



The power of transformation

N Brown Group plc is a leading digital specialist fit fashion retailer, with over 140 years of experience.

We offer customers an extensive range of products in clothing, footwear and homewares. Our portfolio of trusted retail brands all serve a specific niche consumer group which we believe are poorly served by the fashion industry overall, such as plus-size and more mature customers. We are headquartered in Manchester and employ over 2,900 people across the UK.

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Our digital-first strategy

Our aim is to be universally loved experts in fashion that fits.

Throughout this report, you will notice a series of icons relating to our strategic drivers:

 **Product**

 **Price**

 **People**

 **Place**

To find out more about our vision and strategy and about our progress during 2016, read pages 20 to 23.



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HIGHLIGHTS

Our Power Brands – JD Williams, Simply Be and Jacamo, recorded £317.9m revenue, up 10.0% year on year. This was driven by further improvements to our product offering and innovative digital marketing campaigns.

Our digital metrics continue to be very strong. Online penetration stood at 65%, up 6ppts year on year, and online revenue was up 15%. 66% of our traffic came from mobile devices in FY16.

Our new warehouse is now complete – on time and on budget. This state of the art facility increases our next day availability, and will support our medium-term international ambitions.

REVENUE – CONTINUING OPERATIONS (£m)

866.2

(2015: £837.2m)

2015	£837.2m
2016	£866.2m

OPERATING PROFIT – CONTINUING OPERATIONS BEFORE EXCEPTIONAL ITEMS (£m)

96.4

(2015: £95.8m)

2015	£95.8m
2016	£96.4m

PRE-TAX PROFIT – CONTINUING OPERATIONS BEFORE EXCEPTIONAL ITEMS (£m)

88.3

(2015: £88.2m)

2015	£88.2m
2016	£88.3m

ADJUSTED EARNINGS PER SHARE – CONTINUING OPERATIONS (p)

24.02

(2015: 24.61p)

2015	24.61p
2016	24.02p

DIVIDENDS PER SHARE (p)

14.23

(2015: 14.23p)

2015	14.23p
2016	14.23p

NET ASSETS (£m)

476.0

(2015: £450.0m)

2015	£450.0m
2016	£476.0m



We are on a
transfor

We are in the middle of an amazing transformational journey.

Throughout the year we saw clear evidence of the benefits of the way in which we are transforming the business.

We still have more work to do, but we're moving in the right direction, making significant changes across three key areas of our business which will ensure we become a leading digital retailer fit for an exciting future.

Read about our progress and how we are transforming our business over the following pages.



mational **Journey**



Operating team

The past two years has seen an almost entirely new top team at N Brown. Our talented operating board are all digital natives, experts in their fields, and are enthused and excited about our journey.

➤ More detail [p23](#)

Digitalised our people processes

We are a digital-first retailer, and this influences everything we do. So, this year, we moved our people processes online – from recruitment to recognition, development to keeping our colleagues up to date.



New in-house design team

Having previously relied on third parties, we've invested in an in-house team of designers, to ensure that we are always on-trend and providing our customers with clothes which fit, flatter and make them look and feel amazing.

➤ More detail [p22](#)

Introducing new



Investing in new talent whilst retaining our broad knowledge and experience to successfully transform key areas of our business.



people

Digital-first marketing

Whilst paper-based marketing remains important for us, well over half our business now comes online – so this is our primary focus. Our digital marketing team are best in class, with capabilities including data analytics, personalisation and conversion optimisation.

Redefining our buying and merchandising processes

In order to ensure constant newness for our customers and give us far more trading flexibility in-season. We now operate as a truly online retailer, giving us far more agility and control.

Identifying a new process

Looking at new ways of working to match our digital-first approach and enable us to capture growth opportunities.

Bangladesh sourcing office

We opened our first in-country sourcing office in Autumn 2015, allowing us to work far closer with our suppliers in the country, and reduce our reliance on costly third-party agencies.



Outsourced creative production

This has enabled us to operate as a digital-first retailer, photographing and uploading new products to our websites as soon as they come in using our new, dedicated photo studios. Catalogue production has also been modernised and made significantly more efficient.

SS

Investing in...

Global web platform

We are investing in a new core website transaction engine, fixing legacy issues which significantly slow our speed to market. This new system will allow us to trade with far more agility going forwards, and give us global ship anywhere capability.

Planning systems

We are significantly upgrading the systems used by our product teams, providing more enhanced data for merchandising decisions and improving our supply chain efficiency.

new systems

More agility going forward, with Fit 4 the Future progressing well; early releases are now live and the main roll-out begins later this year.



New financial services system

Modernising our credit proposition and allowing us to operate in a far more flexible, customer relevant way. We will be able to charge variable APRs and make lending decisions tailored to individual customers and products.

[More detail p35](#)

WHO WE ARE

We are fit specialists,
dedicated to delivering high
quality fashion irrespective
of age or size.



AUTHENTIC



Celebrating who



CREATIVE



BOLD

DIGNITY AND RESPECT



AGE INCLUSIVE



RESPONSIBLE RETAILING



PUSHING BOUNDARIES



we are



ONE PLANET



UNCOMPROMISING



What we do

POWER BRAND

JDWILLIAMS



An online department store, offering style for 50-plus customers and their families, with ranges for women, men, home and kids. We create unique silhouettes, rather than scaling patterns; we use real bodies, rather than static mannequins; and we design to fit – a unique, age appropriate point of view for our consumer.

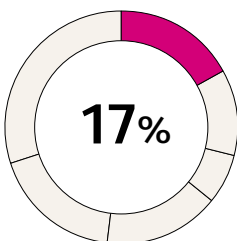
REVENUE GROWTH (%)

↑ 4.7%

REVENUE PERFORMANCE (£M)

£151.2m

GROUP REVENUE BREAKDOWN (%)



➤ More detail p33

POWER BRAND

SimplyBe



Simply Be has empowered women for over a decade, bringing fashion to all, regardless of size. We understand shape and create fashionable collections that fit. The brand is gaining significant momentum both at home and in the USA.

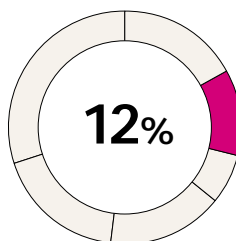
REVENUE GROWTH (%)

↑ 15.6%

REVENUE PERFORMANCE (£M)

£103.9m

GROUP REVENUE BREAKDOWN (%)



➤ More detail p33

POWER BRAND

JACAMO[®]



A modern, challenger brand with a strong digital offer, Jacamo is inspired by real mens' tastes. Collections are available in a market-leading range of sizes, from Small to 5XL. Jacamo brings both strong in-house ranges, such as Label J and Black Label, alongside international brands, offered in exclusive sizes.

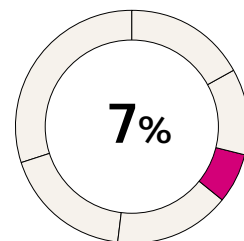
REVENUE GROWTH (%)

↑ 14.6%

REVENUE PERFORMANCE (£M)

£62.8m

GROUP REVENUE BREAKDOWN (%)



➤ More detail p34

SECONDARY BRANDS

fashion

figleaves.com

Marisota*

HIGH MIGHTY

Secondary Brands focus on distinct customer niches which are not served by our Power Brands. These brands have significant customer loyalty, good growth prospects and are increasingly online. We view our Power Brands as having the greatest growth potential medium-term, however, and therefore our focus here is predominantly on customer retention.

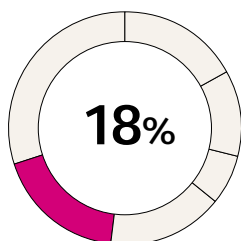
REVENUE GROWTH (%)

↑ 1.9%

REVENUE PERFORMANCE (£M)

£152.7m

GROUP REVENUE BREAKDOWN (%)



> More detail p34

TRADITIONAL SEGMENT

ambrose Wilson

Premier MAN

Julipa

HOUSE OF BATH

The titles in this segment are focused on serving our loyal, traditional and typically more-mature customers. These customers tend to prefer paper-based marketing, such as catalogues and direct-mail offers. This is an attractive and accessible market, underserved by other retailers, and whilst not a future growth driver we generate a good financial return.

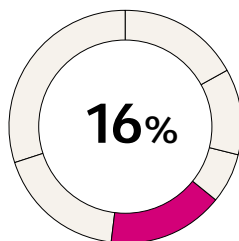
REVENUE GROWTH (%)

↓ 5.5%

REVENUE PERFORMANCE (£M)

£136.0m

GROUP REVENUE BREAKDOWN (%)



> More detail p34

FINANCIAL SERVICES



An important part of our overall proposition, strengthening customer loyalty and enabling our retail business to thrive. In order to offer our customers excellent convenience and choice, we allow customers to either pay us immediately or utilise a credit account for their purchases, spreading the cost of their purchases over time.

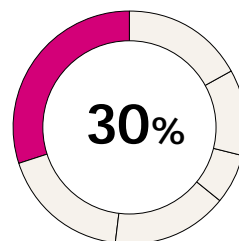
REVENUE GROWTH (%)

↑ 2.1%

REVENUE PERFORMANCE (£M)

£259.6m

GROUP REVENUE BREAKDOWN (%)



> More detail p35

Looking back on a year of transformational progress

Our transformation continues apace, with progress made during the year. Looking forward, we are approaching a crucial period for the Group, with the implementation of our new systems platform.

Introduction

This year was an important one for the Group, with material changes made to the way we operate our business and communicate with our customers. Against this backdrop of significant ongoing transformation within the business, the Board is satisfied with the FY16 results.

It is hard to overestimate the amount of change that has occurred in the business over the past few years. There are new teams of colleagues, new skill sets and capabilities, new outsourcing partners and a focused and consolidated portfolio of brands.

Of course, such a busy change agenda inevitably makes forecasting business performance harder and disruption more likely, and it therefore hasn't been as smooth a journey as we would have wished. We are confident, however, that the right actions are being taken to enable us to deliver sustainable long-term growth as we transition from a direct mail to a digital business.

This coming year will be a very important one for the Group. Our new IT platform (Fit 4 the Future) will be implemented, bringing necessary and significant improvements to all areas of our business. However experience suggests that a programme of this scale will bring some unexpected bumps in the road. A huge amount of effort has gone into planning and preparing to mitigate these risks.



PROGRESS MADE IN 2016

Continued progress from direct-mail led to digital-first, with online penetration of 65%, up 6ppts.

Active customer accounts +2.2% to 4.14m; within this Power Brands active customer accounts 2.00m, up 6.9%.

Further improvements to product quality, style credentials and promotional efficiency.

Strong USA performance, with revenue up 29% and the first profit delivered in the second half.

Our major warehouse extension was completed, on time and on budget. This new facility will enable us to further improve our already strong delivery proposition.

We are also in the process of gaining our full FCA authorisation, following the FCA taking over regulation of the consumer credit industry from the OFT previously. We are well on with the process and it is progressing in line with expectations.

Our Group is strong, with loyal customers and good margins. Once delivered, Fit 4 the Future will give us the robust platform we need for growth in the future.

Dividend

Whilst continuing to invest in the business, particularly on our systems programme Fit 4 the Future and our new warehouse, 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 FY15.

£866.2m

Revenue

£96.4m

Operating profit,
before exceptional items

Board composition

As I reported in last year's annual report, we had a number of changes to the Board, and I am pleased to report that the new team is working well together. This year there is just one change to announce, namely that Simon Patterson stepped down in April 2016 to take up the same position at a much larger retailer. We wish him well and thank him for his time and advice. We are currently in the process of recruiting a replacement for Simon.

Outlook

Consumer shopping habits are changing at an unprecedented rate. Online shopping continues to take share from both catalogues and physical stores at a pace, and those retailers who prosper will be those who can stay ahead of this ever-changing backdrop.

As well as the traditional retail skills of buying, merchandising and offering great value to our customers, we also need to have exceptional data analysis skills, digital marketing capabilities and a continuously improving delivery proposition. Given our home shopping heritage we already have some significant in-house experience, and with almost two-thirds of our sales now coming online we are in a much stronger position than many of our competitors – but we cannot become complacent, we must continuously strive to improve. The Board is confident in the long-term outlook for the business and excited about our future growth potential.

I would like to express my sincere thanks to all stakeholders in the business, and in particular our fantastic colleagues, for all their dedication, hard work and enthusiasm throughout the year.

Andrew Higginson
Chairman

Corporate Governance

The Board is committed to developing and applying high standards of corporate governance both in the management of its business and in its accountability to stakeholders as a whole.

Angela Spindler
Chief Executive

Ron McMillan
Non-executive Director

Andrew Higginson
Non-executive Chairman

Fiona Laird
Non-executive Director

Craig Lovelace
Group Chief Financial Officer

Simon Patterson
Non-executive Director

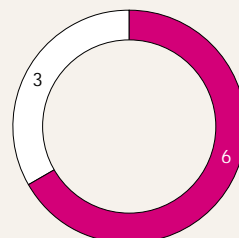
Ivan Fallon
Non-executive Director

Lesley Jones
Non-executive Director

Lord Alliance of Manchester CBE
Non-executive Director

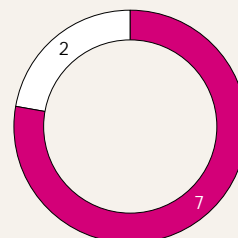
Theresa Casey
Company Secretary

BOARD DIVERSITY



● Male
○ Female

BOARD COMPOSITION



● Non-executive Directors
○ Executive Directors

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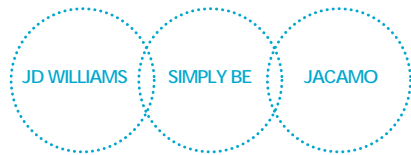
Moving to a digital led business model

Creating customer value



Brand offer

Power Brands



Traditional Segment Secondary Brands

- Ambrose Wilson
- Julipa
- Premier Man
- House of Bath
- Marisota
- Fashion World
- High and Mighty
- Figleaves

> More detail [p33](#)

SYSTEMS INVESTMENT

FIT 4 THE FUTURE

- Global multi-channel transformation
- Credit transformation
- Planning transformation

Financial Services

The focus of our Financial Services business continues to be on three areas:



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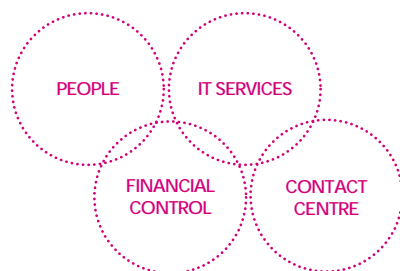
Customer loyalty



Customer satisfaction

Support functions

The teams that keep us delivering for our customers day in, day out.



Product

Without great products we have nothing. Our fit specialism, at great value for money, is our USP.

IN-HOUSE DESIGN TEAM

QUALITY & FIT

SOURCING & MERCHANDISE

MARKETING

LOGISTICS

GUSTO shapes our culture. GUSTO celebrates positive attitudes and behaviours. GUSTO is how we do things around here.

Glow with pride

We're proud to make great products that people love. Our clothes generate a feel-good factor – for our customers and for us.

Understanding is everything

Everything starts and ends with understanding and respecting the customer. They are our passion, their shopping habits and preferences our priority. They're why we exist, and why we succeed.

Saving makes sense

Waste is the enemy. We value simplicity and the saving of resources and time.

Togetherness is crucial

Teamwork triumphs in the end. There are few tasks and even fewer problems that can't be tackled successfully though togetherness, shared goals and collective effort.

Opportunity exists everywhere

There are always things to improve, chances to be seized and ideas to be unleashed. We take the opportunities to build a better business, and to build a better you.

Our Strategy	p20
Performance Review	p32

Creating value



Value back to shareholders

Our shareholders are very important to us, and we value the support and input they give us. We are focused on a progressive dividend policy.

Value back into business to drive future growth

We invest into our business to ensure that we can drive profitable, sustainable growth in the years ahead.

"Taking Care of Our World"

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.



Foundations for future growth

It has been a very busy year for N Brown as **we continue to transform the way we operate as a fashion retailer** – from a direct mail led model to a digital led model. We are midway through this journey and are delighted to see the benefits coming through, importantly delivering 11%¹ profit growth in the second half of the year.

Introduction

The transformation of our business model continues at pace. We have a clear focus on our three fashion Power Brands – JD Williams, Simply Be and Jacamo, and I am pleased to report that revenue here was up 10% year-on-year. I am also pleased with the strong online metrics we are delivering, with online penetration at a new record 65%. We are taking decisive actions to improve the performance of our Traditional Segment which remains an important, profitable part of the Group.

Our performance in FY16 was in line with expectations, with strong 11%¹ profit growth achieved in H2, as we annualised a number of changes made to the business in FY15. We had a good Christmas period and for the first time were able to be truly agile in our trading approach, particularly for our digital brands.

We continue to roll-out our systems investment programme, 'Fit 4 the Future', and all areas of the business are focused on ensuring this lands on time and with minimal disruption. So far progress is on track and within budget.

Looking forward, whilst we face challenging market conditions for the fashion sector overall, we remain confident in our ability to make further progress this year.



SEIZING FUTURE OPPORTUNITIES

We are really pleased with our performance to date in the USA. We have been building a sustainable, profitable business model, built upon customer loyalty, and this will serve us well when we accelerate our growth in this country.

Beyond the USA, our future capability enabled by global ship anywhere will allow us to unlock the international potential of our brands.

We are excited about the growth potential that our new Financial Services systems will give us. We will be able to charge variable APRs, allowing us to offer our customers a far more personalised choice of Financial Services products, broadening our appeal.

This is based on the strong appeal of our specialist fit proposition, continuous improvement in the customer experience and changes in customer shopping behaviour, driven by targeted marketing.

Strategic progress

Our vision is to be the universally loved experts in fashion that fits, helping our customers look and feel amazing through our trusted family of fashion brands. We operate in attractive market niches – plus-size and age 50-plus – which we believe to be under-served by the fashion industry overall, providing our customers with high quality and competitive product offerings, fit-specialism and a strong delivery proposition.

1. Defined as Continued PBT before exceptional items and IAS 39 restatement credit.

4.14m

active customer accounts

65%

online penetration

We are mid-way through a significant transformation which will allow us to deliver sustainable, profitable growth over the long term, driven by our four strategic foundations:

- Product
- Price
- People
- Place

Our systems transformation project, Fit 4 the Future, is progressing well. During the second half we launched our Simply Be Euro website (the first phase of our Global Multi-channel release) and Powercurve (the foundation of our Credit release). Both launches were on-time and results continue to be encouraging.

Fit 4 the Future is the largest project ever undertaken by the Group, and as such there are inevitably risks, but we continue to do everything possible to ensure that risks and business disruption are minimised and that the future benefits of the investment are maximised. The benefits case is unchanged and we expect these to start to ramp up from FY18 onwards. As previously disclosed, some of these benefits will be reinvested back into the business.

The timetable for Fit 4 the Future is also unchanged. This August we plan to start the roll-out of our new web platform and new financial services systems, initially to the USA, and then to a number of our smaller UK brands in September. Our main brands will move onto the new systems in early 2017, after peak trading.

In May we completed the roll-out of the first phase of our Planning transformation, giving us improved tools for assortment and range planning. This will allow us greater visibility, control and consistency. The second phase of the Planning release, which will give us item-level forecasting tools, improving markdown efficiency, will go live in early 2017.

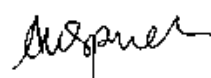
I am also happy to report that the warehouse extension at our main warehouse facility, in Shaw, is now complete and in the process of coming on stream. The project was completed on time and to budget. The new facility has doubled our through-put capacity, ensuring we continue to operate efficiently. Importantly it will also materially improve our next day availability, allow us to further extend our cut-off for next day delivery, and underpin our international expansion plans for the future.

Outlook

Trading since the year end has been subdued, with sales lower year on year. This is mainly the result of the industry backdrop which has been more challenging since January. We also have a headwind from our Traditional Segment which we believe we can address through improved targeted marketing. We expect to see performance strengthen over the first half.

From a non-trading perspective, FX rates represent a significant challenge year on year and we have also decided to undertake a one-off exercise to more aggressively clear some one to two year old inventory, enabled by our new online clearance tools.

Overall, we remain confident in our ability to make further progress this year. This is based on the strong appeal of our specialist fit proposition, continuous improvement in the customer experience and changes in customer shopping behaviour, driven by targeted marketing.



Angela Spindler
Chief Executive

MARKET OVERVIEW

Economic trends

The global economic backdrop is uncertain, with recent volatility, particularly in foreign exchange rates, as a result of the upcoming EU referendum, unhelpful particularly from a sourcing standpoint. Consumer confidence in the UK is currently relatively fragile. The introduction of the National Living Wage is a net positive for the Group, as it should result in higher disposable income for our customers, although cuts to benefits would likely be a negative. Overall, when forecasting we assume a generally benign economic environment.

Retail trends

Shopping globally is increasingly online; the BRC estimates that over 20% of all non-food retail spending now takes place online. We are well-placed to benefit from this trend, given our digital-first approach. Customers increasingly shop through their mobiles; again we are ahead of this trend, with 66% of traffic coming from mobile devices. From a delivery standpoint customers increasingly demand convenience; we now offer over 5,000 collection points and have a 9pm cut-off for next day delivery.

Market trends

Customers are increasingly driven by product newness, with shopping 'just in time' during the season having replaced traditional purchase trends of buying at the start of seasons. We are accordingly increasing the frequency of new products being offered to our customers, and to facilitate this are increasing our sourcing from countries closer to the UK. Competition in the UK retail sector remains as tough as ever; we believe our niche positions of plus-sizes and older customers are important against this backdrop.

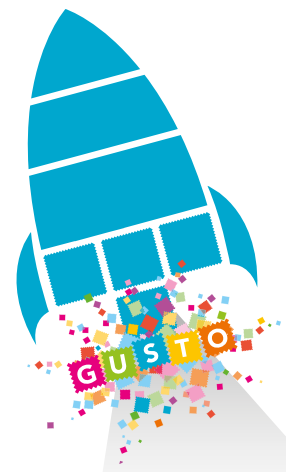
Our vision

To be the universally loved experts in fashion that fits.

Our mission

We'll do this by helping our customers look and feel amazing through our trusted family of fashion brands.





Strategy rocket

The strategy laid out on this page is unchanged from the one we presented in last year's annual report. We view our strategy as a rocket, with the four drivers of our success the engines, and GUSTO, our values, our rocket fuel.

4

drivers of success



Product

Fantastic quality and fit fashion, home ranges, and relevant financial services

Relevance

Great product is the lifeblood of our business – it is the absolute core of what we do.

Progress 2016

We drove significant improvements to both product quality and our style credentials through changes to design, sourcing, buying and merchandising.

Priorities 2017

We will continue to improve our clothing and homewares products, with in-season flexibility an ongoing focus. The roll-out of Fit 4 the Future will also allow us to offer a wider range of more tailored Financial Services products.

Associated risks

- Failure to change
- Competition
- Regulatory environment

KPIs

4.0%

Ladieswear market share, size 16+

1.7%

Menswear market share, chest size 44"+

27.4%

Group returns rate (rolling 12 months)



Price

Great prices and flexible ways to pay

Relevance

Value and convenient ways to pay are both as important to customers as they have ever been.

Progress 2016

After a strategic price recalibration last year we ensured our price points stayed sharp this year, and also ran exciting and efficient promotions to drive cash margin.

Priorities 2017

We will continue to drive great value for customers and cash profit for us. In Financial Services, our new systems will give our customers more options to pay.

Associated risks

- Failure to change
- Competition

KPIs

85.8%

Customer satisfaction rating, UK CSI

136k

New credit recruits (Rollers)



People

Obsessed with customers, enriched with data and powered by technology

Relevance

Without our people and their relentless enthusiasm and passion we couldn't do what we do. They are our most important asset.

Progress 2016

We digitalised all of our people tools, introduced new skillsets to the business and embedded our GUSTO values to leverage not just what we do but how we do it.

Priorities 2017

Our ambition is to be the most fabulous place to work in fashion, by hiring great people, developing talent and rewarding achievement.

Associated risks

- People

KPIs

85.8%

Customer satisfaction rating, UK CSI



Place

Whatever you want, wherever you are, whenever you want it, we make it easy

Relevance

Customers shop how and when they want, and it is our job to exceed their expectations.

Progress 2016

We continue to drive our digital capabilities to ensure our sites look fantastic. We moved to 9pm cut-off for next day and completed our new warehouse extension. Finally, across the Atlantic our USA business continued to perform strongly.

Priorities 2017

We will further improve our delivery offering, ensure our small number of stores are the best they can be and grow our International business.

Associated risks

- Failure to change
- Competition
- People
- Cyber security

KPIs

65%

Online penetration

5.8%

Conversion rate

4.14m

Active customer accounts

Key achievements through 2016



Product

Previously, we relied on external design agencies and tended to follow the high street, meaning our ranges weren't as fashionable as they could have been. Over the last 18 months we have significantly invested in a new in-house team of talented designers. This team ensures that our product offering captures all the latest trends in comprehensive and brand-appropriate ways.

