes

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

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

The total cost charged to income of £3.3m (2014, £2.7m) represents contributions payable to the schemes by the group at rates specified in the rules of the plans. As at 28 February 2015, contributions of £0.4m (2014, £0.3m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme
The group operates a defined benefit scheme, the N Brown Group Pension Fund. Under the scheme, the employees are entitled to retirement benefits based on final pensionable earnings and was closed to new members from 31 January 2002. No other post-retirement benefits are provided. The scheme is a funded scheme and operates under UK trust law and the trust is a separate legal entity from the group. The scheme is governed by a board of trustees. The trustees are required by law to act in the best interests of scheme members and are responsible for setting certain policies (eg investment funding) together with the group. The scheme exposes the group to actuarial risks such as longevity risk, interest rate risk and investment risk.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by an independent qualified actuary. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The principal actuarial assumptions used in determining the group's net retirement benefit obligations at the balance sheet date were as follows:

	2015	2014
Discount rate	**3.50%**	4.30%
Expected rate of salary increase		
Future pension increases	**2.12%**	2.20%
Inflation – Retail Price Index	**3.25%**	3.5%
Inflation – Consumer Price Index	**2.25%**	2.5%
Life expectancy at age 65 (years)		
Pensioner aged 65	**24.6**	24.6
Non-pensioner aged 45	**26.7**	26.7

Amounts recognised in income in respect of these defined benefit schemes are as follows:	2015 £m	2014 £m
Current service cost	**2.2**	2.4
Net interest cost	**0.2**	–
	2.4	2.4

The actual return on scheme assets was £21.5m (2014, £3.4m).

29 Retirement benefit schemes (continued)

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

	2015 £m	2014 £m
Present value of defined benefit obligations	**(120.8)**	(100.8)
Fair value of scheme assets	**117.5**	96.6
Deficit in the scheme and liability recognised in the balance sheet	**(3.3)**	(4.2)

Movements in the present value of defined benefit obligations were as follows:	2015 £m	2014 £m
At 1 March 2014	**100.8**	94.3
Service cost	**2.2**	2.4
Interest cost	**4.3**	4.2
Actuarial losses – financial assumptions	**16.0**	1.4
Actuarial gains – demographic assumptions	**–**	(0.9)
Actuarial losses – experience	**–**	1.4
Benefits paid	**(2.5)**	(2.0)
At 28 February 2015	**120.8**	100.8

Movements in the fair value of the scheme assets were as follows:	2015 £m	2014 £m
At 1 March 2014	**96.6**	91.0
Expected return on scheme assets	**4.1**	4.2
Return on scheme assets excluding interest income	**17.4**	(0.8)
Contributions from sponsoring companies	**1.9**	4.2
Benefits paid	**(2.5)**	(2.0)
At 28 February 2015	**117.5**	96.6

29 Retirement benefit schemes (continued)

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

	2015 £m	2015 %	2014 £m	2014 %
Equities	**37.4**	**31.8**	32.1	33.2
Fixed-interest government bonds	**18.0**	**15.3**	14.8	15.3
Index-linked government bonds	**29.5**	**25.1**	24.1	25.0
Corporate Bonds	**12.5**	**10.6**	9.6	9.9
Property	**2.1**	**1.8**	1.9	2.0
High yield debt (including emerging market debt)	**9.7**	**8.3**	6.7	6.9
Alternatives	**6.9**	**5.9**	7.4	7.7
Net current assets	**1.4**	**1.2**	–	–
	117.5	**100.0**	96.6	100.0

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and inflation.
An increase of 0.25% in the discount rate used would decrease the defined benefit obligation by £7.0m (2014, £5.8m).
An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £4.7m (2014, £3.9m).

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

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

Whilst no commitment has been made as at the balance sheet date, the group expects to contribute £1.8m to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 28 February 2015 is approximately 24 years (2014, 24 years).

The defined benefit obligation at 28 February 2015 can be approximately attributed to the scheme members as follows:

– Active members: 44% (2014, 46%)

– Deferred members: 36% (2014, 35%)

– Pensioner members; 20% (2014, 19%)

All benefits are vested at 28 February 2015 (unchanged from 1 March 2014).

30 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of remuneration paid to the group's key management personnel are given on page 43 of the directors' remuneration report.

Company Balance Sheet

As at 28 February 2015	Note	2015 £m	2014 £m
Fixed assets			
Investments	**33**	**344.9**	344.9
Current assets			
Debtors	**34**	**45.4**	24.4
Creditors			
Amounts falling due within one year	**35**	**(243.5)**	(225.2)
Net current liabilities		**(198.1)**	(200.8)
Total assets less current liabilities		**146.8**	144.1
Non current liabilities			
Bank loans	**36**	**(30.0)**	(30.0)
Net assets		**116.8**	114.1
Capital and reserves			
Called-up share capital	**37**	**31.3**	31.3
Share premium account	**38**	**11.0**	11.0
Profit and loss account	**38**	**74.5**	71.8
Shareholders' funds	**38**	**116.8**	114.1

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 22 May 2015.