Our designers fulfill a range of tasks. They make sure we are on-trend and have fashionable collections which appeal both to our loyal existing customers and attract new ones. They translate the colours, shapes and styles of the season to fit and flatter our customers, whatever their age or size.

Having the team has also allowed us to introduce new ranges which are designed in-house from scratch, such as the fast fashion Simply Be Unique range and the Lorraine Kelly for JD Williams collection.

Initially the team was primarily focused on Womenswear, but we continue to expand, with recruits in Footwear, Accessories, Menswear and a dedicated print designer all recently joining.

New in-house design team



Price

Improving promotional efficiency

Sharp prices in line with the mid-market

Value for money

Attractive promotions which drive cash margin

As we reported in last year's report, Autumn 2014 saw us undertake a strategic price re-calibration, rebasing our prices to ensure we were competitive. This year our focus was on improving our promotional efficiency, ensuring that we drove volumes and as a result generated positive cash margin.

This was most apparent over the Black Friday and Cyber Monday week. We planned the event months in advance, buying some great products specifically for it, at attractive margins – so both our customers, and our business, got some great deals.

▶ Key Performance Indicators	p24
▶ Risk management	p28



People

New operating team in place



ANGELA SPINDLER
Chief Executive



CRAIG LOVELACE
Group Chief
Financial Officer



RALPH TUCKER
Product and
Retail Director



ANN STEER
Marketing Director



STEVE JOHNSON
Financial Services
Director



ANDY HAYWOOD
Chief Operating
Officer



CAROLINE MASSINGHAM
People Director



IAN CARR
Logistics Director

This year saw the arrival of our new CFO, Craig Lovelace, in May 2015, and Steve Johnson, our first ever Financial Services Director, in February 2016.

These two appointments mean that our new operating team is now in place, after considerable changes over the past two years.

All the team are digital natives and experts in their fields. They are used to working in fast-paced businesses, and are hugely excited about the transformational journey we are on.



Place



Warehouse extension now complete

Last year we announced a £24m investment in a major warehouse extension at our facility in Shaw, on the outskirts of Manchester. We are very pleased to report that the new warehouse went live, on time and to budget.

The new building has doubled our pick-face, increased our throughput capacity by 30% and our storage capacity by 25%. It will enable us to get products to our customers even faster, and further improve our already very efficient operations. Importantly, it also supports our International ambitions over the medium term.

Measuring progress against our strategy

CUSTOMERS

ACTIVE CUSTOMER ACCOUNTS (m)

+2.2%



Relevance to strategy



Definition

The number of customer accounts which made a retail purchase in the last 12 months.

Performance

Growth of 2.2% is a solid result, particularly against a competitive market backdrop. In line with our strategy we continue to prioritise recruitment for our Power Brands.

Outlook

We will continue to attract new customers to our business through great product, innovative marketing campaigns and fantastic customer service.

Risk

- Failure to change
- Competition
- People

POWER BRAND ACTIVE CUSTOMER ACCOUNTS (m)

+6.9%



Relevance to strategy



Definition

The number of Power Brand (JD Williams, Simply Be and Jacamo) customer accounts which made a retail purchase in the last 12 months.

Performance

We are pleased to report 6.9% growth here, with this figure exceeding 2 million for the first time. The combination of this customer growth together with increased spend drove Power Brand revenue growth of 10.0%.

Outlook

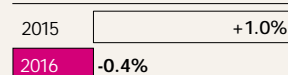
Our Power Brands remain our focus, as we believe that these three brands have the greatest global growth potential over the medium-term.

Risk

- Failure to change
- Competition
- People

GROWTH OF OUR MOST LOYAL CUSTOMERS (%)

-140bps



Relevance to strategy



Definition

We define our most loyal customers as those who have purchased from us in each of the last four clothing seasons.

Performance

Whilst the marginal decline in this customer group is disappointing, this was as a result of the headwind of our Traditional Segment. We are taking actions to improve performance here.

Outlook

The actions being taken to improve our Traditional titles should feed into increased customer loyalty. Elsewhere, we will continue to continually focus on customer retention and frequency of spend.

Risk

- Failure to change
- Competition

CUSTOMER SATISFACTION RATING (%)

-10bps



Relevance to strategy



Definition

Our latest overall customer satisfaction score, as measured independently by the UK Customer Services Institute.

Performance





We are very proud of our results in the survey, where we continue to be ranked third in the UK retail sector behind only Amazon and John Lewis. Our score of 85.8% is over 4ppts higher than the retail sector average.

Outlook

Customer satisfaction is driven by a wide range of factors – value, product quality, delivery, ways to pay and sorting out issues when things go wrong – to name just a few. We talk to our customers every day to ensure we are doing the best job we possibly can.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

-  Product
-  Price
-  People
-  Place

PRODUCT

LADIESWEAR MARKET SHARE SIZE 16+ (%)

flat

2015	4.0%
2016	4.0%

Relevance to strategy



Definition

Our market share in UK Ladieswear, in size 16 and higher. Market share is calculated using internal and Kantar data, and this figure relates to the 24 weeks ending 14 February.

Performance

We saw a flat market share here, a solid result. Within this, we gained share in younger Womenswear, driven by Simply Be, and saw a small decline in the older age groups as a result of the underperformance of our Traditional Segment.

Outlook

Against a challenging market backdrop we will focus on driving share through continued improvements to our products, everyday great value and exciting and efficient promotions.

Risk

- Failure to change
- Competition
- People

MENSWEAR MARKET SHARE CHEST 44"+ (%)

+20bps

2015	1.5%
2016	1.7%

Relevance to strategy



Definition

Our market share in UK Menswear, in chest size 44" and higher. Market share is calculated using internal and Kantar data, and this figure relates to the 24 weeks ending 14 February.

Performance

We are pleased to report a 20bps increase in market share in Menswear. This was driven by the continued strong performance of Jacamo.

Outlook

We strive to continually improve our products. For SS16 we significantly extended the menswear range within JD Williams, which is called Williams and Brown, and performance so far has exceeded expectations.

Risk

- Failure to change
- Competition
- People

GROUP RETURNS RATE (ROLLING 12 MONTHS) (%)

-120bps

2015	28.6%
2016	27.4%

Relevance to strategy



Definition

The amount, measured in value, of products which are returned to us by customers, over the last 12 months.

Performance

This KPI is a measure of customer satisfaction with our products, and we are very pleased with the 120bps improvement this year. Product mix (the relative outperformance of Homewares and Menswear), further improvements to our product quality and fit, and the increase in cash customers all contributed to the decline in our returns rate, in roughly equal measure.

Outlook

The relative outperformance of Homewares and Menswear is unlikely to continue indefinitely; Womenswear growth is positive in margin terms but a headwind to our returns rate. Product improvements and new cash customers should continue to help this KPI.

Risk

- Failure to change
- Competition

KEY PERFORMANCE INDICATORS

CONTINUED

DIGITAL

ONLINE PENETRATION (%)

+6ppts



Relevance to strategy



Definition

The percentage of sales, excluding stores and International, which comes to us online. Our second largest channel is through our contact centre.

Performance

We have worked very hard over the past year to transform into a digital-first retailer, prioritising online in every business process. These efforts resulted in online revenue up by 15% year on year.

Outlook

We have created a digital centre of excellence to ensure our online proposition is the best it can be. Our new web platform will further improve our offering and increase our digital agility.

Risk

- Failure to change
- Competition
- People
- Cyber Security

ONLINE PENETRATION OF NEW CUSTOMERS (%)

+7ppts



Relevance to strategy



Definition

The percentage of sales from new customers, excluding stores and International, which comes to us online.

Performance

We view this metric as a leading indicator of the Group, and are very pleased with the 7ppts increase year on year, to approaching three-quarters. Our new customers are increasingly digital in their mindset and shopping behaviour.

Outlook

We will continue to serve customers, both new and existing, in whichever way is most convenient for them. Customers are increasingly choosing to shop online, and therefore we expect continued progress in this metric.

Risk

- Failure to change
- Competition
- People
- Cyber Security

CONVERSION RATE (%)

flat



Relevance to strategy



Definition

The percentage of website sessions which result in an order being placed.

Performance

Our conversion rate was flat at 5.8%, significantly above the industry average. Within this, the conversion rate for all three device types (PC, smartphone and tablet) increased significantly.

Outlook

The continued increase in mobile devices represents an ongoing headwind, as customers tend to use these for browsing as well as purchasing, resulting in a naturally lower conversion rate. We continue to optimise customers' digital experience with us, irrelevant of the device type they use, to drive revenues.

Risk

- Competition
- People
- Cyber Security

TRAFFIC FROM MOBILE DEVICES (%)

+10ppts



Relevance to strategy



Definition

The percentage of our total online traffic which comes from either a smartphone or a tablet device.

Performance





Mobile devices now account for two-thirds of our online traffic, an increase of 10ppts year on year. Within this, we have seen a 65% increase in smartphone sessions, and this is now the leading device type by traffic.

Outlook

We continue to optimise our already strong mobile and tablet propositions. For our younger customers smartphones are increasingly the channel of choice, whereas our online traditional customers favour tablets. Our job is to ensure that customers get a great experience with us, whichever way they choose to browse and shop.

Risk

- Competition
- People
- Cyber Security

	Product
	Price
	People
	Place

FINANCIAL SERVICES

ARREARS RATE (>28 DAYS) (%)

+60bps

2015	10.3%
2016	10.9%

Relevance to strategy



Definition

Arrears over 28 days are defined as customer debts with two or more missed payments.

Performance

Credit arrears stood at 10.9% for FY16, an increase of 60bps from 10.3% last year, driven by new customer recruitment. This metric is still significantly lower than it was a few years ago, as a result of the improvements we have made to our Financial Services business.

Outlook

In FY17 we expect our arrears rate to increase slightly, reflecting increased levels of customer recruitment.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

PROVISION RATE (RESTATED) (%)

-50bps

2015	16.1%
2016	15.6%

Relevance to strategy



Definition

Closing bad debt provision as a percentage of gross trade receivables.

Performance

The improving trend in this metric is a direct result of the work we have done over the past two years to both tighten our credit policies and help customers in financial difficulties, putting them on payment plans to rehabilitate them.

Outlook

Whilst we continue to improve the quality of our credit book, in FY17 we expect our provisions rate to increase slightly, as a result of increased levels of customer recruitment.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

NEW CREDIT RECRUITS (ROLLERS)

+2%

2015	133,000
2016	136,000

Relevance to strategy



Definition

The number of new customers opening a credit account and rolling a balance in the last six months.

Performance

In the second half of the year we saw 136,000 new rollers; for the year as a whole we welcomed over 286,000 new credit customers rolling a balance. The primary driver of an increase in new credit customers is our improved product proposition.

Outlook

We will continue to work hard to recruit new customers, including cash, rollers and non-rollers. The implementation of our new Financial Services systems will allow us to offer a more tailored suite of Financial Services products, broadening our appeal.

Risk

- Failure to change
- Competition
- People
- Regulatory environment

A clear process for risk management

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.

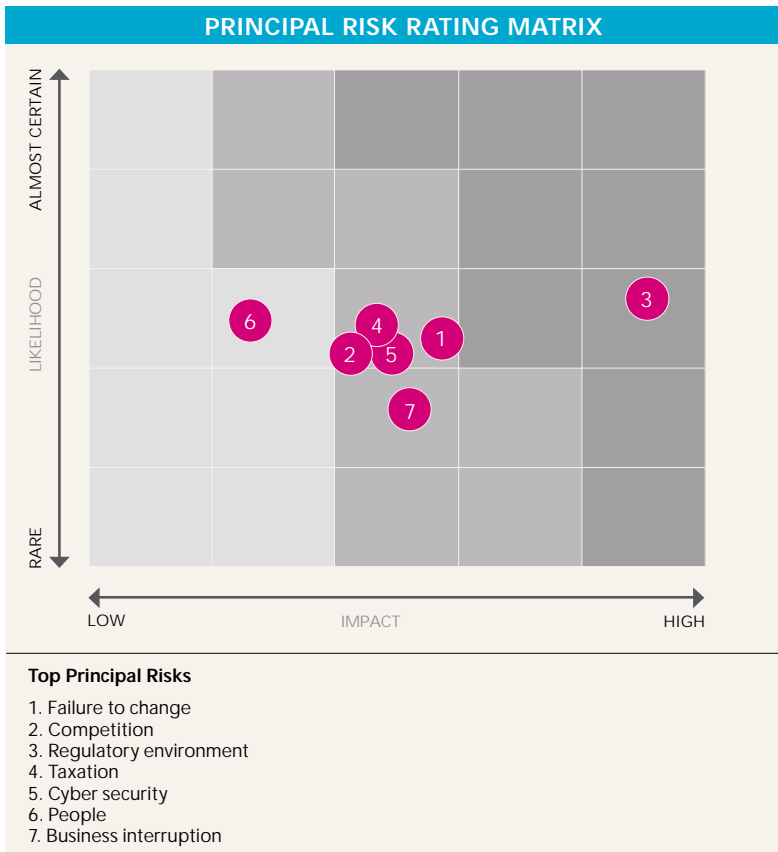
In order to ensure key business developments and emerging risks are appropriately factored into the risk management process, the Group's internal auditors again facilitated a board level risk session in the year. The Chief Executive and Chief Financial Officer and head of internal audit, along with the 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 and discussed the outputs from this process which were used by internal audit as a key driver in developing the annual internal audit plan.

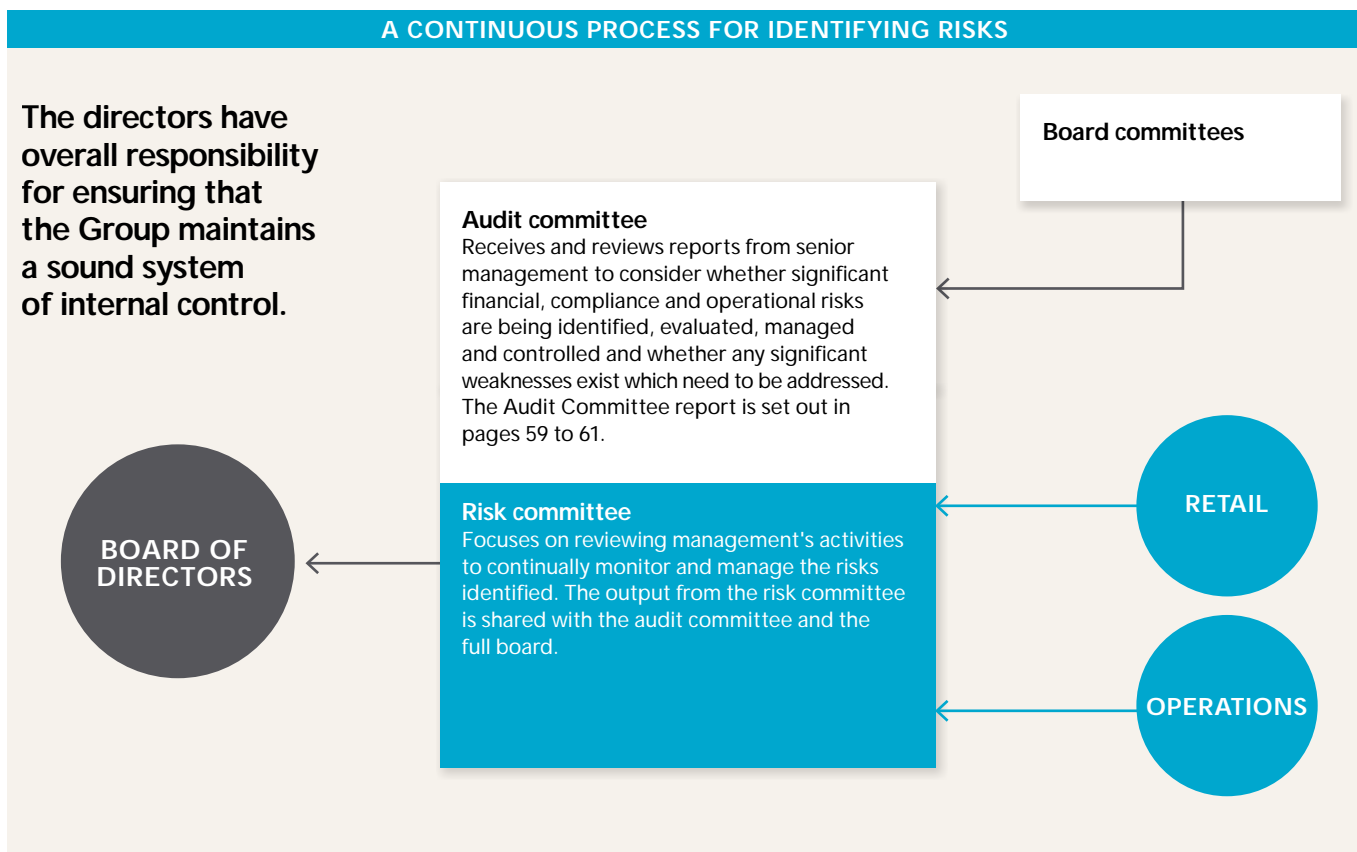
An enterprise wide mapping of activities across business functions was also undertaken by internal audit during the year to assess the level of risk within each activity. Output from this process has also been reflected in the annual audit plan.

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

Operational management is asked to present on a cyclical basis on the progress of agreed actions against the major risks identified by the process. The output is shared with the audit committee and the full board.





The board believes that appropriate internal financial, operational and compliance 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 overleaf.













Risk Appetite

The Group's framework for managing its consideration of risk appetite forms part of the annual Risk Management Cycle and is used to drive and inform any actions undertaken in response to the principal risks identified by the board. Within this framework, the Group's appetite for risk is defined with reference to the expectations of the board for both commercial opportunity and internal control and is used to inform the Group's Internal Audit Plan.

Identify, evaluate and manage risks facing the Group

KEY RISK	DESCRIPTION	MITIGATION
Failure to 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.	<ul style="list-style-type: none"> • Fit 4 the Future business transformation programme to enable new technological capabilities and competitiveness in both Retail and Financial Services sectors. • Completion of new warehouse and continuing investment in Logistics promotes flexibility in meeting customer expectations. • Customer Insights team ensures up to date information on customer trends and expectations. • A greater focus on agility to respond to market forces and customer trends. • Continued focus on strengthening the digital marketing attribution capability.
Competition	Failure to compete effectively through product and service propositions.	<ul style="list-style-type: none"> • Fit 4 the Future programme delivering new digital platform. • Improved operating processes increasing product newness and overall product quality. • New warehouse increases next-day delivery availability. • New suite of financial services products. • Customer Insight team use the Customer Services Index to drive continuous improvement programme. • Benchmarking against competitor activity.
Regulatory environment	Failure to ensure the Group complies with existing and emerging UK and overseas legislation and regulation.	<ul style="list-style-type: none"> • Group employs specialists in relevant fields to provide in-house and external expertise on regulatory matters. • Dedicated approval committee reviewing and ratifying proposed changes with a regulatory impact. • In-house Customer Service team specialising in the treatment of vulnerable customers. • In-house Regulatory Compliance function. • Pro-active engagement with the FCA and other regulatory bodies. • Continued, active membership of the British Retail Consortium.
People	Over-reliance on key personnel and inability to recruit and retain required skill sets.	<ul style="list-style-type: none"> • Annual talent identification and reward review. • Talent review highlights people risks and drives mitigating actions. • Twice yearly employee engagement surveys. • Benchmarking of competitors reward packages and terms and conditions.
Taxation	Uncertainty over the outcome of legal cases with HMRC covering VAT and historic approach to Corporation Tax.	<ul style="list-style-type: none"> • Proactive engagement with HMRC. • The Group employs Leading Tax Counsel and other providers of external expertise. • Partial but not full provision against litigation outcomes.
Cyber security	Malicious activity leading to significant loss of data or disruption to trading and potentially impacting income, profitability and Group reputation.	<ul style="list-style-type: none"> • IT outsource programme to deliver an agile, digitally focused IT function. • Creation of a Security Operations Centre to monitor, manage and respond to cyber security attacks at all times of every day. • Fit 4 the Future programme is delivering new technology and methods of protection against cyber attacks. • Group employs a dedicated cyber security expert and continues to invest in protection capabilities.
Business interruption	A significant event impacts the ability of the business to continue trading.	<ul style="list-style-type: none"> • Business Continuity plan. • Third party service provider Business Continuity plans. • Crisis Management plan, team and communication systems. • IT Disaster Recovery plan.

	Product
	Price
	People
	Place

ASSOCIATED KPIS	STRATEGIC DRIVERS	CHANGE
<ul style="list-style-type: none"> Active customer accounts Power brand active customer accounts Growth of our most loyal customers Customer satisfaction rating Ladieswear market share size 16+ Menswear market share chest 44"+ 	<ul style="list-style-type: none"> Group returns rate (rolling 12 months) Online penetration Online penetration of new customers Arrears rate (>28 days) Provision rate New credit recruits (rollers) 	 
<ul style="list-style-type: none"> Active customer accounts Power brand active customer accounts Growth of our most loyal customers Customer satisfaction rating Ladieswear market share size 16+ Menswear market share chest 44"+ Group returns rate (rolling 12 months) 	<ul style="list-style-type: none"> Online penetration Online penetration of new customers Conversion rate Traffic from mobile devices Arrears rate (>28 days) Provision rate New credit recruits (rollers) 	 
<ul style="list-style-type: none"> Customer satisfaction rating Arrears rate (>28 days) Provision rate New credit recruits (rollers) 		
<ul style="list-style-type: none"> Active customer accounts Power brand active customer accounts Customer satisfaction rating Ladieswear market share size 16+ Menswear market share chest 44"+ Online penetration 	<ul style="list-style-type: none"> Online penetration of new customers Conversion rate Traffic from mobile devices Arrears rate (>28 days) Provision rate New credit recruits (rollers) 	 
		
<ul style="list-style-type: none"> Online penetration Online penetration of new customers Conversion rate Traffic from mobile devices 		
		

Our performance in detail



JD Williams

goes from strength to strength, with our stylish product offer, digital marketing skills and 'life begins at 50' mantra really resonating with customers.

↑ **4.7%**

Product revenue increase, to £151.2m

New customers up 5%

Overall online penetration 51%, up 6ppts year on year

Online penetration of new customers now at 65%, up an impressive 13ppts year on year

Online market share up from 1.0% to 1.6%, as measured by Hitwise

VIP scheme, offered to our most loyal JD Williams customers, performing well

Williams & Brown, the menswear offer within JD Williams, relaunched for SS16 and performing strongly

The JD Williams brand continues to perform well, as the improvements we are making to our products, our PR activity and our digital marketing campaigns continue to yield strong results.

This season we significantly extended the menswear range within JD Williams, which is called Williams & Brown, and performance has exceeded expectations.

Our JD Williams VIP scheme, first launched in May 2015 and offered to our most loyal JD Williams customers, continues to drive encouraging results in both frequency of spend and customer retention.

In February, on the eve of London Fashion Week, we hosted a JD Williams fashion show dedicated to females over 50 in partnership with the London College of Fashion. This was live-streamed onto JDWilliams.co.uk and received significant press coverage, further building brand awareness.



Simply Be is an empowering online fashion brand, bringing stylish products to all regardless of size. The brand is gaining significant momentum both at home and in the USA.

↑ **15.6%**

Product revenue increase, to £103.9m

Overall online penetration stands at 89%

For new customers, online penetration (excluding stores) is now 97%

Constant improvement in social engagement and digital campaigns

New ranges launched including Sprinkle of Glitter, Simply Be Unique, Coast at Simply Be and Jameela Jamil

We continue to improve our digital marketing expertise and social engagement, championing size inclusivity and body confidence.

We also continue to improve our products, delivering newness to customers every week and extending our ranges with Coast (exclusively in larger sizes) and Sprinkle of Glitter in SS16 after a great customer reaction in AW15.

Our digital marketing capabilities – increasing personalisation, offering exciting offers to our customers, and ensuring our site looks inspirational – continue to drive conversion and frequency of spend. In the coming year we are planning to launch a loyalty app to further drive retention.

We are excited about the global growth opportunity that Simply Be represents.

PERFORMANCE REVIEW

CONTINUED

Jacamo

continues to grow strongly, with customers loving its digital offer and collections available in a market-leading range of sizes, from Small to 5XL.

↑ **14.6%**

Product revenue increase, to £62.8m

Overall online penetration now at 90%

Excluding stores, 97% of new customer orders now come online

Refreshed the brand look and feel during the past year

Driving on Dave sponsorship

Improved the fit of our smaller sizes

We have made significant product improvements during the quarter, focused particularly on broadening the brand appeal, the styling of the product range and the fit of our smaller sizes, which has resulted in strong sales and an encouraging reduction in the returns rate of these sizes.

During the second half of the year we refreshed the look and feel of the brand, improving cut-through. In December Jacamo became the official sponsors of the Driving shows on Dave TV, which has a real resonance with our customers.

Jacamo has also teamed up with Paralympian Jonnie Peacock for our new SS16 campaign, championing inclusivity and promoting body diversity and confidence.

Secondary Brands delivered a pleasing performance during the year.

↑ **1.9%**

Product revenue increase, to £152.7m

Whilst we see greater near-term growth opportunities in our Power Brands, our Secondary Brands – the main brands here being Figleaves, High and Mighty, Fashion World and Marisota – are all strong, with specific customer niche focuses, and all have attractive growth potential.



Overall revenue of this Group was up 1.9% year on year to £152.7m, with Fashion World performing particularly well within this.

All four of these brands are digital-first in their approach. Our central approach also means that running them is highly efficient.

Traditional Segment revenue was down 5.5% year on year, and we are taking decisive actions to improve performance.

↓ **5.5%**

Product revenue decrease, to £136.0m

Whilst not a future growth driver, the Traditional Segment remains relevant to the Group's overall portfolio. We have loyal customers who we know well, and long-established internal skillsets and capabilities in serving these customers. It is an attractive and accessible market, underserved by other retailers, and we generate a good financial return. In addition, our central approach to running our portfolio of brands means that operating these traditional titles is highly efficient for us.

Our Traditional titles have seen a disappointing revenue performance during FY16, with revenue down 5.5%.

We believe that we could serve these customers better, and have therefore taken a number of actions to improve performance. These actions include establishing a dedicated marketing team, changing our approach to promotions and giving a renewed focus on ensuring our product offering inspires and delights these customers. The low online penetration of this segment means that it is likely to take until the Autumn season before performance is improved, although we are confident that the actions we are taking will yield results.

International continues to deliver impressive results. This year our USA business grew revenue by 29%, and delivered a profit for the first time in H2.

We are pleased with our performance in the USA, with revenue of £14.3m, up 29% year on year and 20% in constant currency terms. We reduced the operating loss significantly, from £2.5m last year to £1.0m this year.

In H2 we made a profit for the first time on a constant currency basis, of \$0.2m compared to a loss of \$0.9m in H2 FY15. This marks an important milestone for our USA operations. The significant improvement year on year was driven by a combination of factors,

including the loyalty of our customer base, continued marketing efficiency, an improvement in promotional efficiency and a small change to our delivery offering.

In March 2016 we launched the JD Williams brand in the USA and, whilst early days, the initial performance has been very encouraging.

Our new international web platform goes live in the USA in August. This will give us much improved personalisation tools and a more agile site from an operations perspective. Until this platform is live we will remain in cautious expansion mode in the USA, with a focus on further improving customer loyalty, building brand awareness and increasing profitability.

Ireland

Our Ireland business delivered a good performance in FY16, with revenue growth of 4% in constant currency terms. We have a well-established and loyal customer file in Ireland, and, encouragingly, the revenue growth in FY16 was also driven by new customers, who are responding well to our improved product offering. In sterling terms Ireland revenues were £13.4m in FY16, down 7% year on year.

Stores

remain an important enabler for our business, driving both online sales in their catchment areas and brand awareness.

Stores remain a small part of our overall Group, although we see them as an important enabler of our overall growth strategy. Sales from our store estate were up 18% to £27.0m. The operating loss was £1.0m versus £0.8m last year. There remains more to do in terms of improving the efficiency of our store estate.

We have 14 dual-fascia Simply Be and Jacamo stores. Our long-term strategy here is unchanged – we plan to ultimately have 25 stores in total, 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.



Financial Services

performed well during FY16 and offers our customers a way of spreading the cost of their purchases over time.

2.1%
Revenue increase, to £259.6m

Financial Services revenue was up 2.1% to £259.6m. This includes the £19.0m increase to revenue as a result of the IAS 39 restatement (FY15: £19.2m); more detail on the restatement is within the Financial Review.

Our aim is to grow two key customer bases – customers who utilise their account (internally termed our ‘rollers’) and cash customers, who pay immediately on a credit or debit card. Currently half of new customers opt to open a credit account, and half are cash customers. Whilst less profitable, cash customers generate attractive returns, and are important in terms of driving our growth, broadening our appeal and enabling us to gain economies of scale. Once our new Financial Services offering is live we will aim to convert some of our new and existing cash customers to account customers; this is not currently a focus given our relatively inflexible offering.

At the first half results we reported an increase in new credit customer recruits who roll a balance, the first such increase for three years. We are pleased to report that this trend has continued, up 2% in the second half. This is a slowdown on the figure reported in

the first half, however, primarily as a result of tightened fraud rules. We continue to believe that the primary driver of an increase in new credit customers is our improved product proposition.

Over Christmas we ran a small trial on a few of our brands offering 0% interest to new customers. The initial results of this trial are positive, although we need to assess the behaviour of customers who took up the offer over the course of the current season before we will be able to fully judge the result.

Our new Financial Services Director Steve Johnson joined in February and is already making a significant contribution in improving and modernising our operations. We are assessing our approach to data capture and processes, and believe there are changes we could make to not only improve our efficiency, but also the customer experience.

The Credit release of Fit 4 the Future goes live from Autumn 2016, with the main brands moving onto the new credit platform in early calendar 2017. The new platform will allow us to charge variable APRs for the first time, as well as offer promotional interest free periods and other new credit products. This will broaden our appeal and further enable future growth.

In common with the wider industry, we are now regulated by the FCA, having historically been regulated by the OFT. Our FCA application is progressing in line with expectations.

Good performance in a year of transformation

Total continuing Group revenue was up 3.5% to £866.2m. Within this, Product revenue increased by 4.1% to £606.6m and Financial Services revenue increased by 2.1% to £259.6m.

£317.9m

Power brands revenue

£866.2m

Total continuing Group revenue

£606.6m

Product revenue

£259.6m

Financial Services revenue

CRAIG LOVELACE
Group Chief Financial Officer



IAS 39 restatement

In late February we announced that we would be restating our debtor impairment provisions as a consequence of a review of the application of IAS 39; the year on year movement of the restated provisions has resulted in an increase to profit before tax in both FY16 and FY15 of £3.8m and £2.0m respectively.

Importantly, this change in the technical interpretation of this accounting standard has no effect on the way in which we have operated or will operate our business.

Unless otherwise stated, the following financial results and commentary is inclusive of the impacts as a result of the restatement.

Revenue performance

Total continuing Group revenue was +3.5% to £866.2m. Product revenue increased by 4.1% to £606.6m. Financial Services revenue increased by 2.1% to £259.6m (FY15: £254.3m).

Revenue performance by brand is shown on the table to the right. We have changed our categorisation to more clearly show externally the performance of our brands. In line with our strategy of focusing our efforts and marketing spend on our Power Brands, revenue from our Traditional Segment and Secondary Brands combined accounted for 47.6% of product revenue, down 280bps versus last year.

Revenue by category is also shown to the right. Ladieswear revenue was up 0.9%, with the headwind of our Traditional Segment partially offsetting strong growth in both JD Williams and Simply Be. Menswear revenue was up 0.7%, with an improving trend through the year; first half revenue was down 2.9%, whilst second half was up 4.5%.

Revenue by brand

£m	FY16	FY15	Change
JD Williams	151.2	144.4	+4.7%
Simply Be	103.9	89.9	+15.6%
Jacamo	62.8	54.8	+14.6%
Power Brands	317.9	289.1	+10.0%
Traditional Segment	136.0	143.9	-5.5%
Secondary Brands	152.7	149.9	+1.9%
Product total	606.6	582.9	+4.1%
Financial Services	259.6	254.3	+2.1%
Total continuing revenue	866.2	837.2	+3.5%

Revenue by category

£m	FY16	FY15	Change
Ladieswear	250.8	248.6	+0.9%
Menswear	82.0	81.4	+0.7%
Footwear	63.8	60.7	+5.2%
Home & Gift	210.0	192.2	+9.3%
Product total	606.6	582.9	+4.1%
Financial Services	259.6	254.3	+2.1%
Total continuing revenue	866.2	837.2	+3.5%

Footwear saw strong growth of 5.2% driven by improvements in our products and pricing architecture.

Home and Gift revenue was up 9.3%, with second half growth below the level recorded in the first half as a result of tougher comparatives and a more subdued performance of House of Bath. Our strategy in Home remains unchanged – we aim to recruit new customers to our Fashion offering, but then see customers using their account to also buy Homewares. Within Homewares we focus on our “Famous Five” categories given their higher gross margin (these are Furniture, Gifting, Home Textiles, Kitchen and Home Décor, and Outdoor Living and Christmas). Famous Five categories were up by 12% year on year, with a particularly strong performance in Furniture.

Gross margin

Product COGS were £265.7m in FY16, compared to £253.9m in FY15. Product gross margin was 56.2%, down 20bps year on year. This was driven by the price re-calibration exercise previously disclosed, which impacted first half gross margin, partially offset by promotional efficiency and bought-in margin gains. H2 gross margin increased by 90bps to 54.7%.

Turning to Financial Services, gross bad debt was £110.3m (FY15: £109.0m). This bad debt charge, combined with a small number of direct financial services costs, resulted in a Financial Services gross margin of 54.6%, up 20bps year on year (FY15: 54.4%). The improvement was driven by lower write-offs as a consequence of the improved quality of the debtor book.

GROUP CHIEF FINANCIAL OFFICER'S REVIEW

CONTINUED

Operating performance

£m	FY16	FY15	Change
Product revenue	606.6	582.9	+4.1%
Financial Services revenue	259.6	254.3	+2.1%
Group revenue	866.2	837.2	+3.5%
Product gross margin	56.2%	56.4%	-20bps
Financial Services gross margin	54.6%	54.4%	+20bps
Group gross profit	482.6	467.4	+3.3%
Group gross margin %	55.7%	55.8%	-10bps
Warehouse & fulfilment	(76.7)	(73.9)	+3.8%
Marketing & production	(161.7)	(154.7)	+4.5%
Admin & payroll	(122.6)	(121.8)	+0.7%
Depreciation & amortisation	(25.2)	(21.2)	+18.9%
Operating profit¹	96.4	95.8	+0.6%
Operating margin	11.1%	11.4%	-30bps
IAS 39 restatement credit	3.8	2.0	
Underlying operating profit¹	92.6	93.8	-1.3%
Underlying operating margin	10.7%	11.2%	-50bps

1. Operating profit before exceptionals, continuing basis
Underlying excludes IAS 39 restatement credit.

£482.6m

Group gross profit

55.7%

Group gross margin

Operating costs

Warehouse and Fulfilment costs increased by 3.8% to £76.7m. This was driven primarily by volumes, although these were partially offset by lower fuel costs and efficiency savings.

The 4.5% increase in marketing and production costs was driven by a continued shift into digital channels. Whilst marketing and production costs as a percentage of sales increased, this is skewed by the outsourcing of our creative production function, which resulted in some costs effectively being transferred from payroll into this cost category; this accounted for approximately half of the increase as a percentage of revenue.

Admin and payroll costs continue to be managed tightly, broadly flat at £122.6m, with these costs falling by 3% in the second half specifically. Depreciation and amortisation increased by 18.9% as a result of the investments we have made into the business.

Overall, operating profit before exceptional items was £96.4m. This includes a £3.8m credit (FY15: credit £2.0m) as a result of the IAS 39 restatement. Excluding these credits, FY16 operating profit was £92.6m (FY15: £93.8m). In the second half, operating profit (prior to IAS 39 restatement and exceptional items) increased by 10.7% to £53.8m (FY15: £48.6m).

Net finance costs were £8.1m compared to £7.6m last year, as a result of a higher debt position.

FX sensitivity guide

Every 0.05 rate move in \$/£ (for instance 1.45 to 1.40) represents approximately a £1m impact on PBT. We are significantly less exposed to movements in the €/£ exchange rate, with each 0.05 move representing approximately a £0.3m PBT impact.

Exceptional items

Exceptional costs totalled £17.2m, of which £14.0m was incurred in the first half. The majority of these costs were as a result of strategic re-organisation and the closure of our small estate of clearance stores.

Discontinued operation**– Gray & Osbourn**

As previously announced, the Board decided to close the Gray & Osbourn catalogue business in January 2015. Given the decision to close this business it is now classified as a discontinued operation. The loss after tax from this business was £0.6m (FY15: loss of £10.4m).

Taxation

The effective rate of corporation tax for the year is 23.9% (FY15: 21.5%). The FY16 rate was impacted by an adjustment relating to historical periods in respect of outstanding items with HMRC. The tax charge for the year was £17.3m (FY15: £16.8m) which meant that profit from continuing operations was £54.9m (FY15: £61.5m).

Earnings per share

Adjusted earnings per share from continuing operations were 24.02p (FY15: 24.61p). Earnings per share from continuing operations were 19.45p (FY15: 21.84p).

Dividends

The Board proposes a final dividend of 8.56p, flat year on year, taking the full year dividend to 14.23p, also unchanged on last year. This is covered 1.7 times (FY15: 1.7 times).

Capital expenditure

Capital expenditure for the year was £58.7m (FY15: £63.3m). The majority of this investment was on our systems transformation programme Fit 4 the Future, with a further £12m spent on the final stage of our warehouse extension.

Balance sheet and cash flow

Inventory levels at the year-end increased by 7.1% to £101.5m (FY15: £94.8m) driven primarily by the timing of the new season intake.

Trade receivables, before provision, decreased by 0.5% to £624.7m (FY15: £627.9m). The reduction in the provision from £100.9m to £97.6m reflects the improvement in customer arrears profiles.

The Group's defined benefit pension scheme has moved from a deficit of £3.3m last year to a surplus of £10.8m. The movement predominately arises from an actuarial gain of £12.5m as a result of an increase in corporate bond yields and a fall in market expectations for inflation.

Cash generated from operations was £86.9m compared to £93.8m last year. After funding capital expenditure, finance costs, taxation and dividends, net debt increased by £43.1m to £289.7m (FY15: £246.6m). Gearing levels increased from 55% to 61%.



Craig Lovelace
Group Chief Financial Officer

Taking care of

Our

world



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.



To find out more:
www.nbrown.co.uk/sustainability

**ALL PEOPLE
DIGNITY
AND RESPECT**

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
WAYS OF WORKING**

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
RESPONSIBLE**

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.



FIONA LAIRD
Chairman of the CSR Committee

Dear Shareholder

I am pleased to report that we have successfully launched our CSR Charter entitled "Taking care of our world". We have also completed a full review of the Group's CSR activities and introduced a new three year CSR Ethical Compliance strategy to align our Group sourcing and commercial strategies with our CSR activities. We believe we should be able to show our "passion for fair fashion" through our new and existing CSR initiatives including via our continued commitment to our CSR Charter and three year Strategy.

We continue to believe we can be a major force for good as well as a major force for fashion.

Fiona Laird
Chairman of the CSR Committee

PROGRESS IN 2016		PRIORITIES 2017
<ul style="list-style-type: none"> Launched "Taking Care of Our World", aligning CSR more fully to our group sourcing and commercial strategies. 	✓	<ul style="list-style-type: none"> Further reduce supply chain risks through improved supplier engagement and more direct sourcing.
<ul style="list-style-type: none"> Established sourcing office in Bangladesh allowing closer collaboration with supplies, local partners and civil and government agencies. 	✓	<ul style="list-style-type: none"> Further improve chemical compliance and due diligence.
<ul style="list-style-type: none"> Group Green House Gas emissions reduced by 11%. 	✓	<ul style="list-style-type: none"> Introduction of new targets for GHG emissions, waste and water.

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, equality and respect. Everything we achieve as a business we will achieve through people.

In the last year we have increased levels of CSR training and awareness of our staff with compliance and ethical trading. We will continue to invest in this initiative and roll out more CSR training to staff.

We are proud to be one of the founding members of the ACT (Action, Collaboration & Transformation Working Group) which promotes fair, living wages for individuals working in factories making products for retailers. We feel membership of this is important because it allows us to lobby for support at all levels from governments to trade organisations and Civil Society groups.

We continue to work closely with partners on the Shomotha Project in Bangladesh. The Shomotha Project is a TGVC (Trade in Global Values Chains Initiative), jointly funded by N Brown Group and DFID (Department for International Development) and promotes gender equality throughout organisations from Senior Management to Operational Staff. The first tangible results are expected later in 2016.

During 2015/6, we established our first sourcing office in Bangladesh, which has enabled us to work much closer with suppliers, local partners, civil societies and government agencies. We have 10 staff on the ground in Bangladesh to manage quality and compliance activities throughout the South East Asian region.

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.

We are looking at opportunities to improve the performance of our supply chain to promote more sustainable ways of working such as working with less packaging for our footwear teams and reducing waste within the supply chain.

EVERY PRODUCT

OUR PRODUCTS SHOULD MAKE PEOPLE FEEL AS GOOD AS THEY LOOK

The Group has been working closely with its suppliers over the last couple of years to improve the customer experience and promote responsible sourcing. This means partnering with suppliers who share our values and standards. By working together, we hope to create more responsible and sustainable products that our customers can enjoy with confidence.

Since opening our Sourcing Office in Dhaka in October 2015, we have been able to work more directly with suppliers and gain better visibility of our wider supply chain.



This has not only helped build better relationships and improve product quality but has enabled us to accelerate our CSR activities where it matters and make product margin improvements.

We continue to be signatories of and active participants in the United Nations Global Compact (UNGC) and the Ethical Trading Initiative (ETI); which underpins our CSR aims. We will continue to work closely with the UNGC and ETI in 2016/7 to address current and emerging issues such as tackling working conditions and discrimination of migrant workers in countries (for example in Turkey).

As part of our participation in the UNGC working group we are still in dialogue with internal and external stakeholders to formulate our anti-slavery policy and will publish our statement in due course.

We have continued to work with the other retailers, brands and the ETI to improve working conditions in Leicester, UK which is now starting to address some of the issues which were highlighted such as excessive working hours, low wages and regular unauthorised sub-contractors.

We continue to work closely with the ACCORD in Bangladesh which was established to improve building standards, fire and electrical safety and support those who participate in CSR related matters (see <http://bangladeshaccord.org/>). We are signatories of the ACCORD Agreement together with over 180 global retailers who source from Bangladesh. We were a founding member and this involves a five-year commitment to improve standards in the Bangladesh garment industry. All our factories are now being regularly inspected by qualified engineers who we work collaboratively with to correct any issues or findings, with corrective plans publically disclosed.



In Bangladesh we employed a Regional CSR manager to help improve our understanding of our entire supply chain initially in South East Asia (India, Bangladesh, Pakistan and Sri Lanka) and this appointment has helped to make great progress during 2015 by working in partnership with the likes of the ACCORD to improve building, fire and electrical safety within our entire Bangladesh supply chain.

We have worked hard to strengthen our supply base during the year, allowing us to increase the number of products we source directly.

Having introduced several policies in 2014/5 such as our human rights policy, animal welfare and forestry/deforestation Policy, we will continue to develop and make financial investments in technology and people to enable us to monitor and report on improvements in the next couple of years.

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 her, 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 reduction in our carbon emissions and water footprint profiles.

Green House Gas (GHG) 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. The inventory is independently calculated by our carbon consultants partner Envantage Ltd.

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

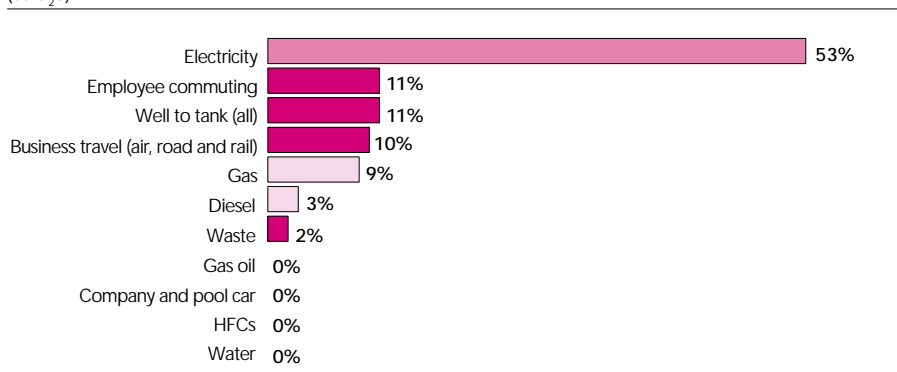
optional scope 3 emission sources related to our operation to boost our environmental impact assessment and emissions reduction plan.

The table and chart below illustrate our GHG emissions across all our reporting areas, for the global Group from 1 March 2015 to 29 February 2016 and the previous year.

Scope	Source	Total GHG tCO ₂ e (tonnes of carbon dioxide equivalent)		% change
		2014 - 2015 (Previous year)	2015 - 2016 (Current year)	
Scope 1	Gas	1,601.8	1,477.1	-8%
	Diesel	572.4	532.7	-7%
	HFC	204.3	48.4	-76%
	Gas oil	56.6	72.9	+29%
	LPG	9.8	0.0	N/A
	Company and pool car	137.8	73.6	-47%
Scope 2	Electricity ¹	9,008.2	8,576.9	-5%
Total scope 1 and 2		11,590.9	10,781.8	-7%
Scope 3	Water	32.3	29.5	-8%
	Employee commuting	2,137.0	1,713.9	-20%
	Business travel (air, road and rail)	1,885.2	1,604.8	-15%
	Waste	619.3	287.3	-54%
	Well to tank (all)	1,832.6	1,712.4	-7%
Total		18,099.7	16,130.7	-11%
Outside scopes-Biogenic element-Diesel		14.8	17.8	+20%

1. Emissions associated with electricity usage at the Bangladesh office are reported in CO₂ rather than CO₂e. This is because overseas emissions factors are only available on a CO₂ basis. The electricity kWh for Bangladesh accounts for 1.3 % of the total Group electricity consumption.

N BROWN GROUP PLC EMISSIONS PROFILE 2015 - 2016 (tCO₂e)



○ Scope 1 ● Scope 2 ● Scope 3

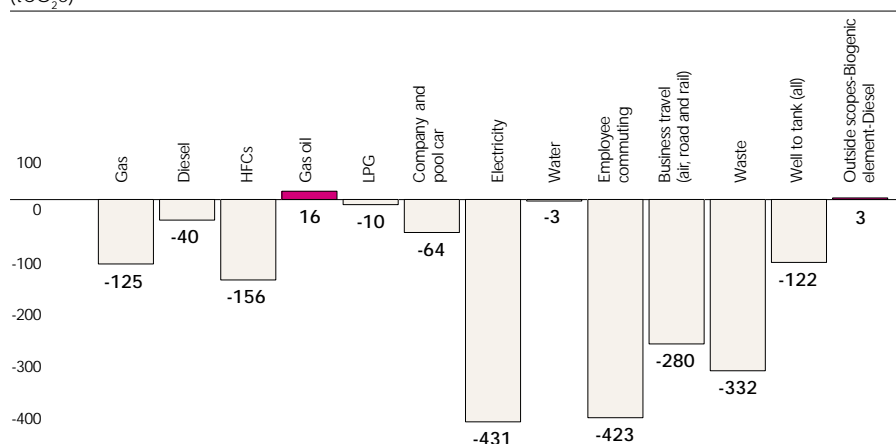
Emissions Change from previous year

We have reduced our Group GHG emissions by a significant 11% compared to the previous reporting period. A breakdown of the reduction in emissions by source is shown in the chart opposite.

Relative performance using intensity ratios

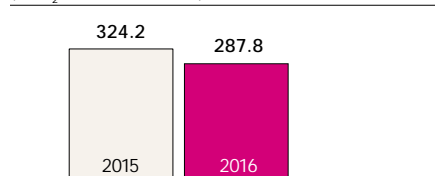
As a growing organisation, evaluation of scope 1 and 2 emissions performance using intensity ratios allows a more meaningful comparison to be made between inventory periods. The table below shows the scope 1 and 2 GHG emissions by GHG emissions in relation to both Group turnover (£million) and million items dispatched. GHG emissions relating to Scope 1 and 2 sources have decreased considerably in terms of relative performance against both turnover and items dispatched, as shown in the table and charts opposite.

EMISSIONS CHANGE FROM PREVIOUS YEAR
(tCO₂e)

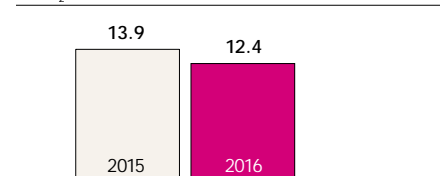


Intensity ratios	2014 – 2015 (Previous year)	2015 – 2016 (Current year)	% Change
Scope 1 & 2 GHG emissions tCO ₂ e/ Group turnover (£million)	13.9	12.4	11.0 % decrease
Scope 1 & 2 GHG emissions tCO ₂ e/ million items dispatched	324.2	287.8	11.2 % decrease

**EMISSIONS AGAINST ITEMS SHIPPED
PREVIOUS YEAR AND CURRENT YEAR**
(tCO₂e/£million items)



**EMISSIONS AGAINST TURNOVER
PREVIOUS YEAR AND CURRENT YEAR**
(tCO₂e/£million turnover)

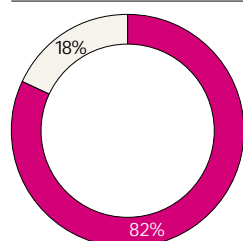


Green electricity purchase

As well as making efforts to reduce emissions by reducing energy consumption, the Group are also committed to reducing emissions by purchasing energy from greener technologies and sources. During the last inventory period green electricity accounted for 82% of our total electricity profile. In addition to purchasing green electricity we have been generating our own green energy via a solar PV plant at our main distribution centre since March 2016. This is in addition to solar power generation which has been used at our Devon Mill distribution centre since January 2014.