They were signed on its behalf by:

Angela Spindler

Director

Notes to the Company Accounts

31 Significant accounting policies

Basis of accounting

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

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

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

Cash flow
The company has taken advantage of the exemption from producing a cash flow statement afforded by FRS 1 (Revised) because the group accounts include a consolidated cash flow statement.

Taxation
Corporation tax payable is provided on taxable profits at the current rate.

32 Profit for the period

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the period. N Brown Group plc reported a profit for the financial period ended 28 February 2015 of £42.7m (2014, profit £42.6m).

The non executive directors' remuneration was £567,833 (2014, £582,875) and nine non executive directors were remunerated (2014, eight). The executive directors were remunerated by a subsidiary company in both years. Further details are provided on page 43 of the directors' remuneration report.

The auditor's remuneration for audit services to the company of £10,000 (2014, £10,000) was borne by subsidiary undertakings.

33 Fixed asset investment

	£m
Cost and net book value	
At 28 February 2015 and at 1 March 2014	**344.9**

The company and group has investments in the following subsidiaries and joint ventures which principally affected the profits or net assets of the group. All of the below companies are held indirectly. To avoid a statement of excessive length, the company has taken advantage of section 410(2) of the Companies Act 2006 to list only its principal subsidiary undertakings.

Company	Principal activity	Country of incorporation and operation	Proportion held by the group (%)
J D Williams & Co. Limited	Direct home shopping retailer	England	100
Oxendale & Co. Limited	Direct home shopping retailer	Republic of Ireland	100
J D W Finance Limited	Financing and ancillary services	England	100
N B Insurance Guernsey Limited	Insurance services	Guernsey	100
Gray & Osbourn Limited	Direct home shopping retailer	England	100
Speciality Home Shopping (US) Limited	Direct home shopping retailer	England	100
N B Finance	Financing and ancillary services	Republic of Ireland	100
N B Malta No2 Limited	Financing and ancillary services	Malta	100

34 Debtors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	**45.2**	24.0
Prepayments and accrued income	**0.2**	0.4
	45.4	24.4

35 Creditors

	2015 £m	2014 £m
Amounts falling due within one year:		
Bank loans and overdrafts	**56.4**	38.6
Trade creditors	**0.3**	0.5
Amounts owed to group undertakings	**186.5**	185.8
Accruals and deferred income	**0.3**	0.3
	243.5	225.2

36 Bank loans	2015 £m	2014 £m
Bank overdrafts	**49.4**	29.6
Bank loans	**37.0**	39.0
	86.4	68.6
The borrowings are repayable as follows:		
On demand within one year	**56.4**	38.6
In the second year	**30.0**	–
In the third to fifth year	**–**	30.0
	86.4	68.6
Less: amounts due for settlement within 12 months (shown under current liabilities	**(56.4)**	(38.6)
Amounts due for settlement after 12 months	**30.0**	30.0

The company has unsecured bank loans of £30m (2014, £30m) drawn down under a medium term bank revolving credit facility committed until March 2016.

At 28 February 2015, the company had available £83.0m (2014, £81.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rate paid were as follows:	2015 %	2014 %
Bank overdrafts	**2.0**	2.0
Bank loans	**1.7**	1.7

37 Share capital	2015 Number	2014 Number	2015 £m	2014 £m
Authorised				
Ordinary shares of 11¹⁄₁₉p each	**352,857,142**	352,857,142	**39.0**	39.0
Allotted, called-up and fully paid				
Ordinary shares of 11¹⁄₁₉p each				
At 28 February 2015 and at 1 March 2014	**283,429,454**	283,429,454	**31.3**	31.3

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

38 Reconciliation of movements in shareholders' funds and reserves	Share capital £m	Share premium account £m	Profit and loss account £m	Total £m
Balance at 2 March 2013	31.3	11.0	68.1	110.4
Dividends paid	–	–	(38.9)	(38.9)
Profit for the financial period	–	–	42.6	42.6
Balance at 1 March 2014	31.3	11.0	71.8	114.1
Dividends paid	–	–	(40.0)	(40.0)
Profit for the financial period	–	–	42.7	42.7
At 28 February 2015	**31.3**	**11.0**	**74.5**	**116.8**

39 Guarantees

Parent company bank overdrafts which at 28 February 2015 amounted to £49.4m (2014, £29.6m) have been guaranteed by certain subsidiary undertakings.

40 Related party transactions

The company has taken advantage of the exemption under FRSS8 "Related party disclosures" not to disclose transactions and balances with other group companies.

Financial Timetable

2014	9 October	Announcement of interim results
	12 December	Closing of register for interim dividend
2015	9 January	Payment of interim dividend
	28 February	Financial year-end
	29 April	Preliminary announcement of annual results
	5 June	Publication of 2015 annual report and accounts
	3 July	Closing of register for final dividend
	14 July	Annual general meeting
	31 July	Payment of final dividend

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The Royal Bank of Scotland plc

Solicitors
Pinsent Masons LLP
Eversheds LLP
Addleshaw Goddard LLP

Corporate Brokers
Jeffries Hoare Govett
Shore Capital Stockbrokers Limited

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

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

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

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