When calculating emissions using the grid average GHG factors, emissions arising from electricity consumption account for over half of the total Group emissions. However, the actual emissions associated with the green energy supplies are lower, as explained below.

GREEN ELECTRICITY PROFILE 2015 – 2016
(%)



● Green Electricity
○ Brown Electricity

New for 2016 - market based greenhouse gas reporting

Overview

In January 2015, the Greenhouse Gas Protocol updated their Scope 2 reporting guidelines on how organisations shall report their emissions relating to purchased electricity, heat and steam. Companies shall now report two sets of Scope 2 emissions: one using a location based method and another using a market based method. This is termed as “dual reporting”.

The location based method reflects the average emissions intensity of grids on which energy consumption occurs; the same way that electricity emissions have been reported historically. The market based method reflects the emissions for the energy that a company is purchasing, as supplies under different contracts emit more or less greenhouse gases depending on the energy source or technology used. As the market based method has only recently been introduced there are some areas of concern or uncertainty as outlined below.

Uncertainties and concerns

The fuel mix disclosures provided by suppliers are released “after the event” each year. For example, the disclosures for April 2015 - March 2016 are not available until the summer of 2016.

Therefore the 2014 to 2015 disclosures have been used for this year’s calculation and are likely to change depending on how each supplier sourced their electricity during this year’s reporting period.

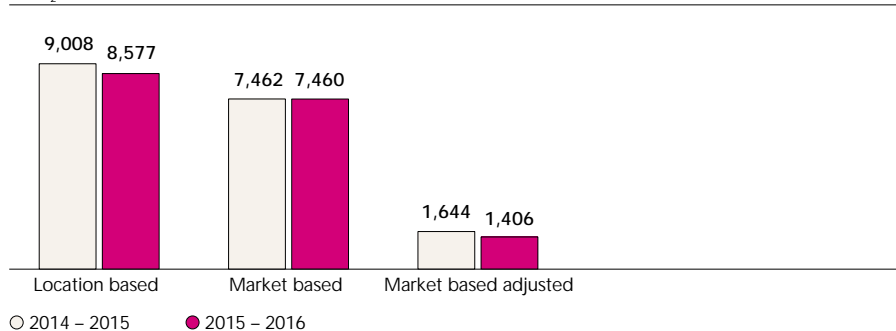
Certain suppliers are unable to provide the exact fuel mix for the different contracts and supplies that they provide and tend to only provide a general fuel mix disclosure. This is a concern as the Group purchase over 80% of their electricity through a green contract but are unable to take full credit for this in their market based emissions quantification due to the supplier not being able to define the renewable fuel mix for this contract.

Dual reporting for N Brown Group

To account for the uncertainty in fuel mixes, an adjusted market based method has been calculated to reflect the expected emissions from the green supplies. A summary of emissions resulting from all three approaches is detailed below. The market based emissions factors are only available in CO₂, not CO₂ equivalent, therefore the location based greenhouse gases have been reported as CO₂ to show a like-for-like comparison.

Scope	Approach	Source	Total GHG tCO ₂ e		% change from previous year
			2014 – 2015 (Previous year)	2015 – 2016 (Current year)	
Scope 2	Location based	Electricity	9,008	8,577	- 4.8 %
	Market based	Electricity	7,462	7,460	0.0 %
	Market based-adjusted	Electricity	1,644	1,406	-14.5 %

EMISSIONS LOCATION BASED VS MARKET BASED (tCO₂)



Mandatory GHG reporting notes

This data is disclosed in conformance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. GHG emissions disclosed under the required reporting categories fall within the Group's consolidated financial statement. Scope 1 and 2 emissions have been calculated on a global scale where the Group has operation control using the GHG protocol. The quantified emissions are for the reporting year 1 March 2015 to 29 February 2016.

GHG emissions factors published by DECC for 2015 have been used to calculate GHG emissions.

Noted change in emissions for 2014-2015

- **Data accuracy:** Some data for the 2014-2015 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 2014 - 2015 have been recalculated with the newly published factors for 2015, affecting the months of January and February 2015 (2015 factors were not available at time of publish). This has resulted in a slight change in emissions reported.

- Revised gas kWh consumption at Waterside Hadfield: Since the 2014 – 2015 emissions figures were reported, issues with the two gas meters at the Waterside Hadfield site were identified. The consumption relating to these meters was re-billed resulting in a lower kWh than was previously reported.

Noted change in emissions historically

- **Removal of call centre emissions:** Operations carried out at the call centre were outsourced from 1 January 2015 onwards. All emissions associated with Martin House have been removed from the GHG inventory base year and all historical reporting years, in line with re-baselining guidance.

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. This year a full set of invoices was not possible to obtain so data was taken from internal records of gas oil deliveries. Generator fuel usage has been estimated using generator fuel demand per hour and activation information.
- **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. The Global Expense system was replaced with a Concur system part-way through the reporting period therefore data has been taken from both systems for the relevant periods. 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 where provided. This year, confirmation of leakages from units falling under F-Gas regulation at Griffin House and Skyland have not been provided, therefore leakages have been estimated using DECC leakage tables. 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. For a very small number of shops, details of the systems were not known and therefore estimation of emissions has not been possible.

Setting a high standard of governance

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.



ANDREW HIGGINSON
Non-Executive Chairman

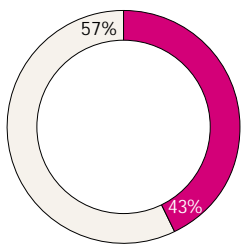
Dear Shareholder

The board is committed to meeting a high standard of corporate governance and to comply with the principles in the UK Corporate Governance Code issued by the UK Financial Reporting Council in 2014 (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. This Corporate Governance statement explains the key features of the Group’s governance structure and how it complies with the Code.

Statement of Compliance with the Code

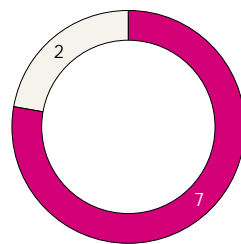
The Group applied the provisions of the Code and the UK Financial Conduct Authority’s Disclosure and Transparency Rules throughout the year. The following paragraphs explain how the main principles of the Code have been applied. The Directors’ Remuneration Report contains further details on pages 64 to 79. In addition, disclosures required by the Disclosure and Transparency Rules (rule 7.2.6) regarding share capital can be found on page 78.

EMPLOYEE DIVERSITY (%)



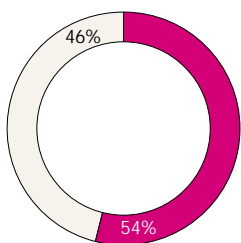
● Male 1,158
○ Female 1,555

BOARD COMPOSITION



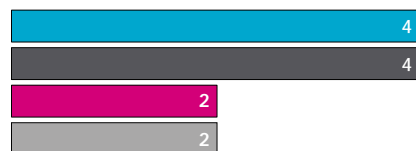
● Non-executive Directors
○ Executive Directors

SENIOR MANAGEMENT (%)



● Male 24
○ Female 19

COMMITTEE MEETINGS DURING 2016



● Audit committee
● Remuneration committee
● Nomination and Governance committee
● CSR committee

COMMITTEES OF THE BOARD



Audit committee
Ron McMillan (Chairman)
Simon Patterson¹
Fiona Laird
Lesley Jones

Activities

During the year the committee considered, amongst other things, the Group's approach to and methodologies for provisioning bad and doubtful debt and inventory, the Group's exposure to corporate tax and VAT risks, treasury and cash management, the treatment of exceptional items and the capitalisation of software development costs.

Outlook

As transformation of the business model continues apace, the committee will focus on those areas which have been identified through our risk assessment process as being key to the delivery of our strategy. This will include a review the Group's marketing investment to provide assurance that the significant investment in this area delivers improved targeted marketing to all customer segments, a review of the delivery of the anticipated capabilities and benefits of Fit 4 the Future and oversight of the implementation of a more flexible and tailored financial services offering.



Remuneration committee
Fiona Laird (Chairman)
Ron McMillan
Simon Patterson¹

Activities

Key activities for the committee included support and oversight of the closure of the Group's defined benefit scheme to new accruals and a review of and recommendation to the board in respect of the Group's incentives schemes. The committee also reviewed the remuneration packages of all executive directors and senior executives.

Outlook

As we move into delivery of Fit 4 the Future, the Committee will oversee the implementation of the revised incentive arrangements which aim to focus executives on delivering transformation. The Committee will also look to foster closer relationships with shareholders and to provide oversight of the new gender pay gap reporting requirements.



Nomination and governance committee
Simon Patterson (Chairman)¹
Andrew Higginson
Lesley Jones
Ron McMillan
Fiona Laird

Activities

Our activities this year have included a review of the Group's succession planning, a board evaluation exercise and consideration of the skills and experience required for a new non-executive director in light of the current composition, skills, expertise and experience of the board.

Outlook

Under the Chairmanship of Fiona Laird, we will focus on identifying and developing the Group's future leaders and will review our executive and non-executive director induction and training programmes. Together with our appointed consultants we will seek to appoint a suitably skilled and experienced non-executive director.



CSR committee
Fiona Laird (Chairman)
Angela Spindler (Chief Executive)
Theresa Casey (Company Secretary)
Andrew York (Ethical Trading Manager)²

Activities

During the year we successfully launched the Group's CSR Charter "Taking Care of Our World", highlighting our passion for fair fashion and introduced a new three year CSR strategy aligned with the Group's sourcing and commercial strategies. In Bangladesh we now directly employ skilled personnel, allowing us to work collaboratively with suppliers, NGO's, and government bodies on the ground.

Outlook

Our focus for 2017 will be on investing in technology and people to better enable us to monitor and report on CSR improvements. We are also refining our anti-slavery policy and will publish our anti-slavery statement later this year and continuing to identify ways in which we can improve the performance of our supply chain to promote more sustainable ways of working.

1. Resigned 1 April 2016.

2. Resigned 28 April 2016.

BOARD ACTIVITIES IN 2015/16

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

- Strengthening the operating board through the appointment of Steve Johnson, an experienced financial services executive and the appointment of Craig Lovelace, 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.

BOARD OF DIRECTORS



ANGELA SPINDLER (53)
Chief Executive

Relevant skills, qualifications and experience

Angela was appointed Chief Executive Officer in July 2013 and has over 30 years of retail experience, including roles at Coca Cola, Mars Inc, Asda, Debenhams and the Original Factory Shop. Angela studied at Manchester University.

Angela was a non-executive director of Manchester Airport Group until 31 March 2016 and is currently a non-executive director of DIA, which is listed on the Madrid stock exchange.

Meetings attended

9/9

Committee membership

None



ANDREW HIGGINSON (58)
Independent Non-executive Chairman

Relevant skills, qualifications and experience

Andrew was appointed a director in July 2012 and became Chairman in September 2012. Andrew spent 22 years in executive retail roles, including positions with Laura Ashley Holdings, The Burton Group and Tesco. Andrew is currently the Chairman of Wm Morrison Supermarkets PLC and a non-executive director of Woolworths Holdings Limited (South Africa) and McCurrach UK Limited.

Meetings attended

9/9

Committee membership

- Nomination & Governance committee member



CRAIG LOVELACE (42)
Group Chief Financial Officer

Relevant skills, qualifications and experience

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. Craig is a fellow of the ICAEW.

Meetings attended

8/9

Committee membership

None



LORD ALLIANCE OF MANCHESTER CBE (83)
Non-executive Director

Relevant skills, qualifications and experience

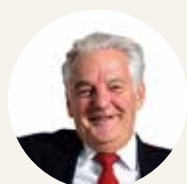
Appointed a director and Chairman in 1968. Stood down as Chairman on 1 September 2012. Co-founder and former Chairman of Coats Viyella Plc. He is also a director of a number of private companies, and was appointed a life peer in 2004. Lord Alliance holds honorary doctorates from Heriot-Watt University and the University of Manchester.

Meetings attended

8/9

Committee membership

None



IVAN FALLON (71)
Non-executive Director

Relevant skills, qualifications and experience

Appointed a director in 1994. Ivan was Chief Executive of Independent News & Media (UK) until March 2010 and a leading financial journalist.

Meetings attended

9/9

Committee membership

None



RON MCMILLAN (63)
Independent Senior Non-executive Director

Relevant skills, qualifications and experience

Appointed a Director on 1 April 2013. Ron is Senior Independent Director and Chairman of the Audit Committee. He is also 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.

Meetings attended

9/9

Committee membership

- Audit committee member
- Remuneration committee member
- Nomination & Governance committee member



FIONA LAIRD (55)
Independent Non-executive Director

Relevant skills, qualifications and experience

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 Group in 1991.

Meetings attended

9/9

Committee membership

- Audit committee member
- Remuneration committee member
- Nomination & Governance committee member
- CSR committee member



SIMON PATTERSON (43)
Independent Non-executive Director (resigned April 1 2016)

Relevant skills, qualifications and experience

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.

Meetings attended

8/9

Committee membership

- Audit committee member
- Remuneration committee member
- Nomination & Governance committee member



LESLEY JONES (61)
Independent Non-executive Director

Relevant skills, qualifications and experience

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.

Meetings attended

9/9

Committee membership

- Audit committee member
- Nomination & Governance committee member



THERESA CASEY (47)
Company Secretary

Relevant skills, qualifications and experience

Joined the Group 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 and Brown Shipley Private Bank.

Meetings attended

9/9

Committee membership

N/A

DIRECTORS' REPORT

Activities and results

The directors have pleasure in presenting their annual report and audited financial statements for the year ended 27 February 2016. Some of the information required to be part of the Directors' Report can be found elsewhere in this document as detailed in the following paragraphs and is incorporated into this report by cross-reference.

Management Report

This Directors' Report, together with the Strategic Report set out on pages 1 to 40, form the Management Report for the purposes of DTR 4.1.5R.

Strategic Report

The Strategic Report sets out a review of the business of the Group during the 52 weeks ended 27 February 2016 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 review 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.

Risk management

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 pages 28 to 31.

UK Corporate Governance Code

As required by the UK Corporate Governance Code 2014 (the "Code"), pages 16 to 27 provide an explanation of the basis on which the Group 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 results for the year ended 27 February 2016 and are contained in pages 84 to 111.

An interim dividend of 5.67p per share (2015, 5.67p) was paid on the ordinary shares of the Group on 8 January 2016. The net cost of this dividend was £16.0m (2015, £16.0m).

The directors recommend a final dividend of 8.56p per share (2015, 8.56p) for the 52 weeks ended 27 February 2016, the net cost of which will be £24.2m (2015, £24.2m). The dividend will be paid on 29 July 2016.

Movements in reserves are shown in the Statement of Changes in Equity on page 87.

Composition of the Group

During the year there were no corporate acquisitions or disposals.

Share capital

Details of the Group's issued share capital are shown in note 24 on page 106.

The Group has one class of ordinary shares which carry no fixed income. Each share carries the right to one vote at general meetings of the Group. 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 Group'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 29 on page 108.

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

2016 annual general meeting

The annual general meeting will be held at 12:30 pm on Tuesday, 12 July 2016. 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 pages 50 and 51. 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 2016 annual general meeting all of the directors will retire and will offer themselves for re-election.

The directors who served throughout the year in review were as follows:

Andrew Higginson	Non-executive Chairman
Lord Alliance of Manchester CBE	Non-executive Director
Angela Spindler	Chief Executive Officer
Craig Lovelace	Chief Financial Officer (appointed 11 May 2015)
Dean Moore	Finance Director (resigned 30 April 2015)
Ivan Fallon	Non-executive Director
Fiona Laird	Non-executive Director
Simon Patterson	Non-executive Director (resigned 1 April 2016)
Ron McMillan	Non-executive Director
Lesley Jones	Non-executive Director

Craig Lovelace joined the Group as Chief Financial Officer on 11 May 2015.

Details of directors' interests (beneficial and non-beneficial) in shares of the Group are given in the Remuneration Report on page 78 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 on pages 56 to 58. The terms of reference for the board and its committees are available on the Group'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 Group 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 Group 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 27 February 2016 and through to the date of this report.

Major shareholders

In addition to the directors' shareholdings shown in the Remuneration Report on page 78 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 Group's issued share capital at 30 April 2016:

Shareholder	Holding	% of issues share capital
INVESCO Asset Management Ltd	33,867,567	11.95
Nigel Alliance OBE	31,489,256	11.11
Tameside MBC re Greater Manchester Pension Fund	12,199,970	4.30

Governance

The board is committed to maintaining high standards of corporate governance. Further details are contained in the Corporate Governance Statement on pages 56 to 58.

Corporate social responsibility and greenhouse gas emissions

Details on corporate social responsibility and greenhouse gas emissions are set out on pages 40 to 47.

Charitable and political donations

During the year, the Group made charitable donations of £13,315 (2015, £40,818). No political donations have been made (2015, nil). No contributions have been made to non-EU political parties (2015, nil).

Auto-enrolment and Stakeholder pension

Until 31st October 2015, The People Pension' was the auto-enrolment provider for weekly paid employees, whilst Prudential auto-enrolled monthly paid employees and ran the Stakeholder Pension for weekly employees already in the scheme. With effect from 1 November 2015, Zurich has been appointed as provider for all qualifying employees. As at 31 May 2016 86.9% of all employees were members of a qualifying pension scheme with 1,216 employees being auto-enrolled as at the date of this report. At the date of this report the opt out rate is 4.3%.

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 21 on page 103. The Group's risk management policies and procedures and the table of principal risks and mitigations can be found on pages 28 to 31.

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 Group on giving 12 months' notice. There are no agreements between the Group 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.

Independent auditor

The Group's independent auditors, KPMG LLP ("KPMG"), have indicated their willingness to continue in office and the Audit Committee has recommended that KPMG remain in office. A resolution to re-appoint the independent auditors will be proposed at the AGM.

The auditor's fees for both audit and non-audit work are given in the Audit Committee report on page 61.

DIRECTORS' REPORT

CONTINUED

Voting rights and restrictions on transfer of shares

None of the ordinary shares in the Group carry any special rights with regard to control of the Group. 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 2015 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 2016 annual general meeting or 14 July 2016. Accordingly, a resolution will be proposed at the 2016 annual general meeting to renew the Company's authority to issue new shares.

Directors were also given the power to issue new issue 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 2016 annual general meeting or 14 July 2016, and a resolution will be proposed at the 2016 annual general meeting to renew it.

Approval was also given at the 2015 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 2016 annual general meeting or 14 July 2016, and a resolution will be proposed at the 2016 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 2016 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 Group'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 dependants;
- 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 pages 92 and 93.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the longer term viability of the Group and can confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the three year period from approval of this Annual Report. The Group uses a three year timescale to forecast its strategic plan on a rolling basis, as it is felt that a longer period would not produce a reliable result given the current pace of development both within the Group and the wider retail sector in which it operates. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as detailed in the Corporate Governance Report.

The strategy and associated principal risks underpin the Group's three year plan and scenario testing, which the Directors review at least annually. The three year plan makes certain assumptions about our core product and financial services growth drivers, margins and operating costs, together with the Group's cash flows, general liquidity and other key financial ratios. Although the strategic plan reflects the directors' best estimate of the future prospects of the business, they have also tested the potential impact on the Group of a number of scenarios over and above those included in the plan, by quantifying their financial impact and overlaying this on the detailed financial forecasts in the plan. The plan has been subjected to severe but plausible stress tests using four primary downside scenarios which have been derived as part of the Board's review of the Group's principal risks detailed in the Corporate Governance Report. They represent 'severe but plausible' circumstances that the Group could experience. The stress tests apply a range of sensitivities to our headline interest rate, bad debt levels, Group revenue sensitivities and current tax positions; reflecting the principal risks of the business, primarily through a reduction in the credit activities of the Group, a negative potential customer impact arising from increased LIBOR rates,

potential trading restrictions dealing with the impact of a cyber-attack and negative outcomes from a number of tax positions we are currently defending.

The three year plan review is solidly underpinned by the regular Board briefings provided by the Group's operating board and the discussion of any new strategies undertaken by the Board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to operationally deliver any new initiatives, to manage its working capital performance and the level of financial resources available to the Group. Implausible scenarios, such as multiple circumstances occurring at the same time are assumed to not occur. The Directors do not consider it plausible that any of the key risks would crystallise together in a way that would create a worst outcome over the three year assessment period. In the unlikely event of multiple risks occurring and having a particularly severe effect on the Group, all potential actions such as constraining capital spending and reducing payments to shareholders would be taken on a timely basis. Thus, the Directors believe it has the early warning mechanisms to identify the need for such actions and the ability to implement them on a timely basis if necessary.

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

By order of the board



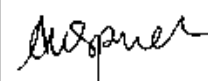
Theresa Casey LL.B (Hons) (Solicitor)
Company Secretary
2 June 2016

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; and
- the Strategic Report 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 position and performance, business model and strategy.

By order of the board



Angela Spindler
Chief Executive
2 June 2016

CORPORATE GOVERNANCE STATEMENT

Introduction

This corporate governance statement explains the key features of the Group's governance structure and how it complies with the UK corporate governance code (the "code"). This statement also includes items required by the Listing Rules and the Disclosure and Transparency Rules ("DTR's"), except as specifically highlighted within this statement the Directors consider that the Group has, throughout the year complied with the provisions of the code.

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 pages 50 and 51.

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 27 February 2016 were:

- Andrew Higginson (Chairman);
- Lord Alliance of Manchester;
- Ivan Fallon;
- Fiona Laird;
- Simon Patterson (resigned 1 April 2016);
- Ron McMillan; and
- Lesley Jones

Simon Patterson resigned from the board in April 2016 in order to take up another role outside the company. I would like to thank Simon personally for his contribution to the company. An external agency has been appointed to assist in the recruitment of a replacement non-executive director, in relation to which an announcement will follow in due course.

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.

Save for Simon Patterson, 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 continuing 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 58.

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 pages 70 to 72. 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 five male directors and three female directors. The board continues 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 37.5% 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 19.9%. 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.

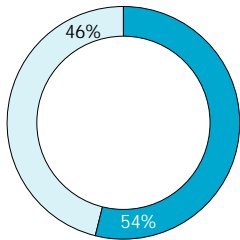
Strengthening our executive pipeline remains a priority for us and we continue to open up new opportunities for women in the business, working with head-hunters and agencies that can provide true gender diversification in their candidate bases.

To provide role models in the business and break the glass ceiling we are members of "Women on Boards". 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

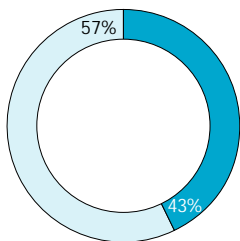
At the date of this report the gender split (male/female, senior management and entire workforce) is as follows:

SENIOR MANAGEMENT (%)



● Male 24
○ Female 19

EMPLOYEE DIVERSITY (%)



● Male 1,158
○ Female 1,555

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 9 times during the year. Directors' attendance at board meetings was as follows:

	Attendance
Andrew Higginson	9
Lord Alliance of Manchester CBE	8
Angela Spindler	9
Ivan Fallon	9
Dean Moore (resigned 30 April 2015)	2
Fiona Laird	9
Simon Patterson (resigned 1 April 2016)	8
Ron McMillan	9
Lesley Jones	9
Craig Lovelace (joined 11 May 2015)	8

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 and Craig Lovelace (from 11 May 2015) sit as chief executive officer and chief financial officer respectively.

Details of all of the members of the Home Shopping Board is set out on page 23.

In November the members of the board met with 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 Chief Financial Officer, 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 to enable the broader population of the Group to 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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

Board effectiveness appraisal

In accordance with Main Principle B.6 of the Code an internal effectiveness review of the board, its committees and its individual directors was undertaken during the second half of the year by way of a tailored, high-level questionnaire which was distributed for the directors to complete.

The responses to the evaluation of the Board and its Committees were reviewed with the Chairman and then considered by the Board. The overall view was that the Board remains effective, positive and cohesive and there has been progress in relation to the areas for improvement identified in the 2014 evaluation exercise. Some actions were identified as a result of the evaluation and based on these, the Board has agreed a set of objectives for 2016/17.

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.

External appointments or other significant commitments of the directors require the prior approval of the Board. Details of such external appointments can be found in the directors' biographies set out on pages 50 and 51.

Board activities in 2015/16

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

- Setting and reviewing the Group's business plan and annual budget.
- Oversight of major capital projects, including the major warehouse extension at Shaw and Fit 4 the Future.
- Governance and risk control, including oversight of our application to the FCA for full authorisation.
- Performance of a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity, and a review of all internal controls material, more details of which are set out in pages 28 and 29 of this report.
- Monitoring the Group's risk management and internal control systems, including a review of their effectiveness.

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.



Andrew Higginson

Chairman

N Brown Group Plc

AUDIT COMMITTEE REPORT



RON MCMILLAN
Chairman of the Audit Committee

THE AUDIT COMMITTEE

Member	No. of meetings
Ron McMillan (Chairman)	4/4
Simon Patterson (Resigned 1 April 2016)	2/4
Lesley Jones	4/4
Fiona Laird (Since 1 April 2016)	1/4

RESPONSIBILITIES

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;

Reviewing the Group's internal financial controls;

In conjunction with internal audit and the external auditor, reviewing internal financial controls and management's response to required corrective action;

Monitoring and reviewing the role and effectiveness of the Group's internal audit function, including activities and resources;

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 fees for audit and non-audit services; and

Reporting to the Board on how it has discharged its responsibilities.

PRIORITIES FOR 2017

Ensuring that Fit 4 the Future delivers the anticipated capabilities and benefits as they are delivered throughout the year;

Reviewing and providing oversight to the introduction of more flexible and personalised Financial Services products; and

Reviewing the Group's marketing investment to provide assurance that the Group continues to deliver improved customer experience and is able to adapt to changing customer behaviours through improved targeted marketing.

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, in particular the application of IAS 39;
- The Group's approach to and methodology for provisioning for inventory;
- The Group's exposure to corporate tax and VAT risks;
- Treasury and cash management;
- Financial crime and fraud;
- The Viability Statement;
- The presentation and appropriateness of exceptional items; and
- The capitalisation of software development costs.

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 has also continued to monitor and review the key aspects of the Group's external audit and, in relation to risk, the Committee undertook a full re-scoring of the corporate risk assessment during the year.

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

CONTINUED

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 were:

- Ron McMillan (Chairman)
- Simon Patterson (resigned 1 April 2016)
- Fiona Laird (appointed 1 April 2016)
- Lesley Jones

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

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

Activities

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

Regulatory environment

In common with the wider industry, the Group is now regulated by the FCA, having historically being regulated by the OFT. Our FCA application is progressing in line with expectations. We recognise that changes in laws and regulations may impact the Group's business, sector and market and the committee therefore continues to review the work carried out by the Group's compliance function in order to satisfy itself that action is being taken to address the changes that are required to comply with new regulations.

Bad and doubtful debts

Following a review of the Group's accounting policies, specifically the application of International Accounting Standard 39 ("IAS 39") in relation to the provisioning for bad and doubtful receivables, the Group announced a restatement of its debtor impairment provisions and consequent increases to reported profits during the year. This was as a direct result of a change in the technical interpretation of this accounting standard and did not affect the way in which the Group operates. The committee is satisfied that the change in interpretation of IAS 39 does not reflect any changes to the Group's underlying trading performance or on the risk profile of the Group's debtor balances. The Group's current business practices, approach to payment arrangements and customer rehabilitation are all unaffected by the revised IAS 39 accounting treatment.

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 apprised of existing and emerging risks and the committee has considered the appropriateness of related tax provisions and assets.

Inventory valuation

Provision is made where the net realisable value of stock is estimated to be lower than cost. The committee recognises that there is an element of uncertainty in relation to the estimation of net realisable value but considers that, taking into account historical experience, likely future selling values and the availability of disposal channels, the provision made is appropriate.

Capitalisation of software development costs

The committee has reviewed the treatment of the significant software and project costs in respect of Fit 4 the Future in order to satisfy itself that the Group's current approach in capitalising costs to the extent that future economic benefits are expected to be generated remains appropriate.

In addition to the above matters and those set out in the letter from the chairman of the committee on page 59, 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;
 4. Compliance with statutory tax obligations and the Group's tax policy; and
 5. 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.
- 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.

Internal controls

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 in the Risk Management section of this report.

During the year the committee has reviewed reports from internal audit on the following topics:

- Risk management, including the Group's three lines of defence document
- The linkages between the internal audit programme and identified risks
- Governance over the fit 4 the Future programme
- Returns management
- Credit marketing
- Pricing and margins
- FCA compliance
- Stock and retail audit outputs
- Financial crime, including whistleblowing, money laundering, fraud and bribery and corruption

The committee also reviewed through discussion the performance of internal audit.

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.

External auditors

In the 2015 Annual Report the Audit Committee confirmed that it was undertaking a competitive tender to appoint new external auditors. As part of the tender process a number of firms were approached and from this a short list was selected. Following presentations from the short listed firms the Audit Committee recommended to the Board that KPMG be appointed as the Company Auditors. The appointment was confirmed by shareholders at the 2015 AGM.

The total fees paid to KPMG for the year ended 27 February 2016 were £0.8m, of which £0.5m was in respect of non-audit services. Further details are set out in note 6 to the financial statements.

The committee has reviewed through discussion 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. KPMG LLP has, during the year provided non-audit services in the form of pensions advisory work and regulatory compliance. KPMG LLP was retained in relation to these services prior to its appointment as the Group's auditor. It was considered appropriate that KPMG should complete its work in relation to these matters. The committee is satisfied that, in relation to these services, KPMG LLP has taken actions to ensure that any potential conflicts of interest are properly managed.

The committee is mindful of the attitude investors now have to the auditors performing non audit services and of the new guidance in this area which is operative for accounting periods starting on or after 16 June 2016. Going forward, the committee will ensure that fees for non audit services performed by the auditors will not exceed 70% of aggregate audit fees measured over a three year period.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

SIMON PATTERSON
Chairman of the Nomination and
Governance Committee



NOMINATION AND GOVERNANCE COMMITTEE

Member	No. of meetings
Simon Patterson (Chairman) (resigned 1 April 2016)	1/2
Andrew Higginson	2/2
Lesley Jones	2/2
Ron McMillan	2/2
Fiona Laird	2/2

RESPONSIBILITIES

Identifying and nominating candidates to fill board vacancies having evaluated the balance of skills, knowledge and experience already on the board and identified the capabilities required for a particular appointment;

Succession planning, taking into account the skills and expertise needed on the board in the future;

Reviewing the structure, size and composition (including the skills, knowledge and experience) of the board and making recommendations to the board with regard to any changes; and

Reviewing the leadership needs of the Group to ensure the continued ability of the organisation to compete effectively in the marketplace.

PRIORITIES FOR 2017

Identifying and nominating a suitable candidate to fill the non-executive director vacancy following the resignation of Simon Patterson;

Identifying and developing the Group's future leaders; and

Reviewing and, where appropriate, recommending changes to the induction and development programme for directors.

Dear Shareholder

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.

The nomination and governance committee was chaired by me throughout the year up to the date of my resignation on 1 April 2016. The other members of the committee are currently Andrew Higginson, Lesley Jones, Ron McMillan and Fiona Laird. Fiona Laird took on the role as Chairman on 1 April 2016, following my resignation.

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.

During the year the committee met on one occasion with full attendance by all members. Activities undertaken during the year included a review of the committee's terms of reference, the company's succession planning and a board evaluation.

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") are appointed by the Committee as external agents to assist in the discharge of its duties and, following my resignation, they are assisting the Committee with a comprehensive external candidate search and selection process to find a suitable replacement independent director with the appropriate mix of skills and experience. The Company will continue to keep you updated about any developments in this regard. MWM has no other connection with the Company.

Simon Patterson
Chairman of the Nomination and Governance Committee

FIONA LAIRD
Chairman of the CSR Committee



THE CSR COMMITTEE

Member	No. of meetings
Fiona Laird (Chairman)	2/2
Angela Spindler (Chief Executive Officer)	2/2
Theresa Casey (Company Secretary)	2/2
Andrew York (Ethical Trading Manager)	2/2

RESPONSIBILITIES

Reviewing and making recommendations to the board concerning matters of Group policy on all areas of Corporate Social Responsibility ("CSR");

Reviewing and reporting on how we look after our environment, source our products and work with the community and our employees; and

Updating shareholders or a wider audience as necessary on the work of the committee.

PRIORITIES FOR 2017

Investing in technology and people to better enable us to monitor and report on improvements;

Publishing our anti-slavery statement; and

Identifying ways in which we can improve the performance of our supply chain to promote more sustainable ways of working.

Dear Shareholder

The Committee has enjoyed a busy and productive year.

We successfully launched the Group's CSR Charter in 2015 to highlight our passion for fair fashion, entitled "Taking Care of Our World". The Charter is designed to align with and implement our three CSR pillars and complement our CSR Strategy.

Having completed a review of the Group's CSR activities in 2014/5, we have this year successfully introduced a new three year CSR strategy to align our CSR activities with the Group's Sourcing and Commercial strategies. This Strategy is designed to embrace the three CSR pillars which make up our Charter – "All People, One Planet, Every Product".

We aim to align our ethical policies with our commercial activities, integrating them with our buying strategies in order to achieve tangible results and benefits.

In another major advancement, we now directly employ skilled personnel on the ground in Bangladesh, allowing us to work more closely and collaboratively with suppliers, NGO's, and government bodies.

Fiona Laird
Chairman of the CSR Committee

DIRECTORS' REMUNERATION REPORT

FIONA LAIRD
Chairman of the Remuneration
Committee



THE REMUNERATION COMMITTEE

Member	No. of meetings
Fiona Laird (Chairman)	3/3
Ron McMillan	3/3
Simon Patterson	3/3

RESPONSIBILITIES

Setting and reviewing the remuneration policy and determining the total individual remuneration package for all executive directors, the company's chairman and other designated senior executives recommending and monitoring the level and structure of remuneration for senior management having regard to pay and employment conditions across the Group;

Approving the design of, and determine targets for, any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes (in accordance with provisions of the Code);

Reviewing the design of all share incentive plans for approval by the board and shareholders;

Overseeing any major changes in employee benefits structures throughout the company or Group; and

Ensuring that the company maintains contact as required with its principal shareholders about remuneration.

PRIORITIES FOR 2017

The committee will continue to foster a close relationship with shareholders in developing the remuneration policy.

The committee will oversee the introduction of the proposed new incentive schemes as detailed in this report.

The committee will oversee the implementation of new requirements in relation to gender pay gap reporting.

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for 2015/16 on behalf of the Board and to summarise the remuneration committee's main activities during the year.

This report contains 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;
- An amended proposed forward looking Directors' Remuneration Policy Report subject to a binding vote at the 2016 annual general meeting; and
- An "Annual Report on Remuneration" which provides shareholders with details of the remuneration that was actually delivered to the company's directors during 2015/16. This final part of the report will be subject to an advisory vote at the forthcoming annual general meeting.

The Group is currently undergoing a significant transformation and is keen to ensure that the incentive arrangements remain appropriate to successfully deliver this. As a result, over the year the remuneration committee have undertaken a review of the long term incentive arrangements in place and we are now proposing to introduce a change to the performance conditions for the LTIP. This is designed to focus participants on the success of the current business strategy and transformation. This change requires shareholder approval for a new Policy at the 2016 AGM. There will be no other substantive changes made to the policy although minor changes to take account of developments in best practice and the passage of time will be made.

The Board believes that maintaining the highest standards of corporate governance is essential to protecting shareholder value; the alignment of remuneration with the forward looking business strategy is an integral part of this process. As such the Board has fully debated and approved the proposed remuneration changes to ensure that the incentive plans in place appropriately reward the delivery of our transformation plan whilst ensuring alignment with shareholders. We have also consulted with our top ten shareholders and investor bodies on this change and have taken on board their feedback.

Proposed new LTIP performance conditions

Over the year, the Remuneration Committee have undertaken a detailed review of the appropriateness of the LTIP performance conditions in the context of the Company's transformation plan. The current LTIP performance conditions are adjusted EPS growth in excess of RPI (60% weighting) and relative TSR against a peer group of retailers (40% weighting). As part of the review, we have considered a range of performance measures and are proposing the following changes to performance conditions to better align participants with the current business strategy and transformation:

- Removal of relative TSR as a performance measure for the LTIP – it is our view that the use of relative TSR no longer accurately reflects the performance of our business and is an inappropriate way in which to incentivise participants as it does not directly align participants with the delivery of the strategic plan;
- Maintain adjusted EPS as a measure but reduce the weighting from 60% to 50% - our rationale remains that EPS accurately reflects the performance of our business and the experience of our shareholders;
- Introduction of free cash flow measure (30% weighting) – free cash flow aligns with the transformation agenda and is commonly used by retailers to monitor the flows of cash in and out of the business as well as providing an assessment of underlying profitability; and
- Introduction of revenue measure (20% weighting) – revenue growth is a critical KPI for the business and given that earnings measures make up the majority of the plan, there is an appropriate balance to encourage revenue growth whilst maintaining margin.

The target ranges applying to each measure for awards to be made in 2016 are set out in full on page 75.

The Committee works hard to ensure that targets are appropriately stretching and motivating to management. In particular, following consultation with shareholders, we have listened to views about the maximum target under the EPS metric and we propose to increase the point at which 100% of this element of the LTIP is payable from the current level of 7.5% annual growth in adjusted EPS in excess of RPI over three financial years to 9% .

The Remuneration Committee strongly believes that the changes will provide a stable footing for remuneration to support the "Fit 4 the Future" strategy and achieve the following:

- Provide an incentive structure that supports the strategic transformation of N Brown and incentivises participants;
- Provide a more coherent incentive arrangement aligned to shareholder value;
- Balance the need to retain and motivate the Executive team with sufficiently challenging targets; and
- Remain in line with market practice, the views of investor bodies and the increasing use of multiple metrics to monitor performance of executives.

Remuneration outcomes for 2015/16

Annual bonus is paid 60% in cash and 40% deferred as a conditional award of shares that vest at the end of 3 years after the grant. 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 and the committee determined that 27.9% of salary was payable to the CEO and 20.7% of salary was payable to the CFO.

The committee reviewed the EPS and TSR performance of the company in respect of the 2013 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 and did not meet the threshold EPS targets, as a result of which the award lapsed.

Upon her appointment the CEO was granted two one-off share awards as detailed in the 2013 Annual Report. Vesting of the first, over shares worth £520,000 at the time of grant, was subject to employment conditions over two years which were met in the year. The second, over shares worth £1,040,000 at the time of grant are subject to the achievement of strategic objectives measured over a period of three years as detailed in our 2015 Annual Report.

The committee reviewed the salaries of the executive directors in April 2016 and determined that the CEO's salary should be increased by 2%, in-line with most of the general workforce, with effect from 1 October 2016. Following bench marking and a review of the industry backdrop, the committee determined that the CFO's salary should be increased by 5% with effect from 1 May 2016.

Awards with a face value of 150% of salary in respect of Angela Spindler and 125% of salary in respect of Craig Lovelace were granted in July 2015. 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 2016 Angela Spindler and Craig Lovelace will again receive awards with a face value of 150% and 125% of salary respectively. The award will be granted in July 2016 and will be subject to the revised performance conditions set out above.

In May 2015, Craig Lovelace joined the company as Chief Financial Officer on terms described in last year's Remuneration Report. Dean Moore stepped down as Finance Director in April 2015. As was noted in last year's report, in accordance with the Remuneration Policy, Dean Moore has been paid the balance of his notice period. Payments were phased over the remaining 9 months of his contractual notice period and were subject to an obligation to mitigate. After due consideration the Committee determined that Dean Moore was a "good leaver" and the terms in relation to "good leaver" therefore applied.

I will be available to answer any questions at the annual general meeting in July and very much hope that you will support the revised Directors' Remuneration Policy 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 reviewing the suitability of the LTIP performance conditions and generally with the day to day tasks of the committee over the last year.



Fiona Laird

Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT

CONTINUED

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) 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 committee's remuneration policy for the executive directors which, if approved by shareholders at the 2016 annual general meeting will become effective immediately for a period of three years.

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	Reviewed annually, taking account of absolute Group profitability and performance against personal & corporate objectives	Salary increases will normally be in line with increases awarded to other employees of the Group	None, although overall individual performance is a factor considered when setting and reviewing salaries
	Provides an appropriate level of basic fixed income	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	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	
		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 October		

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Annual bonus	<p>Drives and rewards annual delivery of financial, corporate and personal goals</p> <p>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</p> <p>Deferral provides alignment with shareholders and assists with retention</p>	<p>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</p> <p>Bonuses will be paid 60% in cash, with 40% deferred as a conditional award of shares</p> <p>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).</p> <p>The payment of any earned bonus remains ultimately at the discretion of the committee</p> <p>Executives may also be entitled to receive dividends equivalents on vested shares</p>	<p>Chief executive: up to 150% of base salary p.a.</p> <p>Other executive directors: up to 125% of base salary p.a.</p>	<p>A significant majority of the annual bonus will normally be determined by reference to performance against stretching Group profit measures</p> <p>Additional targets linked to corporate performance and individual targets will be applied</p> <p>Personal objectives will be measurable and linked to goals that are consistent with the Group's longer-term goals</p> <p>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</p> <p>Includes a "clawback" mechanism in the event of material misstatement of the Group's financial results or individual misconduct</p>
Long-term incentive plan "LTIP"	<p>Provides appropriate incentives to reward sustained success through the achievement of challenging business targets, thereby aligning the interests of shareholders and executives</p>	<p>Annual grants of performance shares which vest, subject to the Group's performance, measured over three years</p> <p>Participation and all awards are subject to the discretions given to the committee in the plan rules</p> <p>Executives may also receive dividend equivalents on vested shares</p> <p>The Committee retains the discretion to subject the LTIP awards to a holding period of up to two years post vesting</p>	<p>Normal maximum of 150% of salary</p> <p>Exceptional circumstances maximum of 200% of salary</p>	<p>The performance conditions for awards granted in 2016/17 will be split between growth in adjusted EPS in excess of RPI (50% of the award), free cashflow (30% of the award) and revenue (20% of the award). The committee will have the discretion to change the weightings of measures, or use different measures for subsequent awards so that they are directly aligned with the Group's strategic objectives for each performance period</p> <p>Targets are set by the remuneration committee prior to each grant and will be based on a sliding scale. For each measure, performance below threshold results in zero payment. Payment rises from 25% at threshold to 100% of the maximum opportunity at a maximum performance level</p> <p>Includes a "clawback" mechanism in the event of a material misstatement of the Group's financial results or individual misconduct</p>

DIRECTORS' REMUNERATION REPORT

CONTINUED

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 or such lower limits as set by the Group	These are broad based plans and are not subject to performance targets
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. Executive directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit	Car and fuel allowance up to £20,000 per annum Other benefits will be in-line with market. The value of each benefit is 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 2016/17 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. LTIP awards granted prior to 2014 and LTIP awards prior to 2016 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.
7. Awards may be structured as nil cost options, conditional awards of shares and may be delivered through a Joint Share Ownership Plan structure.

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.

For 2016, the committee has decided to maintain a condition based on growth in adjusted EPS and introduce free cashflow and revenue measures for the LTIP. 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. The free cash flow measure is defined as cashflow generated from operations excluding receivables and is seen as a key measure for N Brown to monitor the flows of cash in and out of the business as well as providing an assessment of underlying profitability. Revenue is a critical KPI for the business and management have clear line of sight over this measure and given that earnings measures make up the majority of the plan, there is an appropriate balance to encourage revenue growth whilst maintaining margin. The committee retains the discretion to change the performance measures to reflect its strategy.

DIRECTORS' REMUNERATION REPORT

CONTINUED

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.

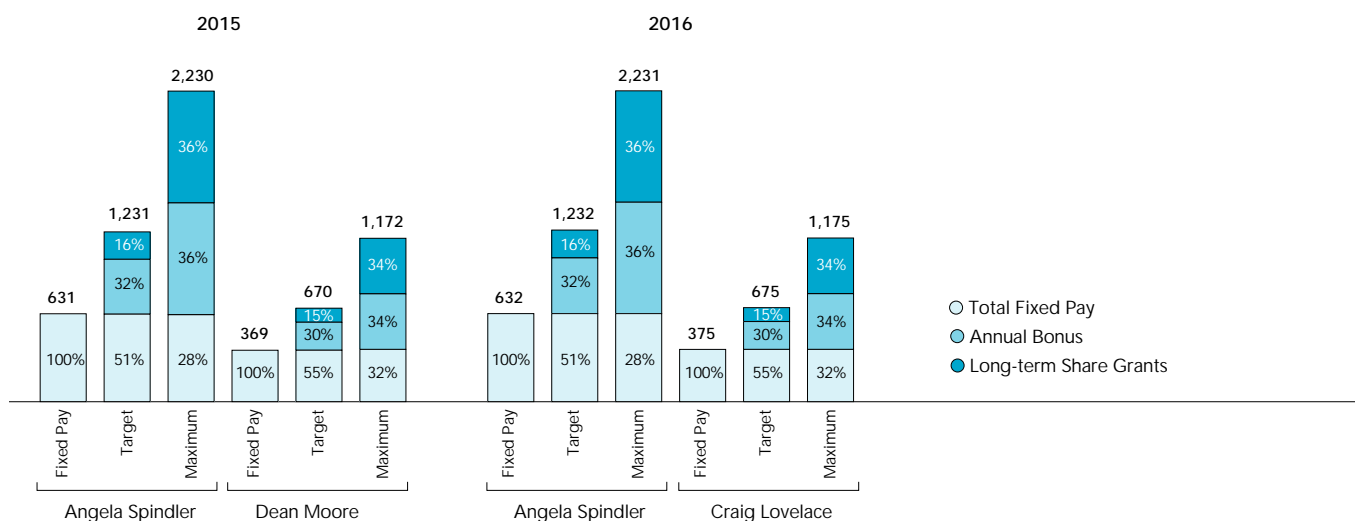
In developing the changes proposed to the Policy from 2016 onwards, the Committee has engaged with its major shareholders and representative bodies. This process of engagement was still ongoing at the time this report was prepared.

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. The committee may pay reasonable outplacement and legal fees where considered appropriate. Potential termination payments are summarised on page 71.

POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS (£'000)



Assumptions

- Fixed pay = salary as paid in year, benefits and pension provision.
- 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.
- 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.
- Salary levels (on which other elements of the packages are calculated) are based on those effective from 1 October 2015 (£543,660 for the chief executive and £320,000 for the finance director).
- 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.
- Pension provision is 15% of salary for the chief executive and 10% for the finance director.

Name	Date of contract	Potential termination payment
Angela Spindler	1 July 2013	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 normally 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 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 LTISP, 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. A new employee may be granted normal annual PSP awards in the first year of employment in addition to any awards made with respect to prior employment being forfeited. Such awards would normally be made shortly following an appointment (assuming the company is not in a close period).

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. 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.

DIRECTORS' REMUNERATION REPORT

CONTINUED

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	<p>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</p> <p>The chairman is paid a single fee for all his responsibilities. The non-executives are paid a basic fee. The Chairs of committee and senior independent director receive additional fees to reflect their extra responsibilities</p> <p>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. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit and limited benefits relating to travel, accommodation, secretarial support and hospitality provided in relation to the performance of their duties</p> <p>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</p> <p>If there is a temporary yet material increase in the time commitment required of non-executive directors, the Board may pay additional fees on a pro-rata basis to recognise the additional workload</p>	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, 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 2016	6 months
Ivan Fallon	1 October 1994	10 April 2016	3 months
Andrew Higginson	3 July 2012	3 July 2016	6 months
Fiona Laird	1 March 2013	1 April 2016	3 months
Simon Patterson (resigned 1 April 2016)	13 March 2013	N/A	3 months
Ronald McMillan	1 March 2013	1 April 2016	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) Regulations 2008 (as amended), and 9.8.6R of the Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2016 annual general meeting. The information on pages 74 to 79 has been audited.

The remuneration committee and its advisers

Members of the Remuneration Committee

Name	From	To
Fiona Laird	1 April 2013	To date
Ron McMillan	1 April 2013	To date
Simon Patterson	1 April 2013	1 April 2016

General Counsel and 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 64 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, KPMG LLP ("KPMG") and Pinsent Masons LLP provided advice to the Group during the year which materially assisted the committee in relation to the closure to new accruals of the Group's defined benefit scheme. Neither firm was specifically appointed by the committee. KPMG who are also the Group's auditors were appointed to provide pension consultancy services in relation to the closure of the defined benefit scheme prior to their appointment as auditors. KPMG and Pinsent Mason LLPs 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 Group 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 2015/16 were £40,512 (2014/15: £100,365). 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.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Application of the remuneration policy for 2016/17

Base salary

The executive directors' salaries were reviewed in April 2016. The salary increase takes effect from 1 October 2016 for the CEO and 1 May 2016 for the CFO and are set out below. The salary increases are in line with most of the general workforce.

Name	Salary as at 1 October 2015	Salary as at 1 October 2016	Increase
Angela Spindler	£533,000	£543,660	2%
		Salary as at 1 May 2016	
Craig Lovelace	£320,000	£336,000	5%

Fees for the chairman and non-executive directors

As detailed in the remuneration policy, the Group 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 2015	Fees as at 1 March 2016	Increase
Chair's fees	£250,000	£250,000	0%
Other non-executive directors' base fee	£47,000	£47,000	0%
Senior independent non-executive director	£5,000	£5,000	0%
Chair of a committee's fees	£5,000 – £8,000	£5,000 – £8,000	0%

Annual bonus plan performance targets

The annual bonus plan for 2016/17 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:

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

The personal objectives of the executive directors for 2015/2016 were as follows:

Angela Spindler	Craig Lovelace
Develop a Financial Services business we can be proud of	Build a relationship of support and trust with the CEO
Deliver Fit 4 the Future project to plan	Ensure integrity of reporting internal and external numbers
Build digital capability	Focus on meeting city expectations
	Enhance reporting to provide more insightful financial information for commercial decision making
	Assess and address any gaps in finance function capability

Long term incentive targets

Awards granted to the executive directors under the LTIP in 2016/17 will be subject to three metrics, namely growth in adjusted EPS, free cashflow and revenue. 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 (50% of award)	Free cashflow (30% of award) is defined as cashflow generated from operations excluding receivables. Targets are cumulative over 3 financial years	Annual growth in total revenue over 3 financial years (20% of award)
Below threshold	0%	Less than RPI + 2.5%	Less than £370m	Less than 5% CAGR
Threshold	25%	At least RPI +2.5%	At least £370m	At least 5% CAGR
Maximum	100%	At least RPI + 9.0%	At least £450m	At least 9% CAGR

For performance that is between the threshold and maximum levels awards vest on a straight-line basis.

Directors' emoluments (Audited)

	Year	Salaries & fees £000's	Taxable benefits ¹ £000's	Bonus (cash and deferred shares) £000's	LTISP and Matching Share Awards £000's	Pension and salary supplement £000's	Other ³ £000's	Total £000's
Executives (salaries)								
Angela Spindler	2015/16	533	18	152	–	80	–	783
	2014/15	530	19	–	–	79	100	728
Craig Lovelace – appointed 11 May 2015	2015/16	258	14	56	–	9	9	346
	2014/15	–	–	–	–	–	–	–
Dean Moore – resigned 30 April 2015	2015/16	133	3	–	–	4	295	435
	2014/15	353	17	–	473	42	–	885
Non-executive's (fees)								
Lord Alliance of Manchester CBE ²	2015/16	47	–	–	–	–	–	47
	2014/15	47	–	–	–	–	–	47
Andrew Higginson	2015/16	250	–	–	–	–	–	250
	2014/15	250	–	–	–	–	–	250
Ivan Fallon	2015/16	55	–	–	–	–	–	55
	2014/15	55	–	–	–	–	–	55
John McGuire – resigned 1 April 2014	2015/16	–	–	–	–	–	–	–
	2014/15	5	–	–	–	–	–	5
Fiona Laird	2015/16	55	–	–	–	–	–	55
	2014/15	55	–	–	–	–	–	55
Anna Ford – resigned 22 July 2014	2015/16	–	–	–	–	–	–	–
	2014/15	22	–	–	–	–	–	22
Simon Patterson – resigned 1 April 2016	2015/16	55	–	–	–	–	–	55
	2014/15	55	–	–	–	–	–	55
Ron McMillan	2015/16	60	–	–	–	–	–	60
	2014/15	60	–	–	–	–	–	60
Lesley Jones	2015/16	47	–	–	–	–	–	47
	2014/15	19	–	–	–	–	–	19

Notes:

1. Taxable benefits comprise private medical cover and car allowance.
2. Lord Alliance has waived his non-executive director's fee.
3. Dean Moore received £295,248 in respect of payment in lieu of contractual notice. Craig Lovelace received £9,434 in respect of relocation expenses.

DIRECTORS' REMUNERATION REPORT

CONTINUED

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 £19,555 (2015, £21,745).

Craig Lovelace is a member of the contributory defined contribution pension scheme ("scheme"). He receives contributions from the company up to 10% salary with an amount up to his personal allowance being paid by the company into the scheme and the balance being paid as cash in lieu of pension contribution. Contributions paid by the company into the scheme during the year in respect of Craig Lovelace amounted to £16,800 (2015, N/A).

Details of variable pay earned in the year

Annual bonus (Audited)

The table below gives details of executive directors' bonuses for 2015/16:

Director	Measure	Weighting (as a percentage of maximum bonus opportunity)	Performance required Threshold (0% payout)	Maximum (100% payout)	Actual Performance	Payout % of salary
Angela Spindler	Group Profit	70%	£88m	£94m	£84.5m	Nil
	Corporate Objectives	20%			43.1%	12.9%
	Personal objectives	10%			100%	15%
Craig Lovelace	Group Profit	70%	£88m	£94m	£84.5m	Nil
	Corporate objectives	20%			43.1%	10.8%
	Personal objectives	10%			79%	9.9%

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 bonus element had not been met.
2. The precise targets set for the corporate objectives are considered to be commercially sensitive.

Long term share awards (Audited)

Details of the performance conditions for the relevant awards are set out below:

Grant	Condition	Performance Period	Threshold target	Stretch target	Actual performance	Vesting
2013 matching DABs award	EPS	2 years to 28 February 2015	100% vests if growth in EPS at least equal to growth in RPI	N/A	Growth in EPS below growth in RPI	0%
2012 LTISP award	TSR	3 years to 28 February 2015	25% vests at median performance	100% vests at upper quartile	15th out of 20	0%

Summary of awards granted in 2015/16 (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	238,087	335.8p	EPS: 3yrs to end of financial year 2017/18 TSR: 3yrs to June 2018	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
Craig Lovelace	LTIP	60% EPS 40% TSR	125%	£400,000	119,117	335.8p	EPS: 3yrs to end of financial year 2017/18 TSR: 3yrs to June 2018	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

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	28 February 2015	Awarded during the year	Lapsed during the year	Vested and exercised during the year	27 February 2016	Date granted	Type of award
Angela Spindler	110,169	-	-	(110,169)	-	Aug 2013	Recruitment
	220,338	-	-	-	220,338	Aug 2013	Recruitment
	151,834	-	-	-	151,834	Aug 2013	LTISP
	185,198	-	-	-	185,198	Aug 2014	LTIP
	-	238,087	-	-	238,087	Aug 2015	LTIP
Craig Lovelace	-	119,117	-	-	119,117	Aug 2015	LTIP
Dean Moore	132,777	-	(132,177)	-	-	July 2012	LTISP
	81,023	-	-	-	81,023	June 2013	LTISP
	102,945	-	-	-	102,945	Aug 2014	LTIP
	11,107	-	(11,107)	-	-	May 2013	Matching share award
	2,963	-	-	-	2,963	May 2014	Matching share award

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 will operate for the last time in respect of the finance director's bonus outcome for 2013/14.

DIRECTORS' REMUNERATION REPORT

CONTINUED

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:

	Owned shares (Number of shares)			Value of shares counting towards guideline holding (as a % of salary)	Guideline met?	Other interests in shares			Total as at 27 February 2016
	28 February 2015	27 February 2016	Outstanding awards subject to performance conditions			Outstanding awards not subject to performance conditions	Outstanding Share options		
Angela Spindler	-	100,438	61%	N/A	795,457	-	-	895,895	
Craig Lovelace	-	-	N/A	N/A	119,117	-	-	119,117	
Dean Moore	156,175	-	N/A	N/A	186,931	-	-	186,931	
Lord Alliance of Manchester CBE	95,047,966	95,047,966	N/A	N/A	-	-	-	95,047,966	
Andrew Higginson	91,331	101,009	N/A	N/A	-	-	-	101,009	
Ivan Fallon	11,425	11,425	N/A	N/A	-	-	-	11,425	
Ron McMillan	-	-	N/A	N/A	-	-	-	-	
Fiona Laird	-	-	N/A	N/A	-	-	-	-	
Simon Patterson	10,000	10,000	N/A	N/A	-	-	-	10,000	
Lesley Jones	-	-	N/A	N/A	-	-	-	-	

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 27 February and 30 April 2016.

Termination payments (Audited)

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

Performance graph and table

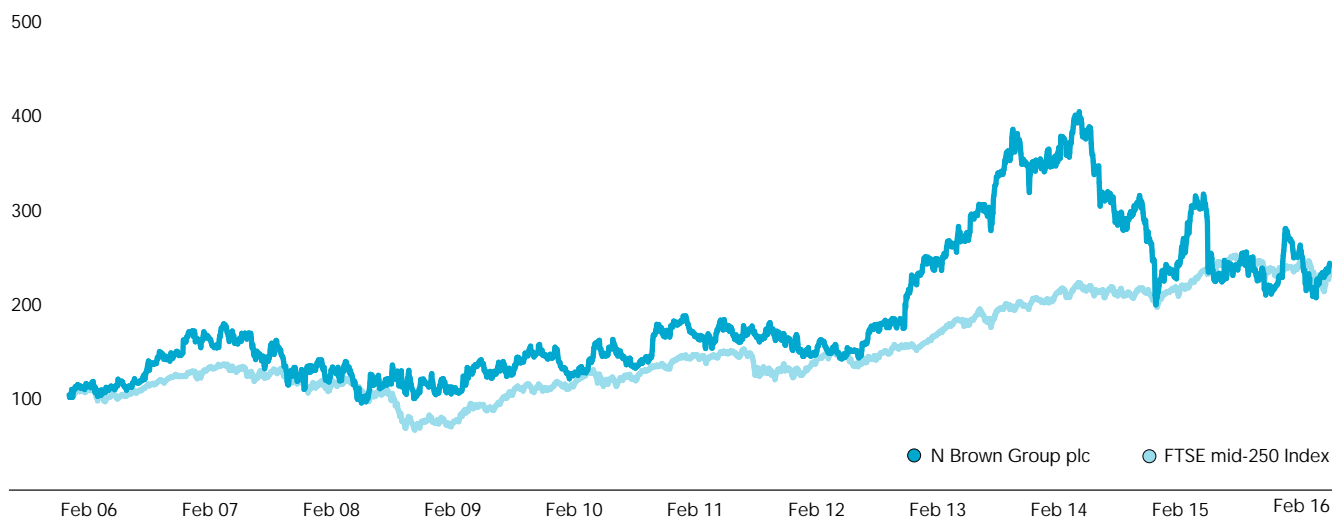
The graph shows the company's ten year performance, measured by TSR, compared with the performance of the FTSE 250 Index, also measured by TSR. The company is a member of this index and accordingly it is felt to be the most appropriate comparator group for this purpose Analysis of chief executive's pay over 6 years.

Analysis of Chief Executive's pay over 7 years

	Alan White					Angela Spindler		
	2009/10	2010/11	2011/12	2012/13	2013/14	2013/14	2014/15	2015/16
Total remuneration (£'000)	2,438	3,738	2,734	1,780	2,734	1,364	728	783
Annual bonus (% of maximum)	96.9%	90.6%	38.7%	71.4%	15.8%	83.2%	0%	27.9%
Long term share vesting (% of maximum)	100%	100%	100%	100%	85%	N/A	N/A	N/A

TOTAL SHAREHOLDER RETURN PERFORMANCE: N BROWN VS FTSE 250

(rebased to 100)



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 2014/15 and 2015/16 financial years, compared to that of the average for all employees of the Group.

	% Change from 2014/15 to 2015/16		
	Salary	Benefits	Annual bonus
Chief Executive	+2.0%	nil	nil
Average of other employees	+2.0%	nil	nil

Relative importance of spend on pay

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

	2016	2015	% Change
Staff costs (£'m)	71.3	74.2	-3.9%
Dividends (£'m)	40.2	40.0	+0.5%

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

Shareholder voting on the directors' remuneration report at the 2015 annual general meeting

[Annual Report on Remuneration](#)

	Total number of votes	% of votes cast
For	222,910,254	98.45%
Against	3,478,226	1.54%
Total votes cast (excluding withheld votes)	226,388,480	99.9%
Votes withheld ¹	21,182	0.01%
Total votes cast (including withheld votes)	226,409,662	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 2 June 2016.

Signed on behalf of the board

Fiona Laird

Chairman of the Remuneration Committee

INDEPENDENT AUDITOR'S REPORT **TO THE MEMBERS OF N BROWN GROUP PLC ONLY**

Opinions and conclusions arising from our audit:

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of N Brown Group PLC for the year ended 27 February 2016 set out on pages 84 to 118. 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 27 February 2016 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 as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

The Risk		Our response
<p>Allowance for doubtful debts £97.6m (2015, £100.9m)</p> <p>Refer to page 60 (Audit Committee Report), pages 88, 91 and 93 (accounting policy), pages 101 to 106 (financial disclosures)</p>	<p>The allowance for doubtful debts requires the Directors to assess which accounts are considered impaired. This assessment is particularly judgmental in the case of customers in early arrears or under revised payment terms and may have a material impact upon the provision. The large percentage of the Group's customers that are subject to revised payment terms, in particular where interest has been temporarily waived make the impact of this judgment more significant for N Brown.</p> <p>The Group has altered the population considered for doubtful debts to include all accounts with revised payment terms, resulting in a prior year restatement within the current year financial statements.</p> <p>The other key judgements are in respect of the probability of default and the timing and value of cash flows.</p> <p>To assess the probability of default, the Group estimates a customer's likelihood of entering default based upon the experience of customers with comparable characteristics such as arrears status and payment history. These estimates are inherently uncertain because they are reliant upon historic, non-predictive data and are impacted by the Group's segmentation of customers with comparable impairment characteristics.</p> <p>The timing and value of cash flows are estimated based on the historical cash receipts and write-offs incurred for customers with comparable arrears status and payment history, interest and fees charged and debt sale rates. These estimates are inherently uncertain because of the long-term nature of the cash receipts and the exposure of the portfolio to the credit performance of many individual customers.</p> <p>Due to the quantity of data involved in assessing all of these elements of the provision, it is a complex model for which the completeness and accuracy of data inputs and the accuracy of calculations are, in themselves, risks.</p>	<p>Our audit procedures included:</p> <p>We critically assessed the Group's definition of "impaired" customer receivables against the requirements of the relevant accounting standards, including evidence of the Group's experience of customers with comparable characteristics.</p> <p>We compared the assumptions made in respect of the probabilities of default against our understanding of the Group as well as our knowledge of market counterparts, and consistency with the historic internal data available.</p> <p>We assessed the assumptions made in respect of timing and value of cash flows for all segments of the model (including customers in arrears and subject to revised payment terms) against historic internal data available.</p> <p>We assessed the accuracy of the allowance for doubtful debt model (including for prior year restatements), with assistance from our IT specialists, by reviewing the detail of the model, and compared the methodology used to our interpretation of the requirements of the relevant accounting standards. This included testing of the completeness and accuracy of data through testing a sample of customer data back to the source system.</p> <p>We also considered the adequacy of the Group's disclosures in relation to the allowance for doubtful debts for compliance with the relevant accounting policies.</p>

	The Risk	Our response
<p>Regulatory risk</p> <p>Refer to page 60 (Audit Committee Report), page 93 (accounting policy and financial disclosures)</p>	<p>The Group's provision of credit services to customers mean that it operates within a regulated environment which requires the Group to comply with the requirements of the Financial Conduct Authority (FCA) and maintain FCA permissions. These permissions could be suspended or withdrawn by the FCA, significantly impacting the Group's ability to continue with its current business model.</p> <p>The requirement for FCA permissions includes the fair treatment of customers, protections for vulnerable customers and appropriate and clear disclosure of terms to customers and, given the current context of media coverage and large scale customer redress provisions across the financial services industry, there is a risk that any non-compliance with regulations could trigger significant customer redress programmes or lead to material fines from the FCA.</p>	<p>Our audit procedures included:</p> <p>We assessed the areas of non-compliance and customer complaints identified and documented by the Group, against the wider industry and discussed with management the financial implications of these issues. This included estimation of the likely impact of any known areas of non-compliance until the resolution of this issue.</p> <p>We assessed the entity-wide governance processes for the identification of regulatory issues and areas of non-compliance.</p> <p>We reviewed correspondence with the regulators and assessed customer complaints for indications of significant or non-identified areas of customer detriment that may require provision in the financial statements.</p>
<p>Taxation Provisions</p> <p>Refer to page 60 (Audit Committee Report), pages 91 and 93 (accounting policy), pages 97 to 98 and 106 (financial disclosures)</p>	<p>The outcome of a number of open VAT and corporation taxation positions, some of which are proceeding to litigation, is uncertain and as such have required the Directors to make significant judgements and estimates in relation to the likely outcome of these tax issues and exposures. There is a risk that the judgements made by the Directors, and therefore the amounts recorded in the financial statements will differ from any final settlements agreed with HMRC. Given the significant value and judgmental nature of this provisioning, this is considered to be an area of significant audit risk.</p>	<p>Our audit procedures included, with assistance from our own tax specialists, challenging the Directors' assessment of the provisions required by:</p> <p>Inspecting correspondence with HMRC and evaluating the Directors' interpretation of this correspondence by forming our own expectations of the provisions required in the financial statements. This evaluation was based on our knowledge of the business and experience of the industry in which it operates, together with our knowledge and experience of the application of the relevant legislation by authorities and courts.</p> <p>Specifically in relation to VAT, we inspected legal counsel opinion received by the Directors in relation to the Group's likelihood of success in each of the open VAT exposures and critically assessed whether amounts recorded in the financial statements were consistent with this legal opinion.</p>
<p>Carrying value of inventories: £101.5m (2015, £94.8m)</p> <p>Refer to page 60 (Audit Committee Report), pages 91 and 93 (accounting policy), page 100 (financial disclosures)</p>	<p>The Group has significant levels of inventory and judgements are taken by the Group with regard to the categorisation of inventory as current and non-current at year end and the forecast disposal plans when estimating the inventory provision. Furthermore, the seasonal nature of a retail business and changes in customer preferences and spending patterns, primarily driven by the wider fashion industry, introduce uncertainty over the recoverability of inventories. Given the level of judgements and estimates involved this is considered to be a key audit risk.</p>	<p>Our audit procedures included comparing inventory levels, by season, to sales data to test whether slow moving and obsolete inventories had been appropriately identified. We considered sales of inventories during the year, in particular of inventory that has been held for greater than one year and clearance categories, and compared these sales to the Group's forecast disposal plan at the period end date.</p> <p>We utilised data analytics to test the adequacy of 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. We also considered whether the Group's accounting policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of inventory provisioning.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF N BROWN GROUP PLC ONLY

CONTINUED

	The Risk	Our response
Capitalised software and development costs: £116.0m (2015, £89.4m) Refer to page 60 (Audit Committee Report), pages 90 and 93 (accounting policy), pages 99 to 100 (financial disclosures)	The Group has incurred significant software and development project costs in the year in respect of the Fit 4 Future project, a significant systems infrastructure programme. The Group capitalises both internal and external costs to the extent that future economic benefits are expected to be generated by the project. This requires judgement as to whether the costs incurred are capital in nature, whether the project will be completed successfully and, whether sufficient revenue and profitability will be generated to recover the costs capitalised. The Directors also apply judgment as to whether the software and development costs incurred are for technically feasible systems and websites. Given the significant value and judgmental nature of the classification of software and development assets, between operational and capital expenditure, this is considered to be an area of significant audit risk.	For the key inputs into the project's profitability forecast, specifically revenue growth, cost reduction and the timing and amount of capital expenditure, we critically assessed the reasonableness of the assumptions with reference to internal and external data from Project and Infrastructure leads, Board-approved capital spending forecasts, an independent financial benefits review and knowledge gained from performing our other audit procedures. We challenged the Group's assessment of the technical feasibility of the different project releases based on our discussions with key project leads and reviews of detailed business cases produced internally and externally, outlining the proposed features and expected completion dates. We assessed whether costs had been appropriately capitalised, by reference to the recognition criteria of the applicable accounting standards, for a sample of costs agreed to source documentation. We evaluated the adequacy of the Group's disclosures in respect of the judgements made by management that economic benefit will be derived from the projects.

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

Materiality for the Group financial statements as a whole was set at £3.8 million, determined with reference to a benchmark of Group profit before tax, normalised to exclude exceptional items relating to reorganisation costs and the write down of stock following the closure of clearance stores, of £17.2 million, of which it represents 4.3%.

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

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total Group revenue, Group profit before tax, and total Group assets.

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

In our opinion:

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

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability statement on pages 54 and 55, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular we are required to report to you if:

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

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

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

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 54 and 55, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 56 to 58 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.



**Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
2 June 2016

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 27 February 2016	Note	2016 Before exceptional items £m	2016 Exceptional items (note 7) £m	2016 Total £m	2015 Before exceptional items (restated see note 2) £m	2015 Exceptional items (note 7) £m	2015 (restated see note 2) £m
Continuing operations							
Revenue	3	866.2	-	866.2	837.2	-	837.2
Operating profit	6	96.4	(17.2)	79.2	95.8	(12.6)	83.2
Investment income	9	-	-	-	0.1	-	0.1
Finance costs	10	(8.1)	-	(8.1)	(7.7)	-	(7.7)
Profit before taxation and fair value adjustments to financial instruments		88.3	(17.2)	71.1	88.2	(12.6)	75.6
Fair value adjustments to financial instruments	20	1.1	-	1.1	2.7	-	2.7
Profit before taxation		89.4	(17.2)	72.2	90.9	(12.6)	78.3
Taxation	11	(20.7)	3.4	(17.3)	(19.5)	2.7	(16.8)
Profit for the year from continuing operations		68.7	(13.8)	54.9	71.4	(9.9)	61.5
Loss for the period from discontinued operations	5	(0.6)	-	(0.6)	(10.4)	-	(10.4)
Profit attributable to equity holders of the parent		68.1	(13.8)	54.3	61.0	(9.9)	51.1
Adjusted earnings per share from continuing operations							
Basic	13			24.02p			24.61p
Diluted				23.99p			24.53p
Earnings per share from continuing operations							
Basic	13			19.45p			21.84p
Diluted				19.43p			21.77p
Earnings per share from continuing and discontinued operations							
Basic	13			19.23p			18.15p
Diluted				19.22p			18.09p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 27 February 2016	Note	2016 £m	2015 (restated see note 2) £m
Profit for the period		54.3	51.1
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on defined benefit pension schemes	30	12.5	1.4
Tax relating to items not reclassified	11	(2.5)	(0.3)
		10.0	1.1
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) on translation of foreign operations		0.8	(0.9)
Total comprehensive income for the period attributable to equity holders of the parent		65.1	51.3

CONSOLIDATED BALANCE SHEET

As at 27 February 2016	Note	2016 £m	2015 (restated see note 2) £m	2014 (restated see note 2) £m
Non-current assets				
Intangible assets	14	124.9	98.3	73.3
Property, plant & equipment	15	76.7	70.5	63.2
Retirement benefit surplus	30	10.8	-	-
Deferred tax assets	22	3.9	7.2	9.7
		216.3	176.0	146.2
Current assets				
Inventories	17	101.5	94.8	89.9
Trade and other receivables	18	553.4	549.5	536.6
Current tax asset		5.3	-	-
Derivative financial instruments	20	2.2	1.1	-
Cash and cash equivalents	26	45.3	40.4	45.3
		707.7	685.8	671.8
Total assets		924.0	861.8	818.0
Current liabilities				
Bank loans	19	-	(7.0)	(9.0)
Trade and other payables	23	(99.7)	(108.9)	(98.0)
Derivative financial instruments	20	-	-	(1.6)
Current tax liability		-	(4.1)	(9.6)
		(99.7)	(120.0)	(118.2)
Net current assets		608.0	565.8	553.6
Non-current liabilities				
Bank loans	19	(335.0)	(280.0)	(250.0)
Retirement benefit obligation	30	-	(3.3)	(4.2)
Deferred tax liabilities	22	(13.3)	(8.5)	(8.6)
		(348.3)	(291.8)	(262.8)
Total liabilities		(448.0)	(411.8)	(381.0)
Net assets		476.0	450.0	437.0
Equity attributable to equity holders of the parent				
Share capital	24	31.3	31.3	31.3
Share premium account		11.0	11.0	11.0
Own shares	25	(0.2)	(0.3)	(0.5)
Foreign currency translation reserve		1.8	1.0	1.9
Retained earnings		432.1	407.0	393.3
Total equity		476.0	450.0	437.0

Financial statements

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 2 June 2016.

They were signed on its behalf by:



Craig Lovelace
CFO and Executive Director

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 27 February 2016	Note	2016 £m	2015 (restated see note 2) £m
Net cash from operating activities		64.5	73.1
Investing activities			
Proceeds on disposal of property, plant and equipment		–	0.1
Purchases of property, plant and equipment		(12.1)	(14.9)
Purchases of intangible assets		(46.1)	(44.6)
Interest received		–	0.1
Net cash used in investing activities		(58.2)	(59.3)
Financing activities			
Interest paid		(9.6)	(7.4)
Dividends paid		(40.2)	(40.0)
Increase in bank loans		48.0	28.0
Purchase of shares by ESOT		(0.4)	(0.2)
Proceeds on issue of shares held by ESOT		0.8	0.9
Net cash used in financing activities		(1.4)	(18.7)
Net increase/(decrease) in cash and cash equivalents		4.9	(4.9)
Cash and cash equivalents at beginning of period		40.4	45.3
Cash and cash equivalents at end of period	26	45.3	40.4

RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

For the 52 weeks ended 27 February 2016	2016 £m	2015 (restated see note 2) £m
Operating profit from continuing operations	79.2	83.2
Operating loss from discontinued operations	(0.7)	(11.0)
Adjustments for:		
Depreciation of property, plant and equipment	6.0	8.0
Loss/(gain) on disposal of property, plant and equipment	0.7	(0.1)
Amortisation of intangible assets	19.2	15.0
Impairment of intangible assets	–	8.0
Share option charge	2.2	2.1
Operating cash flows before movements in working capital	106.6	105.2
Increase in inventories	(6.7)	(4.9)
Decrease/(increase) in trade and other receivables	0.9	(11.9)
(Decrease)/increase in trade and other payables	(12.2)	5.1
Pension obligation adjustment	(1.7)	0.3
Cash generated by operations	86.9	93.8
Taxation paid	(22.4)	(20.7)
Net cash from operating activities	64.5	73.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (note 24) £m	Share premium £m	Own shares (note 25) £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2016						
Balance at 28 February 2015 as previously reported	31.3	11.0	(0.3)	1.0	453.6	496.6
Effect of amendment to IAS 39	-	-	-	-	(46.6)	(46.6)
Balance as at 28 February 2015 – restated see note 2	31.3	11.0	(0.3)	1.0	407.0	450.0
Comprehensive income for the period						
Profit for the period	-	-	-	-	54.3	54.3
Other items of comprehensive income for the period	-	-	-	0.8	10.0	10.8
Total comprehensive income for the period	-	-	-	0.8	64.3	65.1
Transactions with owners recorded directly in equity						
Equity dividends	-	-	-	-	(40.2)	(40.2)
Purchase of own shares by ESOT	-	-	(0.4)	-	-	(0.4)
Issue of own shares by ESOT	-	-	0.5	-	-	0.5
Adjustment to equity for share payments	-	-	-	-	0.3	0.3
Share option charge	-	-	-	-	2.2	2.2
Tax on items recognised directly in equity	-	-	-	-	(1.5)	(1.5)
Total contributions by and distributions to owners	-	-	0.1	-	(39.2)	(39.1)
Balance at 27 February 2016	31.3	11.0	(0.2)	1.8	432.1	476.0
Changes in equity for the 52 weeks ended 28 February 2015						
Balance as at 1 March 2014 as previously reported	31.3	11.0	(0.5)	1.9	441.6	485.3
Effect of amendment to IAS39	-	-	-	-	(48.3)	(48.3)
Balance as at 1 March 2014 – restated see note 2	31.3	11.0	(0.5)	1.9	393.3	437.0
Comprehensive income for the period						
Profit for the period as previously reported	-	-	-	-	49.4	49.4
Effect of amendment to IAS 39	-	-	-	-	1.7	1.7
Profit for the period - restated see note 2	-	-	-	-	51.1	51.1
Other items of comprehensive income for the period	-	-	-	(0.9)	1.1	0.2
Total comprehensive income for the period	-	-	-	(0.9)	52.2	51.3
Transactions with owners recorded directly in equity						
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)
Total contributions by and distributions to owners	-	-	0.2	-	(38.5)	(38.3)
Balance at 28 February 2015 – restated see note 2	31.3	11.0	(0.3)	1.0	407.0	450.0

NOTES TO THE GROUP ACCOUNTS

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 on the inside cover at the end of the report. The nature of the Group's operations and its principal activities are set out on page 52 of the directors' report.

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

The Group financial statements for the 52 weeks ended 27 February 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The Company has elected to prepare its parent company financial statements in accordance with FRS101, these are presented on pages 112 to 118.

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: 2010–2012 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 IAS 7: Disclosure initiative.*
- Amendments to IFRS 11 (May 2014): Accounting for Acquisitions of Interests in Joint Operations.
- IFRS 14: Regulatory Deferral Accounts.*
- IFRS 16 Leases *

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

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments.
- Management are still assessing the impact of the introduction of IFRS 15 and IFRS 16 on the financial statements of future periods.

* Not yet endorsed by the EU

Discontinued operations

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

2 Accounting policies

Basis of accounting

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

Accounting period

Throughout the accounts, the directors report and financial review, reference to 2016 means at 27 February 2016 or the 52 weeks then ended; reference to 2015 means at 28 February 2015 or the 52 weeks then ended unless otherwise stated.

Restatement

International accounting statement 39 ("IAS39"), in relation to the provisioning for bad and doubtful receivables, was adopted by the Group in 2005 at its introduction. Deloitte, as the Group's auditors, consistently confirmed that the Group's financial statements were appropriately prepared in accordance with IAS39.

Following the appointment of KPMG as auditor's during the year ended 27 February 2016, the Group determined that it was necessary to make a change in the technical interpretation of IAS39. This in no way affects the way in which the Group has operated or will operate its business. The revised interpretation of IAS39 relates to the judgement over whether a credit loss has been incurred when interest or other charges are temporarily waived, even for customers who ultimately repay their full capital balance. For customers who find themselves in financial difficulties, the Group may offer revised payment terms to support the customer, encourage rehabilitation and thereby maximise long term returns. For customers under such payment arrangements where interest and/or other charges are waived, the Group's financial statements now reflect an impairment provision for the foregone interest income upfront and the Group is recognising interest or other income over time on the impaired balances. Previously, in focusing primarily on the underlying cashflow risk to the business, and in arriving at provisions against such balances, the Group was focused upon the capital element of receivables and did not consider loss of interest as an impairment loss.

The impact of the prior year adjustments to reflect the revised interpretation of IAS39 is as follows:

	2015 As published £m	2015 Adjustments £m	2015 As restated £m
Income statement			
Revenue	818.0	19.2	837.2
Operating profit	81.2	2.0	83.2
Other	(4.9)	–	(4.9)
Profit before taxation	76.3	2.0	78.3
Taxation	(16.5)	(0.3)	(16.8)
Profit from continuing operations	59.8	1.7	61.5
Loss from discontinued operations	(10.4)	–	(10.4)
Profit attributable to equity holders of the parent	49.4	1.7	51.1

The impact of the restatement is to increase both basic and diluted earnings per share by 0.6 pence in FY15.

	2015 As published £m	2015 Adjustments £m	2015 As restated £m	2014 As published £m	2014 Adjustments £m	2014 As restated £m
Balance sheets						
Trade and other receivables	609.9	(60.4)	549.5	599.0	(62.4)	536.6
Deferred tax asset	3.2	4.0	7.2	4.8	4.9	9.7
Other	305.1	–	305.1	271.7	–	271.7
Total assets	918.2	(56.4)	861.8	875.5	(57.5)	818.0
Current tax liability	(13.9)	9.8	(4.1)	(18.8)	9.2	(9.6)
Other	(407.7)	–	(407.7)	(371.4)	–	(371.4)
Total liabilities	(421.6)	9.8	(411.8)	(390.2)	9.2	(381.0)
Net assets	496.6	(46.6)	450.0	485.3	(48.3)	437.0
Other	43.0	–	43.0	43.7	–	43.7
Retained earnings	453.6	(46.6)	407.0	441.6	(48.3)	393.3
Total equity	496.6	(46.6)	450.0	485.3	(48.3)	437.0

Basis of consolidation

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

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured

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

Acquisition costs are expensed as incurred.

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.

NOTES TO THE GROUP ACCOUNTS

CONTINUED

2 Accounting policies (continued)

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

Property, plant & 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	between 14% and 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 the income statement.

Borrowing costs

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

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

Intangible assets

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the 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 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 behaviour which may be affected by external economic conditions.

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

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

NOTES TO THE GROUP ACCOUNTS

CONTINUED

2 Accounting policies (continued)

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 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 and other payables

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

Equity instruments

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

Derivative financial instruments

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

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

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

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

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

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. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Own shares held by ESOT

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

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. 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 30) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net-interest expense or income is recognised within finance costs (see note 10).

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

Supplier rebates

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

Going concern

In determining whether the Group's accounts can be prepared on a going concern basis, the directors considered the Group's business activities together with factors likely to affect its future

development, performance and its financial position including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to its business activities. These are set out within the Risk Management Report on pages 28 to 31.

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

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

Exceptional items

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

Critical judgements and key sources of estimation uncertainty

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

Trade receivables

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

As a result this is continually assessed for relevance and adjusted appropriately. Further information is given in note 18.

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 and the Group continues to review and develop its compliance with the requirements of 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.

Software Development Costs

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

3 Revenue

An analysis of the Group's revenue is as follows:

Continuing operations

	2016 £m	2015 (restated see note 2) £m
Sale of goods	606.6	582.9
Financial services	259.6	254.3
Revenue – continuing operations	866.2	837.2
Investment income	–	0.1
	866.2	837.3

Discontinued operations

Subsidiary catalogue business	4.3	14.5
Revenue	870.5	851.8

NOTES TO THE GROUP ACCOUNTS

CONTINUED

4 Business segments

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

	2016 £m	2015 (restated see note 2) £m
Continuing operations		
Analysis of revenue – Home shopping total	866.2	837.2
Product	606.6	582.9
Financial Services	259.6	254.3
Analysis of cost of sales – Home shopping total	(383.6)	(369.8)
Product	(265.7)	(253.9)
Financial Services	(117.9)	(115.9)
Gross profit – Total	482.6	467.4
Product gross margin	56.2%	56.4%
Financial Services gross margin	54.6%	54.4%
Warehouse and fulfilment costs	(76.7)	(73.9)
Marketing and production costs	(161.7)	(154.7)
Depreciation and amortisation costs	(25.2)	(21.2)
Other administration and payroll costs	(122.6)	(121.8)
Exceptional items (see note 7)	(17.2)	(12.6)
Segment result & operating profit - Home Shopping	79.2	83.2
Investment income	–	0.1
Finance costs	(8.1)	(7.7)
Fair value adjustments to financial instruments	1.1	2.7
Profit before taxation	72.2	78.3

Given the significant change being implemented across our business as we become a digital-first, product-led, specialist-fit fashion retailer, we have sought to enhance our income statement disclosure in several ways:

- changing the allocation of certain cost lines from product gross margin to operating costs, to bring our disclosure more in line with typical retail practice.
- splitting the gross margin performance of Product and Financial Services.
- enhancing our operating cost disclosure to provide further clarity, moving from two categories – Distribution and Sales & Administration costs, to four – Warehouse & Fulfilment, Marketing & Production, Depreciation & amortisation, Other admin & payroll.

All the prior year comparatives have been adjusted accordingly.

	2016 £m	2015 (restated see note 2) £m
Analysis of product revenue by brand		
JD Williams	151.2	144.4
Simply Be	103.9	89.9
Jacamo	62.8	54.8
Power brands	317.9	289.1
Traditional segment	136.0	143.9
Secondary brands	152.7	149.9
Total product revenue - Home shopping	606.6	582.9
Analysis of product revenue by category		
Ladieswear	250.8	248.6
Menswear	82.0	81.4
Footwear	63.8	60.7
Home & gift	210.0	192.2
Total product revenue - Home shopping	606.6	582.9

The Group has one significant geographical segment, which is the United Kingdom. Revenue derived from international markets amounted to £31.9m (2015, £30.2m) and they incurred operating losses of £0.1m (2015, £1.3m). All segment assets are located in the UK, Ireland and the US.

The analysis above is in respect of continuing operations.

For the purposes of monitoring segment performance, all assets and liabilities are allocated to the sole 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 (2015, £nil).

	2016 £m	2015 (restated see note 2) £m
Other information		
Capital additions	58.7	63.3
Capital disposals	(2.4)	(0.1)
Depreciation and amortisation	(25.2)	(23.0)
Brand impairment	-	(8.0)
Balance sheet		
Total segment assets	914.8	854.6
Total segment liabilities	(434.7)	(399.2)
Segment net assets	480.1	455.4
Unallocated assets	9.2	7.2
Unallocated liabilities	(13.3)	(12.6)
Consolidated net assets	476.0	450.0

5 Discontinued operations

Following a review of the business and its future profit potential, the board decided in January 2015 to close the Gray & Osbourn catalogue business. The business was disclosed as a discontinued operation in the 2015 financial statements. The process is ongoing and has continued into the current financial period. The results of the discontinued operation were as follows.

	2016 £m	2015 £m
Revenue	4.3	14.5
Expenses	(5.0)	(17.5)
Brand impairment	-	(8.0)
	(0.7)	(11.0)
Attributable tax credit	0.1	0.6
Net loss attributable to discontinued operations	(0.6)	(10.4)

The effect of the contribution of the discontinued operations on the Group's cash flows have not been disclosed as they are not considered to be significant.

6 Profit for the period

	2016 £m	2015 (restated see note 2) £m
Profit for the period has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	1.5	(2.4)
Depreciation of property, plant and equipment	6.0	8.0
Loss/(profit) on disposal	0.7	(0.1)
Amortisation of intangible assets	19.2	15.0
Cost of inventories recognised as expense	270.9	263.4
Staff costs	83.0	89.3
Auditor's remuneration for audit services	0.3	0.3
Doubtful debts recognised as an expense	110.3	109.0
Brand impairment	-	8.0

NOTES TO THE GROUP ACCOUNTS

CONTINUED

6 Profit for the period (continued)

Amounts payable to KPMG LLP and their associates by the Group in respect of non-audit services were £0.5m (2015, Deloitte LLP, £1.9m).

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

	2016 £m	2015 £m
Audit of these Group financial statements	0.1	0.1
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	0.2	0.2
Audit-related assurance services	-	-
Tax advisory services	-	1.9
All other services	0.5	-
Total	0.8	2.2

Fees in relation to audit related assurance services totalled £40,000 (2015, Deloitte LLP, £30,000).

Fees payable to the company's auditor for the audit of the company's annual accounts were £15,000 (2015, Deloitte LLP, £10,000).

A description of the work of the audit committee is set out in the Corporate Governance Statement on pages 56 to 58 and includes an explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditor.

7 Exceptional items

	2016 £m	2015 £m
Strategy costs	7.6	5.6
VAT related costs	1.6	7.0
Clearance store closure costs	8.0	-
	17.2	12.6

Strategy costs incurred in 2016 related to Group re-organisation costs and outsourcing of IT maintenance. In 2015 these costs related to the outsourcing of our call centre.

The VAT related costs in 2016 are legal and professional fees related to ongoing disputes with HMRC. In 2015 these charges related to a potential settlement with HMRC in respect of VAT recovery on bad debts written off over a number of years.

In 2016 we closed our retail clearance stores, in line with our strategy to become digital first. The exceptional costs of £8.0m relate to stock write downs, onerous lease provisions and other related closure costs.

8 Staff costs

	2016 Number	2015 Number
The average monthly number of employees (including executive directors) was:		
Distribution	1,091	1,109
Sales and administration	1,848	2,268
	2,939	3,377

	2016 £m	2015 £m
Their aggregate remuneration comprised		
Wages and salaries	71.3	74.2
Social security costs	6.5	7.5
Other pension costs (see note 30)	3.0	5.5
Share options costs (see note 29)	2.2	2.1
	83.0	89.3

Details of individual directors' remuneration is disclosed in the remuneration report on page 75.

9 Investment income

	2016 £m	2015 £m
Interest on bank deposits	-	0.1

10 Finance costs

	2016 £m	2015 £m
Interest on bank overdrafts and loans	8.0	7.5
Net pension finance charge (see note 30)	0.1	0.2
	8.1	7.7

11 Tax

Recognised in the income statement	2016 £m	2015 (restated see note 2) £m
Current tax		
Charge for the period	13.6	15.9
Adjustments in respect of previous periods	(0.2)	0.7
	13.4	16.6
Deferred tax		
Origination and reversal of temporary timing differences	5.1	0.2
Reduction in tax rate	(1.2)	-
	3.9	0.2
Tax expense (continuing)	17.3	16.8
Tax from discontinued operations	(0.1)	(0.6)
Total tax expense	17.2	16.2

UK corporation tax is calculated at 20.08% (2015, 21.17%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax assets and liabilities at 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

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

	2016 £m	2015 (restated see note 2) £m
Profit before tax from continuing operations:	72.2	78.3
Tax at the UK corporation tax rate of 20.08% (2015, 21.17%)	14.5	16.4
Effect of change in deferred tax rate	(1.2)	-
Tax effect of expenses that are not deductible in determining taxable profit	0.4	0.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.7)	(0.8)
Tax effect of adjustments in respect of previous periods	4.3	0.7
Tax expense for the period	17.3	16.8

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

	2016 £m	2015 £m
Tax recognised in other comprehensive income		
Deferred tax – retirement benefit obligations	2.5	0.3
Tax charge in the statement of comprehensive income	2.5	0.3
Tax recognised in equity		
Current tax – share based payments	(0.2)	(0.8)
Deferred tax – share based payments	1.7	1.9
Tax charge in the statement of changes in equity	1.5	1.1

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11 Tax (continued)

The Group has on-going discussions with HMRC in respect of open taxation positions. The calculation of the Group's potential liabilities or assets in respect of these involves a degree of estimation and judgement in respect of items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a 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.

12 Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks ended 28 February 2015 of 8.56p (2014, 8.56p) per share	24.2	24.0
Interim dividend for the 52 weeks ended 27 February 2016 of 5.67p (2015, 5.67p) per share	16.0	16.0
	40.2	40.0
Proposed final dividend for the 52 weeks ended 27 February 2016 of 8.56p (2015, 8.56p) per share	24.2	24.1

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.

13 Earnings per share

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

	2016 £m	2015 (restated see note 2) £m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	54.3	51.1
Number of shares ('000s)	2016 Number	2015 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	282,316	281,612
Effect of dilutive potential ordinary shares:		
Share options	245	856
Weighted average number of ordinary shares for the purposes of diluted earnings per share	282,561	282,468
Earnings from continuing operations	2016 £m	2015 (restated see note 2) £m
Net profit attributable to equity holders of the parent	54.3	51.1
Adjustments to exclude loss for the period from discontinued operations	0.6	10.4
Earnings from continuing operations for the purpose of basic earnings per share	54.9	61.5
Fair value adjustment to financial instruments (net of tax)	(0.9)	(2.1)
Exceptional items (net of tax)	13.8	9.9
Adjusted earnings for the purposes of adjusted earnings per share	67.8	69.3

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

	2016 Pence	2015 Pence
From discontinued operations		
Basic	(0.22)	(3.69)
Diluted	(0.21)	(3.68)

14 Intangible assets

	Brands £m	Software £m	Customer Database £m	Total £m
Cost				
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
Additions	–	45.8	–	45.8
At 27 February 2016	16.9	256.7	1.9	275.5
Amortisation				
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
Charge for the period	–	19.2	–	19.2
At 27 February 2016	8.0	140.7	1.9	150.6
Carrying amount				
At 27 February 2016	8.9	116.0	–	124.9
At 28 February 2015	8.9	89.4	–	98.3
At 1 March 2014	16.9	56.4	–	73.3

Assets in the course of construction included in intangible assets at the year end total £55.3m (2015, £40.6m), of which £50.8m relates to the Fit 4 the Future project (2015, £17.0m). No amortisation is charged on these assets. All software additions relate to internal development.

Impairment testing of Software intangible assets

The Group is currently undertaking a Systems transformation project. Fit 4 the Future, Elements of Fit 4 the Future are not yet available for use therefore management have conducted impairment testing as at 27 February 2016. The recoverable amount has been based on the present value of future cashflows using the following key assumptions:

Cash flows over the seven year useful economic life of the asset represent management's best estimate of future cash flows as at 27 February 2016, and are based upon the Group's forecasts for 2017 – 2023.

The main assumptions underlying the cashflows relate to improvements in buying, marketing and credit management due to the use of an integrated platform as well as changes in costs due to reductions in finance time, and will be driven by exploitation of the Group's new IT platform and further investments made during 2017. Cash flows into perpetuity have not been incorporated into the calculation for prudence, however the asset is expected to generate economic benefit for the Group significantly past 2023. A pre-tax discount rate of 8% has been used in the forecast, consistent with the Brand impairment testing performed. The analysis performed calculates that the recoverable amount of the assets exceeds their carrying value and as such, no impairment was identified. It is on this basis, that management do not consider an impairment to exist at 27 February 2016. No reasonably possible change in a key assumption on which management has based its determination of the assets recoverable amount would cause the assets carrying amount to exceed its recoverable amount.

The amortisation periods for intangible assets are:

	Years
F4F Development Project	7
Software	5
Customer Database	5

Impairment testing of Brand intangibles

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 in 2015 the carrying value of the brand was permanently impaired to a value of £nil.

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.

NOTES TO THE GROUP ACCOUNTS

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14 Intangible assets (continued)

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 8.0% (2015, 7.4%). The directors consider that the value in use calculation has sufficient headroom above the carrying value of the brand names.

Sensitivity analysis has been performed with both the growth rate and discount rate adjusted by +7%, and under these sensitivities significant headroom is maintained.

The carrying value in relation to Gray & Osbourn is £nil (2015, £nil), £7.1m (2015, £7.1m) for Figleaves and for High and Mighty is £1.0m (2015, £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.

15 Property, plant and equipment

	Land and Buildings £m	Fixtures and Equipment £m	Total £m
Cost			
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
Additions	–	12.9	12.9
Disposals	–	(2.4)	(2.4)
At 27 February 2016	53.2	134.9	188.1
Accumulated depreciation and impairment			
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
Charge for the period	0.9	5.1	6.0
Eliminated on disposals	–	(1.7)	(1.7)
At 27 February 2016	13.1	98.3	111.4
Carrying amount			
At 27 February 2016	40.1	36.6	76.7
At 28 February 2015	41.0	29.5	70.5
At 1 March 2014	34.9	28.3	63.2

Assets in the course of construction included in property, plant and equipment at the year end date total £13.4m (2015, £3.1m), and in land and buildings total £7.0m (2015, £7.0m). No depreciation has been charged on these assets.

At 27 February 2016, the Group had not entered into any contractual commitments for the acquisition of property, plant and equipment (2015, £nil).

16 Subsidiaries

A list of all investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 35 to the Company's separate financial statements.

17 Inventories

	2016 £m	2015 £m
Finished goods	100.4	93.7
Sundry stocks	1.1	1.1
	101.5	94.8

A net charge of £12.1m (2015, £9.1m) has been made to the income statement in respect of written down inventories.

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

18 Trade and other receivables

	2016 £m	2015 (restated see note 2) £m
Amount receivable for the sale of goods and services	624.7	627.9
Allowance for doubtful debts	(97.6)	(100.9)
	527.1	527.0
Other debtors and prepayments	26.3	22.5
	553.4	549.5

Trade receivables are measured at amortised cost.

The average credit period given to customers for the sale of goods is 222 days (2015 restated, 230 days). Interest is charged at 58.7% (2015, 58.7%) on the outstanding balance. Where there is objective evidence of financial difficulty, a provision of estimated irrecoverable amounts is determined by reference to past default experience. A provision is held for all trade receivables that reach the trigger point of 56 days past due. For customers who find themselves in financial difficulties, the Group may offer revised payment terms to support the customer, encouraging customer rehabilitation and thereby maximising long term returns. However as the customer is not meeting their original payment terms a provision is held for these receivables. Generally, receivables over 150 days past due are written off in full.

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.

	2016 £m			2015 (restated see note 2) £m		
	Trade receivables	Trade receivables on payment arrangements	Total trade receivables	Trade receivables	Trade receivables on payment arrangements	Total trade receivables
Ageing of trade receivables						
Current – not past due	406.6	94.2	500.8	409.1	97.8	506.9
0 – 28 days – past due	41.9	14.0	55.9	39.3	16.7	56.0
29 – 56 days – past due	20.8	5.0	25.8	18.8	6.1	24.9
57 – 84 days – past due	14.4	3.4	17.8	12.5	4.0	16.5
85 – 112 days – past due	10.2	2.6	12.8	8.9	3.1	12.0
Over 112 days – past due	8.5	3.1	11.6	7.8	3.8	11.6
Gross trade receivables	502.4	122.3	624.7	496.4	131.5	627.9
Allowance for doubtful debts	(32.4)	(65.2)	(97.6)	(29.5)	(71.4)	(100.9)
Net trade receivables	470.0	57.1	527.1	466.9	60.1	527.0

The carrying amount of trade receivables whose terms have been renegotiated but would otherwise be past due totalled £93.1m at 27 February 2016 (2015, £97.1m). Interest income recognised on trade receivables which have been impaired was £41.7m (2015 as restated, £43.7m).

	2016 £m	2015 (restated see note 2) £m
Movement in the allowance for doubtful debts		
Balance at the beginning of the period	100.9	115.2
Amounts charged net to the income statement	110.3	109.0
Net amounts written off	(113.6)	(123.3)
Balance at the end of the period	97.6	100.9

The concentration of credit risk is limited due to the customer base being large and unrelated and comprising 1.3 million (2015, 1.3 million) customers. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

NOTES TO THE GROUP ACCOUNTS

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18 Trade and other receivables (continued)

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

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

19 Bank overdraft and loans

	2016 £m	2015 £m
Bank loans	335.0	287.0
The borrowings are repayable as follows:		
Within one year	–	7.0
In the second year	–	280.0
In the third to fifth year	335.0	–
Amounts due for settlement after 12 months	335.0	280.0

All borrowings are held in sterling.

	2016 %	2015 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	2.0	2.0
Bank loans	2.4	2.4

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

- Bank overdrafts which are nil at the current and prior year ends are repayable on demand, unsecured and bear interest at a margin over bank base rates.
- The Group has a bank loan of £250m (2015, £250m) secured by a charge over certain 'eligible' trade debtors (current and 0–28 days past due) of the Group and is without recourse to any of the Group's other assets. The facility has a current limit of £280m for which finance costs are linked to US commercial paper rates which is committed until August 2020.

The Group also has unsecured bank loans of £85m (2015, £37m) drawn down under a medium term bank revolving credit facility, of £125 million, which is committed until September 2020.

- 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 27 February 2016 the estimated future interest cost per annum until maturity would be £2.3m (2015, £2.0m).

At 27 February 2016, the Group had available £90m (2015, £83m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Note 21 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.

20 Derivative financial instruments

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

	2016 £m	2015 £m
Notional amount – Sterling contract value	21.5	33.9
Fair value of asset recognised	2.2	1.1

Changes in the fair value of assets/liabilities recognised, being non-hedging currency derivatives, amounted to a credit of £1.1m (2015, credit of £2.7m) to income in the period.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2 (2015, 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 (2015, same).

21 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 19, cash and cash equivalents disclosed in note 26 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 24 to 25 and the Statement of Changes in Equity.

Gearing ratio

The gearing ratio at the year end is as follows:

	2016 £m	2015 £m
Debt	335.0	287.0
Cash and cash equivalents	45.3	40.4
Net Debt	289.7	246.6
Equity	476.0	450.0
Gearing ratio	61%	55%

Debt is defined as long and short-term borrowings, as detailed in note 19.

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.

NOTES TO THE GROUP ACCOUNTS

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21 Financial instruments (continued)

Foreign currency risk management

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

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

	2016 £m	2015 £m
Less than 6 months	17.5	14.7
6 to 12 months	4.0	13.4
12 to 18 months	–	5.8
	21.5	33.9

Forward contracts outstanding at the period end are contracted at US dollar exchange rates ranging between 1.51 and 1.58.

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

	Liabilities		Assets	
	2016 £m	2015 £m	2016 £m	2015 £m
Euro	5.7	1.1	7.1	7.3
US dollar	13.7	9.8	–	0.9

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	
	2016 £m	2015 £m	2016 £m	2015 £m
Income statement				
Sterling strengthens by 10%	0.2	(0.6)	0.5	0.8
Sterling weakens by 10%	0.6	0.7	(2.4)	(1.0)

Categories of financial instruments

	2016 £m	2015 £m
Financial assets		
Cash and bank balances	45.3	40.4
Derivatives at fair value through profit and loss – held for trading	2.2	1.1
Loans and receivables	527.1	527.0
	574.6	568.5
Financial liabilities		
Derivatives at fair value through profit and loss – held for trading	–	–
Amortised cost	403.7	(357.3)
	403.7	(357.3)

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 27 February 2016 would have decreased by £1.4m (2015, £1.4m).

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

Credit risk management

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

All customers who wish to trade on credit terms are subject to credit verification procedures, supplied by independent rating agencies. 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.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 19 is a description of additional undrawn facilities that the Group has at its disposal and details of the Group's remaining contractual maturity for its non-derivative financial liabilities.

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

	2016 Carrying Amount £m	2016 Contractual Cash flows £m	2016 1 year or less £m	2016 1 to <2 years £m	2016 2 to <5 years £m	2016 5 years and over £m
2016						
Non derivative financial liabilities						
Secured bank loans	(335.0)	(371.3)	(7.9)	(7.9)	(355.5)	-
Trade payables	(68.7)	(68.7)	(68.7)	-	-	-
Derivative financial liabilities						
Forward exchange contracts						
Inflow	2.2	2.2	2.2	-	-	-
	(401.5)	(412.1)	(68.8)	(2.3)	(341.0)	-
	2015 Carrying Amount £m	2015 Contractual Cash flows £m	2015 1 year or less £m	2015 1 to <2 years £m	2015 2 to <5 years £m	2015 5 years and over £m
2015						
Non derivative financial liabilities						
Secured bank loans	(287.0)	(294.6)	(14.0)	(280.6)	-	-
Trade payables	(70.3)	(70.3)	(70.3)	-	-	-
Derivative financial liabilities						
Forward exchange contracts						
Inflow	1.1	1.1	1.1	-	-	-
	(356.2)	(363.8)	(83.2)	(280.6)	-	-

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 the amortised cost in the financial statements approximate to their fair values, with the exception of trade receivables.

As discussed in Note 18, where a customer finds themselves in financial difficulty, we may offer revised payment terms. This maximises long term returns to the business, but may not maximise the present value of the receivable. Therefore, the Group believes the amortised cost does not reflect the fair value of these receivables, which we have calculated as £554.0m.

NOTES TO THE GROUP ACCOUNTS

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22 Deferred tax

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

	Debtor Impairment provision £m	Share based payments £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Other £m	Total £m
At 1 March 2014 – restated see note 2	4.9	3.8	(7.0)	0.8	(1.4)	1.1
Credit/(charge) to income	(0.9)	0.5	(0.2)	0.1	0.3	(0.2)
Charge to equity	–	(1.9)	–	(0.3)	–	(2.2)
At 28 February 2015 – restated see note 2	4.0	2.4	(7.2)	0.6	(1.1)	(1.3)
Credit/(charge) to income	(1.4)	0.4	(3.2)	–	0.3	(3.9)
Charge to equity	–	(1.7)	–	(2.5)	–	(4.2)
At 27 February 2016	2.6	1.1	(10.4)	(1.9)	(0.8)	(9.4)

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:

	2016 £m	2015 (restated see note 2) £m
Deferred tax assets	3.9	7.2
Deferred tax liabilities	(13.3)	(8.5)
	(9.4)	(1.3)

At the balance sheet date, the Group has unused tax losses of £0.1m (2015, £0.1m) and capital losses of £4.4m (2015 £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.

23 Trade and other payables

	2016 £m	2015 £m
Trade payables	68.7	70.3
Other taxes and social security	–	5.0
Other creditors	0.4	0.4
Accruals and deferred income	30.6	33.2
	99.7	108.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2015, 30 days).

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

24 Share capital

	2016 Number	2015 Number	2016 £m	2015 £m
Allotted, called-up and fully paid				
Ordinary shares of 111 ¹ / ₁₀₀ p each				
At 27 February 2016 & 28 February 2015	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.

25 Own shares

	2016 £m	2015 £m
Balance at 28 February 2015	0.3	0.5
Additions	0.4	0.2
Issue of own shares on exercise of share options	(0.5)	(0.4)
Balance at 27 February 2016	0.2	0.3

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

At 27 February 2016 the employee trusts held 897,018 shares in the company (2015, 1,370,506).

26 Cash and cash equivalents

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

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

	2016 £m	2015 £m
Sterling	44.9	38.5
Euro	1.8	1.5
US Dollar	(1.4)	0.4
	45.3	40.4

27 Contingent liabilities

Parent Company bank overdrafts which at 27 February 2016 amounted to £13.0m (2015, £49.4m) have been guaranteed by certain subsidiary undertakings.

28 Operating lease arrangements

	2016 £m	2015 £m
Minimum lease payments under operating leases recognised as an expense for the period	9.8	8.0

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

	2016 £m	2015 £m
Within one year	1.4	0.3
In the second to fifth years inclusive	18.9	20.8
After five years	6.0	11.0
	26.3	32.1

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

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

NOTES TO THE GROUP ACCOUNTS

CONTINUED

29 Equity settled share based payments

The remuneration report on pages 64 to 79 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 scheme	Option price in pence	Exercise period	Number of shares 2016	Number of shares 2015
Option scheme				
2010 Savings related scheme	189 – 420	August 2016 – February 2021	1,139,126	1,462,239
2010 Executive scheme	211 – 459	May 2009 – August 2024	776,000	1,380,799
Unapproved executive scheme	211 – 459	May 2009 – August 2024	719,077	1,296,532
Long-term incentive scheme awards				
June 2012	–	June 2015 – December 2015	–	891,609
July 2013	–	July 2016 – December 2016	579,981	579,981
August 2013	–	August 2016 – February 2017	151,834	151,834
August 2014	–	August 2017 – July 2024	872,955	872,955
June 2015	–	June 2018 – June 2025	1,098,723	–
Deferred annual bonus scheme awards				
May 2013	–	May 2015 – November 2015	–	89,133
May 2014	–	May 2016 – November 2016	32,559	32,559
May 2015	–	May 2017 – November 2017	1,562	–

Movements in share options are summarised as follows:

	2016		2015	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the period	4,139,570	2.80	5,073,664	2.53
Granted during the period	527,372	2.98	807,176	4.09
Forfeited during the period	(1,398,491)	2.73	(1,257,659)	2.81
Exercised during the period	(634,248)	1.46	(483,611)	2.07
Outstanding at the end of the period	2,634,203	3.20	4,139,570	2.80
Exercisable at the end of the period	349,820	2.51	456,542	2.38

Options were exercised on a regular basis throughout the period and the weighted average share price during this period was 331 pence (2015, 426 pence). The options outstanding at 27 February 2016 had a weighted average remaining contractual life of 4.4 years (2015, 5.1 years). The aggregate estimated fair values of options granted in the period is £629,348 (2015, £851,009).

Movements in management share awards are summarised as follows:

	2016		2015	
	Number of share awards	Weighted average exercise price £	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the period	2,618,071	–	2,747,414	–
Granted during the period	1,100,285	–	905,514	–
Forfeited during the period	(953,150)	–	(328,656)	–
Exercised during the period	(27,592)	–	(706,201)	–
Outstanding at the end of the period	2,737,614	–	2,618,071	–
Exercisable at the end of the period	–	–	–	–

The awards outstanding at 27 February 2016 had a weighted average remaining contractual life of 6.7 years (2015, 4.0 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:

	2016	2015
Weighted average share price at date of grant (pence)	339	441
Weighted average exercise price (pence)	97	193
Expected volatility (%)	27.7 – 34.2	26.0 – 36.2
Expected life (years)	2.5 – 5.5	2.5 – 5.5
Risk-free rate (%)	0.9	1.2
Dividend yield (%)	4.2	3.4

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 £2.2m and £2.1m related to equity-settled share based payment transactions in 2016 and 2015 respectively.

30 Retirement benefit schemes

Defined contribution schemes

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

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

The total cost charged to income of £3.1m (2015, £3.3m) represents contributions payable to the schemes by the Group at rates specified in the rules of the plans. As at 27 February 2016, contributions of £0.3m (2015, £0.4m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit scheme

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 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:

	2016	2015
Discount rate	3.90%	3.50%
Future pension increases	2.15%	2.12%
Inflation – Retail Price Index	3.15%	3.25%
Inflation – Consumer Price Index	2.15%	2.25%
Life expectancy at age 65 (years)		
Pensioner aged 65	24.6	24.6
Non-pensioner aged 45	26.7	26.7

NOTES TO THE GROUP ACCOUNTS

CONTINUED

30 Retirement benefit schemes (continued)

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2016 £m	2015 £m
Current service cost	2.3	2.2
Past service cost	(2.4)	–
Net interest cost	0.1	0.2
	–	2.4

The actual return on scheme assets was £3.7m (2015, £21.5m).

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:

	2016 £m	2015 £m
Present value of defined benefit obligations	(108.1)	(120.8)
Fair value of scheme assets	118.9	117.5
Surplus/(deficit) in the scheme and liability recognised in the balance sheet	10.8	(3.3)

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

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

	2016 £m	2015 £m
At 28 February 2015	120.8	100.8
Current service cost	2.3	2.2
Past service cost	(2.4)	–
Interest cost	4.2	4.3
Remeasurement (gain)/loss		
a. Effect of changes in financial assumptions	(10.1)	16.0
b. Effect of experience adjustments	(2.8)	–
c. Benefits paid	(3.9)	(2.5)
At 27 February 2016	108.1	120.8

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

	2016 £m	2015 £m
At 28 February 2015	117.5	96.6
Interest income	4.1	4.1
Return on scheme assets excluding interest income	(0.4)	17.4
Contributions from sponsoring companies	1.6	1.9
Benefits paid	(3.9)	(2.5)
At 27 February 2016	118.9	117.5

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

	2016		2015	
	£m	%	£m	%
Equities	33.8	28.4	37.4	31.8
Fixed-interest government bonds	14.8	12.4	18.0	15.3
Index-linked government bonds	29.1	24.5	29.5	25.1
Corporate Bonds	14.6	12.3	12.5	10.6
Property	2.2	1.9	2.1	1.8
Growth fixed income	13.2	11.1	9.7	8.3
Alternatives	10.9	9.2	6.9	5.9
Cash and cash equivalents	0.3	0.2	1.4	1.2
	118.9	100.0	117.5	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 £5.8m (2015, £7.0m). An increase of 0.25% in the inflation assumption would increase the defined benefit obligation by £4.4m (2015, £4.7m).

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

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

Whilst no commitment has been made as at the balance sheet date, the Group expects to contribute £0.2m (2015, £1.8m) to the defined benefit scheme in the next financial year.

The weighted average duration of the defined benefit obligation at 27 February 2016 is approximately 24 years (2015, 24 years).

The defined benefit obligation at 27 February 2016 can be approximately attributed to the scheme members as follows:

- Active members: 0% (2015, 44%)
- Deferred members: 68% (2015, 36%)
- Pensioner members: 32% (2015, 20%)

All benefits are vested at 27 February 2016 (unchanged from 28 February 2015).

31 Related party transactions


Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of remuneration paid to the Group's key management personnel are given on page 75 of the directors' remuneration report.

COMPANY BALANCE SHEET

As at 27 February 2016	Note	2016 £m	2015 (restated see note 33) £m	2014 (restated see note 33) £m
Fixed assets				
Investments	35	366.0	363.8	361.7
Current assets				
Debtors	36	58.8	45.4	24.0
Cash and cash equivalents		0.1	0.1	0.3
		58.9	45.5	24.3
Creditors				
Amounts falling due within one year	37	(199.5)	(243.0)	(225.2)
Net current liabilities		(140.6)	(197.5)	(200.9)
Total assets less current liabilities		225.4	166.3	160.8
Non current liabilities				
Bank loans	38	(85.0)	(30.0)	(30.0)
Net assets		140.4	136.3	130.8
Capital and reserves				
Called-up share capital	39	31.3	31.3	31.3
Share premium account		11.0	11.0	11.0
Own shares	25	(0.2)	(0.3)	(0.5)
Profit and loss account		98.3	94.3	89.0
Shareholders' funds		140.4	136.3	130.8

The financial statements of N Brown Group plc (Registered Number 814103) were approved by the board of directors and authorised for issue on 2 June 2016.

They were signed on its behalf by:



Craig Lovelace

CFO and Executive Director

COMPANY CASH FLOW STATEMENT

For the 52 weeks ended 27 February 2016	Note	2016 £m	2015 £m
Net cash outflow from operating activities		(58.4)	(5.8)
Investing activities			
Dividends received		49.0	50.6
Net cash generated by investing activities		49.0	50.6
Financing activities			
Dividends paid		(40.2)	(40.0)
Increase in bank loans		55.0	-
Intergroup loan note interest paid		(5.8)	(5.7)
Purchase of shares by ESOT		(0.4)	(0.2)
Proceeds on issue of shares held by ESOT		0.8	0.9
Net cash used in financing activities		9.4	(45.0)
Net decrease in cash and cash equivalents		-	(0.2)
Cash and cash equivalents at beginning of period		0.1	0.3
Cash and cash equivalents at end of period		0.1	0.1

RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

For the 52 weeks ended 27 February 2016	2016 £m	2015 £m
Operating loss	(1.4)	(2.2)
Adjustment for movements in working capital		
Increase in trade and other receivables	(13.4)	(21.9)
(Decrease)/ increase in trade and other payables	(43.6)	18.3
Net cash outflow from operating activities	(58.4)	(5.8)

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital (note 39) £m	Share premium £m	Own Shares (restated see note 33) £m	Retained earnings (restated see note 33) £m	Total £m
Changes in equity for the 52 weeks ended 27 February 2016					
Balance at 28 February 2015 as previously reported	31.3	11.0	–	74.5	116.8
Effect of amendment to IFRS 2	–	–	–	18.9	18.9
Effect of amendment to treat the ESOT as a branch of the parent company	–	–	(0.3)	0.9	0.6
Balance at 28 February 2015 - restated see note 33	31.3	11.0	(0.3)	94.3	136.3
Comprehensive income for the period					
Profit for the period	–	–	–	41.7	41.7
Other items of comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	41.7	41.7
Transactions with owners recorded directly in equity					
Equity dividends	–	–	–	(40.2)	(40.2)
Purchase of own shares by ESOT	–	–	(0.4)	–	(0.4)
Issue of own shares by ESOT	–	–	0.5	–	0.5
Adjustment to equity for share payments	–	–	–	0.3	0.3
Share based payment charge	–	–	–	2.2	2.2
Total contributions by and distributions to owners	–	–	0.1	(37.7)	(37.6)
Balance at 27 February 2016	31.3	11.0	(0.2)	98.3	140.4
Changes in equity for the 52 weeks ended 28 February 2015					
Balance at 1 March 2014 as previously reported	31.3	11.0	–	71.8	114.1
Effect of amendment to IFRS 2	–	–	–	16.8	16.8
Effect of amendment to treat the ESOT as a branch of the parent company	–	–	(0.5)	0.4	(0.1)
Balance at 1 March 2014 - restated see note 33	31.3	11.0	(0.5)	89.0	130.8
Comprehensive income for the period					
Profit for the period	–	–	–	42.7	42.7
Other items of comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	–	–	–	42.7	42.7
Transactions with owners recorded directly in equity					
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 based payment charge	–	–	–	2.1	2.1
Total contributions by and distributions to owners	–	–	0.2	(37.4)	(37.2)
Balance at 28 February 2015 - restated see note 33	31.3	11.0	(0.3)	94.3	136.3

NOTES TO THE COMPANY ACCOUNTS

32 Significant accounting policies

Basis of accounting

N Brown Group plc ("the Company") is a company incorporated and domiciled in the UK. These financial statements present information about the Company as an individual undertaking and not about its Group. These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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

In the transition to FRS 101, the Company has made no measurement and recognition adjustments and has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period however none are applicable to these financial statements.

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

The Company proposes to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The principal accounting policies summarised below have, unless otherwise stated, been applied consistently to all periods presented in these accounts and in preparing an opening FRS 101 IFRS balance sheet at 1 March 2014 for the purposes of the transition to FRS 101.

Investments

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

Bank borrowings

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

Taxation

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

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

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

Dividends

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

Cash and cash equivalents

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

Own shares held by ESOT

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

33 Prior period restatement

N Brown plc operates Group wide equity settled share incentive schemes. Whilst the Company has no own employees of its own, it settles all share incentive schemes granted to employees of its subsidiaries. In 2016 the directors reviewed the application of IFRS 2 share based payments. In prior periods, the Group wide schemes had not been reflected in the individual accounts of N Brown Group plc. The Company accounts have been restated with the Company now recognising a credit to equity in respect of all group wide equity settled share based payment schemes. As subsidiaries are not recharged for the share based payment charge, the amount is debited to cost of investment. The impact on the balance sheet in 2015 and 2014 is shown below, described as Adjustment 1.

The Company also acts as sponsor transferring cash and selling sufficient shares to enable an employee benefit trust to meet obligations of the Group wide equity settled share incentive schemes. In prior periods, the trust was accounted for in the Group accounts only and not in the Company accounts. On the basis that the trust is merely acting as an agent of the Company, the Company accounts have been restated to account for the assets and liabilities of the trust as if they were assets and liabilities of the Company. The Company cashflow statement has been restated on the same basis. Under this treatment, the accounting in the Company accounts is the same as the accounting in the Group accounts. The impact on the balance sheet in 2015 and 2014 is shown below, described as Adjustment 2.

	2015 As published £m	2015 Adjustment 1 £m	2015 Adjustment 2 £m	2015 As restated £m	2014 As published £m	2014 Adjustment 1 £m	2014 Adjustment 2 £m	2014 As restated £m
Fixed assets								
Investments	344.9	18.9	–	363.8	344.9	16.8	–	361.7
	344.9	18.9	–	363.8	344.9	16.8	–	361.7
Debtors	45.4	–	–	45.4	24.4	–	(0.4)	24.0
Cash and cash equivalents	–	–	0.1	0.1	–	–	0.3	0.3
	45.4	–	0.1	45.5	24.4	–	(0.1)	24.3
Creditors								
Amounts falling due in less than one year	(243.5)	–	0.5	(243.0)	(225.2)	–	–	(225.2)
Net current liabilities	(198.1)	–	0.6	(197.5)	(200.8)	–	(0.1)	(200.9)
Total assets less current liabilities	146.8	18.9	0.6	166.3	144.1	16.8	(0.1)	160.8
Non current liabilities								
Bank loans	(30.0)	–	–	(30.0)	(30.0)	–	–	(30.0)
Net assets	116.8	18.9	0.6	136.3	114.1	16.8	(0.1)	130.8
Capital and reserves								
Called-up share capital	31.3	–	–	31.3	31.3	–	–	31.3
Share premium account	11.0	–	–	11.0	11.0	–	–	11.0
Own shares	–	–	(0.3)	(0.3)	–	–	(0.5)	(0.5)
Profit and loss account	74.5	18.9	0.9	94.3	71.8	16.8	0.4	89.0
Shareholders' funds	116.8	18.9	0.6	136.3	114.1	16.8	(0.1)	130.8

34 Profit for the period

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

N Brown Group plc reported a profit after tax for the financial period ended 27 February 2016 of £41.7m (2015, profit £42.7m) which includes dividends received of £49.0m (2015, £50.6m).

The non executive directors' remuneration was £569,000 (2015, £567,833) and seven non executive directors were remunerated (2015, nine). The executive directors were remunerated by a subsidiary company in both years. Further details are provided on page 75 of the directors' remuneration report.

The auditor's remuneration for audit services to the company of £15,000 (2015, £10,000) was borne by subsidiary undertakings.

35 Fixed asset investment

	2016 £m	2015 (restated see note 33) £m
Cost and net book value	366.0	363.8

NOTES TO THE COMPANY ACCOUNTS

CONTINUED

35 Fixed asset investment (continued)

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

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

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

36 Debtors

	2016 £m	2015 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	58.0	45.2
Prepayments and accrued income	0.8	0.2
	58.8	45.4

37 Creditors

	2016 £m	2015 £m
Amounts falling due within one year:		
Bank loans and overdrafts	13.0	56.4
Trade creditors	-	0.3
Amounts owed to Group undertakings	186.0	186.0
Accruals and deferred income	0.5	0.3
	199.5	243.0

38 Bank loans

	2016 £m	2015 £m
Bank overdrafts	13.0	49.4
Bank loans	85.0	37.0
	98.0	86.4
The borrowings are repayable as follows:		
On demand within one year	13.0	56.4
In the second year	-	30.0
In the third to fifth year	85.0	-
	98.0	86.4
Less: amounts due for settlement within 12 months (shown under current liabilities)	(13.0)	(56.4)
Amounts due for settlement after 12 months	85.0	30.0

NOTES TO THE COMPANY ACCOUNTS

CONTINUED

38 Bank loans (continued)

The Company has unsecured bank loans of £85.0m (2015, £30.0m) drawn down under a medium term bank revolving credit facility committed until September 2020.

At 27 February 2016, the Company had available £60.0m (2015, £83.0m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The weighted average interest rate paid were as follows:

	2016 %	2015 %
Bank overdrafts	2.0	2.0
Bank loans	1.9	1.7

39 Share capital

	2016 Number	2015 Number	2016 £m	2015 £m
Allotted, called-up and fully paid Ordinary shares of 11 ¹ / _{19p} each				
At 27 February 2016 & 28 February 2015	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.

40 Guarantees

Parent Company bank overdrafts which at 27 February 2016 amounted to £13.0m (2015, £49.4m) have been guaranteed by certain subsidiary undertakings.

41 Related party transactions

Key Management Personnel of the Company are considered to be the Directors of the Company for the purposes of related party disclosures.

The Company's transactions with Key Management Personnel are disclosed in Note 34.

SHAREHOLDER INFORMATION

Financial timetable

2016	11 October	Announcement of interim results
	8 December	Closing of register for interim dividend
2017	6 January	Payment of interim dividend
	19 January	Christmas Trading Statement
	25 February	Financial year-end
	26 April	Preliminary announcement of annual results
	15 June	Publication of 2017 annual report and accounts
	5 July	Closing of register for final dividend
	18 July	Annual general meeting
	4 August	Payment of final dividend

Registered office

Griffin House
40 Lever Street
Manchester
M60 6ES
Registered No. 814103
Telephone 0161 236 8256

Registrars

Capita Asset Services
PXS 1
34 Beckenham Road
Beckenham
Kent BR3 4ZF
Telephone 0871 664 0300
(Calls cost 10 pence per minute
plus network extras)

Auditor

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Bankers

HSBC Bank plc
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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